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Economic Issues in the United States

“The federal government faces an unsustainable fiscal future.” This is a surprising and largely unnoticed quote from earlier this year in a GAO report issued in May 2023. “The current financial path is unsustainable.” This was a repeated theme in the Treasury Department's FY 2022 financial report of the US government. Even though these paths are being made clear, we keep allowing our elected representatives to do more of what got us here in the first place.

US Debt

The US debt currently stands at 33 trillion dollars. The real GDP of the US is \$22.4 trillion. The debt isn't just rising; it's growing at a fast rate, as if there's no limit to how much we can borrow. Future generations will have to pay the price for this debt. Getting more and more into debt will make other countries less likely to lend to us because we might not pay it back. Congress gets us into debt by writing massive spending bills. These spending bills don't hurt congressional representatives, but they get the benefit of saying they're fighting for different issues so they can get reelected. Debt is commonly taken on during emergencies like COVID, but recently, Congress has been using spending bills as a political campaigning tool. “The national debt has increased by more than 89% since the beginning of COVID.” Even more

concerning is the fact that all this debt must be paid off with dollars, which are being devalued through oversupply.

The dollar as the World Reserve currency

Since the 1940s, the dollar has been the most frequently used currency worldwide and the most widely used currency for international trade. Sometimes countries cannot use their own currency for trade and borrowing, so they keep foreign money on hand. These currencies are stored in the form of bonds, and the US bond market has enjoyed the position of being the largest. US bonds make up nearly 60% of the reserves of foreign countries. Since the US left the gold standard in 1971, the dollar has no longer been backed by gold. The devaluation of the US dollar had begun, and thanks to borrowing and printing money, the devaluation has accelerated since then.

The so-called “de-dollarization movement” by a growing number of countries to set up trade using currencies other than the dollar is not a new idea. However, when the Biden administration imposed sanctions on Russia for invading Ukraine, other countries began to worry that their dollar reserves could be cut off without notice if they angered America. Inflation has weakened the dollar, and the failure of regional banks has alarmed the world financial market.

Although the dollar now makes up only 58% of foreign reserves held by other countries, the lowest ever, losing reserve status is something that happens over decades. If that happened, borrowing would become more difficult in the US. Interest rates would be higher, and stock market values would go down. This would make it harder for people to start businesses, export products to new international markets, buy houses, and invest for the future. I think that if people

just had to earn what they wanted to borrow, they would be a lot less lazy than if borrowing the money were so easy, like for a lot of college students these days. If the dollar diminishes, then it would force us to be more responsible with our money and borrow less.

Bank Failures

Earlier this year, three regional banks suddenly collapsed. This frightened people and made them lose faith in the banking system. Small businesses depend on local banks for 60% of their loans. Local and regional banks were hit hard during COVID and the years that followed. This is partly because people weren't saving during that time, but they also weren't borrowing. Unemployment was up, and people stopped paying back their loans. Many industries and stocks that had been profitable began to lose money.

Silicon Valley Bank auctioned some Treasury bonds at a loss. When word got out that they were desperate to sell them, people began withdrawing their money from the bank. This bank had a lot of tech companies as customers, and these customers withdrew 42 billion dollars in a single day. Because of fractional banking, SVB was wiped out. Signature Bank got in trouble with the Justice Department over illegal activities involving the cryptocurrency it was buying and selling. First Republic Bank simply lent out more money than it had. Politicians blame each other, but the economic damage from COVID policies is still being felt.

Changes I Would Like to See

The entry form for this essay asked, "If you were the sole decision-maker with the power to take corrective action against our current monetary system, what action would you take and

why?" I wouldn't want one person, no matter how well meaning, and not even me, to make all the decisions because then they wouldn't have any accountability. This is how tyrants are born. However, there are some fiscal and monetary policies that I would love to see.

Printing more money should be decided by Congress, not by the Federal Reserve. It would be harder to convince a majority of Congress to oversupply the economy with money than it is for the board at a private bank, which is the Fed, to decide. This would be a good idea because Americans would have a chance to make their wishes known prior to the decision, like a new bill for Congress. Plus, decisions to print more money would then be a matter of public record. As it is, neither Congress nor the president nor any judge can compel the Fed to submit records to hand over.

Something else I would like to see happen is lowering the tax rate for individuals and businesses. This would stimulate the economy by encouraging more businesses to form and the businesses that already exist to expand. A flat tax on individuals would be more fair, and everyone, including the poor and those on welfare, would have to pay taxes on what they receive, whether pay or benefits. That would help people keep more of what they make. This would also take away the incentive not to work.

I would also require Congress to balance the budget every year before they can get the next year's budget approved. Congress would have to balance the budget with the ability to raise the debt ceiling; this would force Congress to cut programs, stop spending, and stop borrowing in the future. There could be an exception made in a time of war or natural disaster, but lawmakers who vote for that would have to leave office after a year without a pension. Their

seats would be up for election, and they would risk losing their majority; it has to be that important to them.

I would also like to see our government get rid of a few federal departments to get out of debt and save money. There are many federal agencies involving themselves in the work of states and local governments, such as the U.S. Department of Education, the U.S. Department of Housing and Urban Development, the U.S. Department of Health and Human Services, and many others. The federal government has gotten involved in the unemployment insurance program, which operates at the state level. The federal government uses tax money to pay each state's administrative costs so that the tax money the states collect can be used for unemployment transfer payments. However, the states could easily fund their own administrative costs, and the federal oversight costs could be eliminated. There are many examples like this throughout the federal government.

The single best thing that Americans can do is return to the gold standard. Since the gold standard was abandoned, the dollar has weakened, inflation has accelerated, and it has become too easy for the central bankers to print an endless supply of money.

Just as individuals should be responsible and shouldn't buy anything we don't need, our government should be held to the same standard. Spending without accountability has weakened our economy, and it will continue to do so. Because of these politicians, I and future generations will have to deal with the consequences, but I will do my part to make our country better and our economy stronger.

Works Cited

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