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US NATIONAL DEBT
(in the Context of Economic Sustainability)

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Abstract
As the world's largest economy, the United States plays an important role in shaping international financial markets and influencing global economic trends. Therefore, public debt management in the United States is a matter of paramount importance not only for the country itself, but also for the stability and functioning of the global economy, including the economy of Uzbekistan.

Keywords: Debt, economic stability, economy, GDP, national debt.

Introduction

The US national debt could continue its upward trend, possibly doubling in the next thirty years. This could create a number of risks**.**

Unsustainable growth trajectory

The United States has a long history of accumulating debt due to a variety of factors, including fiscal policy, economic fluctuations, and geopolitical upheavals. As of April 2024, the U.S. national debt exceeded $34 trillion, the highest percentage of GDP since 1945, the early days of the modern financial system.

The unsustainable growth trajectory of the national debt is causing serious concerns among many experts. According to economists’ forecasts, the US national debt may continue its upward trend, possibly doubling in the next thirty years. This could create a number of risks, including a budget crisis, an increase in Federal Reserve interest rates, increased economic instability, and a decrease in the country’s influence on the world stage.

Some experts believe that the United States can afford to continue borrowing at current levels, given its low interest rates due to its unique position in the global economy. However, others emphasize the need for active debt management to ensure the stability and sustainability of the economy in the long term.

Given that the budget deficit is an annual measure while government debt is a momentum indicator, this leads to measuring both as a share of GDP and is the standard method for comparing expenditures over time, as this approach automatically takes into account inflation, population growth and changes in per capita income.

Debt Retrospective

The end of World War II, after which the United States emerged as the world's economic and military superpower, provides an important starting point for examining contemporary levels of public debt. Defense spending during the war also led to a unique period of growth, with the nation's public debt soaring to more than 100 percent of GDP in 1946.

In the first three decades after World War II, the steady growth of the US economy gradually reduced the share of government debt, despite the costs of protracted conflicts on the Korean Peninsula and in Vietnam in the early 1950s and the creation of large social benefit programs, including Medicare and Medicaid. Overall, debt as a percentage of GDP reached its lowest point in 1975, at 24.6 percent, or $533 billion.

In the 1980s, the Ronald Reagan administration substantially increased defense spending and implemented sweeping tax cuts, ushering in a new period of rising national debt. In the 1990s, a combination of tax cuts, defense spending cuts, and economic growth led to a decline in the relative size of the national debt to GDP. In 1998, President Bill Clinton and the Republican-controlled US Congress were able to achieve the first budget surplus in the previous thirty years.

But the deficit resurfaced under President George W. Bush, who pursued policies that included tax cuts, increased military spending as the U.S. became embroiled in the conflicts in Afghanistan and Iraq, and major new entitlements such as Medicare Part D, which expanded health care to include coverage for prescription drugs. The annual deficit reached a record high of more than $1 trillion under President Barack Obama, who responded to the 2008–09 Global Financial Crisis by continuing the bailout of commercial banks and providing hundreds of billions of dollars in fiscal stimulus and appropriations.

US federal budget expenditures

The U.S. federal budget includes a division of spending into mandatory and discretionary, as well as interest payments on the debt. Mandatory spending is automatically approved unless the legislation is changed by Congress. It includes entitlement programs such as Social Security, Medicare, and Medicaid. Discretionary spending requires annual approval by Congress and includes defense, health care, education, windfall payments, and transportation.

In fiscal year 2022, only 27% of federal spending went to discretionary programs. Defense spending was about $750 billion, while other discretionary spending, such as health care and education, was less than $150 billion each. In fiscal year 2023, only more than 27.3% of federal spending ($1.7 trillion) went to discretionary programs. Defense spending increased to $805 billion, while health care and education grew slightly compared to the previous fiscal year.

The annual deficit reached a record high of more than $1 trillion under President Barack Obama in response to the 2008-09 Global Financial Crisis.

The health sector makes up a significant part of economy and is one of the fastest growing items of federal budget expenditure. The health care system in the United States is considered one of the most expensive in the world, but the results of this system do not always meet expectations. According to international studies, the country's population spends twice as much on health care as other developed countries, but this is not always reflected in better health indicators of the population.

Thus, according to the latest OECD data from 2023, the average US expenditure on health care per capita is $12,555, while in Switzerland and Germany this figure is just over $8,000, and in Italy it is almost $54,300.

Also, the United States has been facing significant demographic changes in recent years, which have had an impact on the federal budget and social security programs. Older Americans make up an ever-larger share of the population as the large baby boom generation retires, a process that is expected to continue through 2030, when approximately 10,000 people a day will reach age 65.

In addition, life expectancy is increasing, leading to a need for longer-term support during retirement. These demographic changes put pressure on the federal budget and funding for programs that provide for older and vulnerable citizens, such as Social Security, Medicare, and Medicaid.

According to projections from the Congressional Budget Office (CBO), the main drivers of Federal spending is dominated by mandatory spending programs such as Social Security, Medicare, and Medicaid, which totaled $839 billion and $616 billion in fiscal year 2023, or 3.1 percent and 2.3 percent of GDP, respectively. CBO projections assume that federal revenue and spending laws remain unchanged. Spending on these programs is expected to grow as a percentage of GDP due to an aging population and rising health care costs without a corresponding increase in revenues.

Public debt payments

Interest payments on the government debt are also expected to rise significantly as a share of GDP. In 2022, they reached their highest level in more than two decades, as the Federal Reserve raised rates to combat inflation caused by the pandemic and heightened geopolitical tensions in some key regions of the world. In fiscal year 2023, net interest payments on the government debt totaled $659 billion, or 2.5 percent of GDP, and are projected to rise to nearly 7.5 percent over the next three decades. In other words, interest payments on the debt will take up an ever-larger percentage of federal spending, underfunding other areas such as Social Security, Health Care, and Education.

Federal spending is projected to grow steadily in the coming decades, while government tax revenues will remain low relative to the size of the economy. President Donald Trump’s 2017 Tax Cuts and Jobs Act is considered the landmark tax law of recent years. President Trump and Republican lawmakers argued that the tax cuts would boost economic growth, which would increase government revenues and balances, but many economists have argued otherwise. According to the CBO, the law will actually increase the annual budget deficit and add about $1.8 trillion to the debt over the next decade.

The national debt has increased significantly during the COVID-19 pandemic due to massive economic stimulus measures, including aid to individuals, businesses, and state and local governments. These measures have increased the federal budget deficit to $3.1 trillion in 2020, about 15% of GDP and the highest level since World War II.

President Joe Biden has signed several measures that will increase the debt, including infrastructure and climate bills such as the Inflation Reduction Act. According to forecasts from the CBO and independent experts, these initiatives will increase the federal deficit by hundreds of billions of dollars over the next decade. Joe Biden also signed a three-step plan to pay off student loans totaling $127 billion. It is noted that U.S. foreign aid spending will reach a seven-decade high in 2022-23 due to economic support for Ukraine in Europe and Israel in the Middle East.

Debt Comparisons

According to the International Monetary Fund, the pandemic has caused a significant increase in borrowing around the world. In advanced economies, the ratio of government debt to GDP has increased from about 75% to more than 80%. By 2023, the US debt-to-GDP ratio is one of the highest among developed countries, second only to Japan and Italy, where it reaches 255% and 144.1%, respectively.

However, the United States of America remained the world's largest economy for a long time and never defaulted on its debt. In addition, the US dollar has been the world's reserve currency since the 1940s.

High demand for the dollar in both domestic and international markets is helping the United States to finance its debt. Investors, including central banks around the world, prefer to hold dollar-denominated assets such as U.S. Treasury bills and bonds because of their safety and security, as well as the opportunity to earn high returns compared to other risk-free securities denominated in other currencies such as the euro or yen.

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Debt load stabilization

For years, economists and experts have proposed various plans to balance the federal budget and reduce the debt. Most involve a combination of spending cuts and tax increases to stabilize the debt, including eliminating tax cuts and subsidies, raising taxes on high-income workers and corporations, and introducing new taxes, such as a carbon tax.

Deep cuts in Social Security and defense spending are included in many debt-reduction plans. For example, the bipartisan 2010 Simpson-Bowles deficit-reduction plan proposed cutting overall spending, including the military, as well as spending on Medicare and Medicaid and raising the retirement age. The Simpson-Bowles plan would have raised more than $1 trillion in new tax revenue. However, more than 80 percent of Republicans in Congress have signed a pledge never to raise taxes, limiting lawmakers' ability to find a compromise.

Some key points of this plan included:

- increasing revenues to 21% of GDP (above the long-term average of 17%) and reducing expenditures to 21% of GDP (below long-term expenditure forecasts);
-lowering tax rates, eliminating most tax deductions and credits, and simplifying the tax code while increasing revenue to reduce the deficit;
- curbing the growth of discretionary spending on defense and non-military needs by introducing mandatory restrictions and canceling several procurement projects, reforming military health care, ending low-priority programs and optimizing government activities;
- stabilizing social security finances while strengthening the safety net for low-income older people.

The Peter Peterson Foundation's Solutions Initiative brings together leading policy organizations to develop plans to achieve long-term financial sustainability. The 2019 Solutions Initiative demonstrated seven comprehensive plans that could help the United States move onto a stronger, more sustainable fiscal path. Although each individual plan reflected the policy priorities of its authors, each participating organization chose to propose significant reductions in the federal debt.

Some economists believe the U.S. can continue to increase its debt for years to come, thanks to a reservoir of confidence in its economy. But many others warn that this is too risky and that time is running out to get the debt growth under control. Economists at the **Penn-Wharton Budget Model** estimate that financial markets will not be able to sustain deficits for more than two decades, with potentially serious consequences.

ALARMING FORECASTS

At the current pace of U.S. government spending, the federal debt is growing by about $1 trillion every 100 days, Bank of America analysts said in March.

Goldman Sachs estimates that the cost of U.S. debt could reach a new record by 2025. A separate analysis by the Peter G. Peterson Foundation estimates that total interest payments on the debt could potentially reach $10.6 trillion over the next decade. Billionaire investor Ray Dalio predicted last year that the U.S. would eventually face a debt crisis that could push U.S. economic growth to near zero.

Other market commentators have also sounded the alarm about the growing US government debt balance as the pace of government spending shows no sign of slowing.

Profinance.ru according to materials from the agency Business Insider.

Conclusion

In conclusion, it can be emphasized that the US government debt is a complex and multifaceted financial instrument that plays a key role in the country's economy. Its emergence is due to various factors, including financial crises, geopolitical shocks, changes in tax policy and social security programs.

The outlook for the growth of the US national debt remains unresolved. On the one hand, the need to finance social programs and infrastructure projects requires additional costs, and this may increase the federal budget deficit, which will subsequently have a negative impact on the national debt. On the other hand, there is pressure to reduce the debt in order to ensure financial sustainability and avoid negative consequences for the economy. There are a variety of strategies that can be used to reduce the U.S. national debt, including increasing tax revenues, cutting spending, stimulating economic growth, and reforming social security. The Simpson-Bowles plan, initiatives by respected think tanks, and many other solutions could stabilize the national debt situation in the long term, provided they receive bipartisan support.

Anti-indebtedness management of the US financial debt involves the development and implementation of strategies aimed at reducing the debt burden, stimulating economic growth, expanding opportunities for increasing the overall level of economic well-being for both the US and the entire world community, given the country's leading position in the global economic, political and military arenas.