

Case study on the us economy and its effect on future generations

[Countries](#), [United States](#)



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Introduction

Whatever persuasive the financiers' statements regarding the controlled and secured national debt might be, any credits do not mean that you have been given a gift which is not expected to be returned. The nature of the credit is that it involves a paying back procedure or " repayment" as it is referred to in the economic system. I am deeply convinced that huge and growing public debts do not bring anything perpetual to the economy - it is just a delayed, " buried" bankruptcy challenge. The figures illustrate that the more available credits were to people and the more a country' s standard of living was getting improved, the more national debt was incurred by the United States in that period.

Today, according to simple economic calculations, each American taxpayer has to contribute in the amount of more than \$154 thousand to repay the national debt (Patton).

Thesis Statement: the consequences of the rising national debt will be extremely detrimental in the form of high interest rates, inflation, and

unemployment and may be eliminated only by the effective public control instrument.

Unperceivable National Debt

Evidently, the United States economy has encountered serious financial hardships in recent years. The relevant literature, economic experts and mass media's attention has been focused on the problems related to the national debt possible impacts and consequences on a whole American nation, as well as on excessive import and trade deficit.

Currently, the American national debt amounts to approximately \$18, 2 trillion and has a tendency to increase (Patton). In terms of structure, the national debt, according to the U. S. Department of the Treasury, is composed of a " public debt", " debt held by the public" and " gross federal debt". A bigger half of the national debt consists of a " public debt" and " debt held by the public". The first concept pertains to bills, notes and bonds issued by the American government and purchased by foreign governments. Let's take a closer look at the major foreign investors who have bought the American Securities: pursuant to the table provided by the U. S. Department of the Treasury, as of January 2015, the first two major holders are represented by China and Japan. The government of China holds \$1239, 1 billion and the government of Japan - \$1238, 6 billion in the U. S. securities. Other countries from this list hold much less in comparison to Japan and China: for instance, the United Kingdom holds \$207, 4 billion.

A lot of analysts and experts in the field contend that the national debt has reached its highest level and may result in uncontrollable economic

downturns and fluctuations detrimental to average U. S. citizens. Since Ronald Reagan's administration, the government's spending proved to have been increasing due to a taxes' reduce. The government took a stand on a laissez-faire policy, waiting that businessmen would begin to spend more (Livingston).

Since 2004, the national debt has virtually tripled: it has risen from \$7, 3 to \$18, 2 trillion. To measure a national debt, the world's practice turns out to utilize a " debt-to-GDP ratio". This indicator specifies how big the amount of a national debt is compared to the economy's scope. Gross domestic product means a sum of an overall number of services and goods produced in the territory of a particular country. When a national debt equals GDP magnitude, a " debt-to-GDP ratio" is estimated to be 100%. Where a national debt exceeds GDP scope, this indicator will be more than 100% (Patton). Currently, the United States national debt is estimated to exceed its GDP and, therefore, it is 102, 6% of GDP. In contrast, in 1980, the national debt amounted to 35, 4% of GDP, and in 1990 - 57, 7%. In 2019, it is anticipated that the United States national debt will be increased to 105, 7% of its GDP and will amount to more than \$20 trillion (Patton).

Economic experts claim that such a national debt of America which is practically quite hard to perceive for average individuals has all chances to contribute to a series of financial hardships, in particular, to high interest rates, inflation and unemployment owing to a slow and shrinking economy. A special economic research conducted on more than 20 countries in light of their debt levels determines that the economies of countries with no debt burden demonstrate an average growth of 3, 5%, while countries with debt

burdens equaling to 90% and 120% of GDP show only 1, 2 - 2, 3% of growth (Boccia).

A declining economic growth and financial downturns are likely to result in a less access to foreign credits and loans, since a country's rating in the international financial market will worsen and potential creditors will require that a higher interest rate be fixed for future credits. Thus, a government is likely to increase a cost of domestic loans for consumers, including mortgages, credit lines for businesses and individuals. This situation will put all Americans in formidable circumstances precluding them from starting a business or buying a home (Boccia).

Another effect of the increasing national debt is that the government may inflate the " money supply" to reduce the debt. Certainly, this will directly influence the American population living on fixed payment from the government, namely, veteran pensions, government programs for indigent people and other social payments received by old people relying only on them. Consequently, those people will be at a huge risk even being unable to pay their bills and afford a normal living (Boccia).

So, what a resolution to a growing national debt should be? I agree with Mallory Livingston who once wrote that the American citizens did not fully exercise their constitutional rights of controlling the government. Livingston contends that it is unwise and unreasonable to trust the current American politicians declaring that the government finances are under a strict control. I consent to Livingston's proposal that people should take a distinct and comprehensive stand towards the national debt and government spending and it may be realized in such forms as applying to congressmen and an

active involvement in creation and enactment of appropriate laws at the local and country's levels. Moreover, I also consider that American citizens should pay more efforts and time to become more financially educated and, undoubtedly, this will enhance their ability to communicate opinions and ideas to influence the government.

Conclusion

Certainly, the United States rising national debt poses a serious threat to a whole country's economy and financial future and if not stopped now it will cause a myriad of more complicated hardships.

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