

USA has Two Options to Save its Economy: Declare Default or Trigger a War

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The United States is the largest borrower in the world. The US national debt has already exceeded the level of 11 trillion dollars as of the beginning of 2009 and continues to grow like an avalanche. Experts say that the USA has only two ways to solve the problem: to either declare default or trigger off a war.

According to experts' estimates, the probability of default on US treasury bonds is very high at the moment. The rumors are not new at all. Moreover, experts say that the USA has already started to work on an opportunity to refuse from the [dollar](#) in order to avoid debt payments.

Dmitry Abzalov, an expert with the Center for Russia's Political Conjuncture, said that governments currently take on the debts of corporations. "The corporate debts crisis thus becomes the crisis of governmental debts. The US debt in the beginning of 2009 amounted to \$10.6 trillion. Taking into consideration the current deficit budget of the United States, as well as the prospects for the deficit of the budget during the current year, it becomes clear that the US Treasury bond market is based on no alternative whatsoever. There is no other way for investors to invest their funds with treasury bonds being the only option," the expert told Bigness.ru.

When the [world economy](#) recovers, investors will realize that there are plenty of other opportunities for investments, the European bonds, for example (if the European economy recovers from the crisis too, of course), or the bonds of developing countries.

"The pyramid of US bonds will collapse in this case. The debt percentage grows every day, which makes the USA borrow more and more on a daily basis. America will have no chances to pay off the debt," the expert said.

Inga Foksha, an analyst with Aton Investment Company, agrees that the US default is quite possible, although she is certain that it will not happen unless the world finds an alternative to the US dollar. The dollar will collapse immediately in case of default, which is absolutely unacceptable, because 63 percent of world reserves are saved in dollars. Their collapse will trigger the global economic collapse.

"Technically, the default of the United States may occur during three or five years, although it is too early to say that it could be possible. The USA can print new dollars to pay their debts with them," she said.

Nevertheless, the US government bonds still enjoy investors' support and are still

considered a risk-free investment.

Dmitry Abzalov believes that the current situation with the US national debt may end with a new war. The war will destroy excessive liquidity and the current debt.

“The war in Iraq began to delay the US crisis, which started brewing in the [US economy](#) at the end of 2000,” he said.

The Americans have been trying to raise their economy with the help of military actions for decades, since the Great Depression of the 1930s. A war boosts the nation’s industry, even if a recovery is based on defense orders.

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