

USA is on its way to default?

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At the beginning of the year, „The Washington Post” expressed concern about the state of the US debt and the tendency for its rapid growth over the past decade.

After that an analysis of the expenditure of budgetary funds was conducted by a group of researchers at the Rutherford Institute led by John Whitehead.

According to Whitehead, incompetent officials and the military-industrial complex are to blame for the rapid growth of the US public debt. As an example, Whitehead cites data published by the Open the Government. From them it follows that the list of recent purchases of the Pentagon included china tableware for 53 thousand dollars, a leather chair for 9 thousand dollars, alcoholic beverages for 308 thousand dollars, as well as lobsters and crabs worth 4.6 million dollars. And this is just one of many situations.

As of March 1, the total amount of US government debt amounted to 22063.2 billion dollars. Thus, the US Treasury over the past eight years, for the fourth time already reached the admissible threshold of government debt. For the first time this happened in May 2011, when Finance Minister Timothy Geithner told Congress that he had to resort to „various accounting tricks” to avoid default. And in August, the Senate voted to increase the national debt to 16.4 trillion dollars. As a result of the placement of new state bonds of several hundred billion dollars, Standard & Poor’s has downgraded the US credit rating from AAA to AA + for the first time in history.

In the fall of 2017, emergency funding was needed to eliminate the consequences of the hurricanes Harvey and Irma. There were no sufficient funds in the treasury, and the congress with the

White House had to re-adopt a law on increasing the debt limit.

In February 2018, the treasury reached the ceiling for the third time, and Trump suspended the law on limiting public debt for a year. Over the past year, the US Treasury took another \$ 1.22 trillion more on the market. Thus, the total amount of US debt exceeded \$ 22 trillion.

Analysts suggest that while maintaining the current trend until the beginning of autumn, the United States may run out of money. And this means that President Trump has about five months to agree with the Congress on the next increase in the national debt limit or to find new sources of raising funds to the treasury.

It is worth noting that in the US Treasury there is a group of „progressive economists” advocating the so-called Modern Monetary Theory. Its essence lies in the fact that, since loans are taken in their own currency, the classic problems of public debt and the budget deficit do not apply to the United States – the Fed can print as much money as needed to repay debt and plugging budget holes at any time. In this case, the head of the US Federal Reserve Jerome Powell opposes the inclusion of a printing press. He noted that „we will have to either spend less or increase budget revenues.”

Spending less Trump is not ready. This will mean the end of a number of his projects, such as a wall on the border with Mexico, etc. It is unlikely, and most importantly, quickly, to increase budget revenues is also unlikely to succeed.

Against the background of these events, the latest decisions of the American president come to mind: US withdrawal from the operation in Syria, active attempts to squeeze Russian gas from the European market, support for the opposition in Venezuela, the intention to increase the cost of deploying American military bases for allies... It is possible that this

is Donald Trump's attempt to quickly find new sources of replenishment of the treasury.

Because otherwise, America faces default. This is unlikely to happen, but the very possibility of this is already unprecedented.

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