

American National Debt Increases and Becomes Unpayable

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The American national debt situation is reaching an extremely worrying point for the country's stability. Recently, the debt reached its highest point since World War II, and is currently equivalent to the totality of the American economy itself. Debt has been high for years and the worsening has been progressive, however, with the pandemic of the new coronavirus, spending in the country was raised to the maximum and the crisis due to the national debt became almost inevitable.

With the economic crisis generated – or aggravated – by the pandemic, small and medium-sized companies are closing or reducing in size, which, consequently, significantly reduces the collection of taxes and the money available in public coffers. In addition, the government spends more to try to save such companies and guarantee workers' rights, which raises public spending. Since the tax cut policies adopted by President Donald Trump in 2018, the deficit has only worsened, recently reaching its worst scenario. By 2020, the deficit will exceed 3 trillion dollars. It is no longer a simple matter of decreasing the amount of national revenue: the government is increasing this debt at a rate equivalent to 17% of annual GDP. This means that the debt, as it is now and considering that it tends to get even worse, simply cannot be paid.

According to experts, the amount of the American national debt – which was 17 trillion dollars in the beginning of 2020 – could reach around 33 trillion dollars by the end of the decade. For years, foreign debt purchases have been completely stagnant, it is unlikely that US domestic savings will be able to finance this huge increase in federal loans, leading the country to financial collapse.

It is expected that, with the pandemic, more than 2 trillion dollars is added to the national debt, considering that much of the new expenses and income losses are offset by savings from lower interest rates on the debt. The pandemic and the recession have brought irreversible consequences to the American debt. Although the crisis can be reduced and the situation generated by the pandemic can be controlled, the effects of the crisis will be long-lasting, if not perpetual, leading the American nation to bankruptcy. Since March 2020, the US government has provided about 5 trillion dollars in coronavirus rescue funds. A recent economic and social assistance law, passed in February, was responsible for the spent of 2 trillion dollars. Another law with a similar purpose of social aid has provided another 3 trillion since May. With this, the country is gradually making its situation more and more unsustainable and making the living conditions of the population worse.

However, there are still several other factors that evidence the possible US financial bankruptcy. Commercial sector's debt has increased by more than 18% – and it is the

biggest contributor to total debt, along with federal debt. American household debt also increased, reaching an increase of almost 4%, mainly due to the 3.2% increase in mortgages. Consumer debt increased by 1.6%. Stock values fell by 8 trillion dollars, while real estate values rose by 400 billion dollars in the first months of 2020.

The impacts of this crisis can be seen in literally every sector of American society. Trade, defense and security will be affected, as will civil rights and social stability, which was already beginning to be guaranteed with Trump's policies before the pandemic. Simply put, the American state and American citizens will become poorer and the country will be more susceptible to the perpetuation of crises and internal instabilities. With the debt becoming unpayable – which, according to several experts, has already happened – the financial collapse will be inevitable, delivering a major blow against the very fragile American global hegemony. At the international level, the American financial collapse will mean the definitive Chinese victory in the current trade war. Washington will be forced to reduce its international ambitions and geopolitical projections to ensure the survival of its own structure as a sovereign national state.

So, a question remains unanswered: what will the future of the US be after the financial meltdown? If specialized and coherent planning is already being provided, it is possible to create a platform for economic recovery through tax reforms and strategic investments. This will require Washington's exclusive attention to its internal affairs and will reduce the geopolitical dimension of the United States in the contemporary world.

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