Addenda #28 – November 2024
Re: Ch. 8, Money and Debt

➢ *U.S. (National) Debt*

US Budget Deficit Widens To $1.8 Tn, Third Highest On Record
Barron's; October 18, 2024

The United States on Friday reported a budget deficit of $1.8 trillion for the past year, widening from 2023's level on greater spending, including for interest on the public debt.

This year marks the third highest US deficit, behind 2021 and 2020, according to the Treasury. In the latest fiscal year, there was a near 30 percent rise in spending on interest on the public debt, largely due to higher interest rates, the Treasury noted. It topped $1 trillion.

Spending in FY2020 and 2021 soared due to stimulus plans to help the economy recover from the COVID-19 pandemic. Total deficit spending for FY2020 was $3.132 trillion, the highest budget deficit on record. Six major COVID-19 stimulus programs were passed during this period, resulting in a total of $5.974 trillion in current and future years spending. Total deficit spending for FY2021 was $2.775 trillion, the second highest budget deficit on record. Two major pandemic stimulus plans were passed during this period, resulting in an additional $2.8 trillion in current and future years spending.
The U.S. National Debt soared from $22.719 trillion at the end of FY2019 to $28.428 trillion at the end of FY2021. President Trump left office in January 2021, with a four-year deficit of $6.53 trillion, larger than any president in the past. More than half of that deficit was a result of FY2020 pandemic stimulus spending.

While one can disagree that a certain percentage of stimulus spending was wasteful, given to people who didn't really need the money or because of fraudulent loan applications, I think most people would agree that the economic recession caused by pandemic closures and the 25.362 million jobs lost between February and April, would have lasted much longer and resulted in more business failures, home foreclosures and personal bankruptcies if these stimulus plans were not passed. In this crisis situation, as during the 2007 Housing Crisis and 2007-2009 Sub-Prime Mortgage and Financial Crisis, extraordinary spending was needed to save the U.S. economy and people.

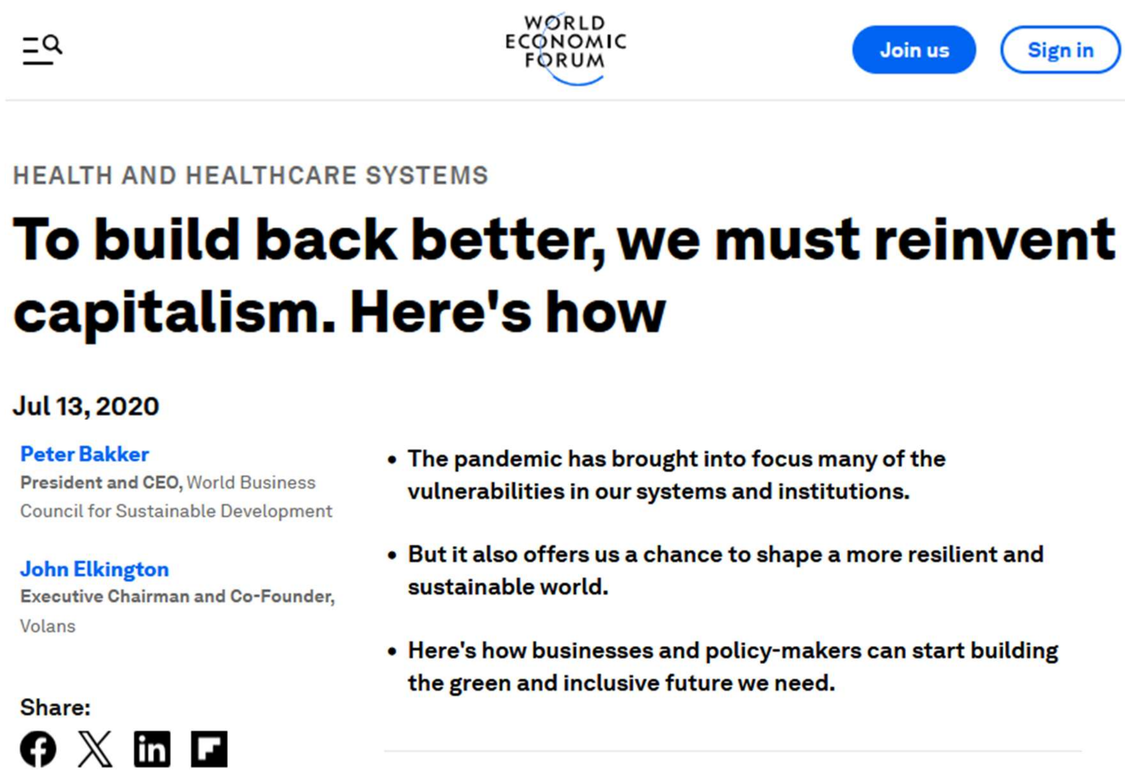
The FY2020 Federal Budget was submitted to Congress March 11, 2019, nine months before the SARS-CoV-2 outbreak occurred in Wuhan, China, ten months before the first case occurred in the United States, twelve months before the President declared a National Emergency. President Trumps budget message showed his intent to reduce spending in future years.

My 2020 Budget builds on the tremendous progress we have made and provides a clear roadmap for the Congress to bring Federal spending and debt under control. We must protect future generations from Washington's habitual deficit spending.
The Budget Message of the President; Budget of the U.S. Government FY2020, March 11, 2019

The Presidents 2020 fiscal year budget projected a spending increase of just 3.7% annually over the next four years, and a 49% overall reduction in deficit spending.
The FY2020 budget called for spending outlays of $4.746 trillion, and even at the end of March 2020, federal spending was on track to achieve budget projections … then the Coronavirus pandemic derailed the Presidents fiscal plan. The $1.1 trillion deficit projected in the FY2020 budget ballooned to $3.131 trillion. The $966 billion deficit projected in the FY2021 budget ballooned to $2.775 trillion. Massive deficit spending over the next two years was caused by nine COVID-19 stimulus plans. Deficit spending over the three years that followed, was caused by the new administrations spending plans.

The Biden-Harris administration took office in January 2021, with the intent to continue pandemic stimulus spending and the backing of a Democrat controlled Senate.
But the administration also had another priority in their agenda, full cooperation with the World Economic Forums plan to, *Build Back Better*.

"… yes, it [the Great Reset in the United States] *will happen. And I think it will happen with greater speed and with greater intensity than a lot of people might imagine"*
"Special presidential envoy for climate" John Kerry; World Economic Forum panel discussion, November 17, 2020.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HEALTH AND HEALTHCARE SYSTEMS

To build back better, we must reinvent capitalism. Here's how

Jul 13, 2020

Peter Bakker
President and CEO, World Business Council for Sustainable Development

John Elkington
Executive Chairman and Co-Founder, Volans

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- **The pandemic has brought into focus many of the vulnerabilities in our systems and institutions.**
- **But it also offers us a chance to shape a more resilient and sustainable world.**
- **Here's how businesses and policy-makers can start building the green and inclusive future we need.**

"To achieve a better outcome, the world must act jointly and swiftly to revamp all aspects of our societies and economies, from education to social contracts to working conditions. Every country, from the United States to China, must participate, and every industry, from oil and gas to tech, must be transformed. In short, we need a "Great Reset" of capitalism."
Klaus Schwab, World Economic Forum founder, June 2020

President Biden and G7 Leaders Launch Build Back Better World (B3W) Partnership

President Biden and G7 partners agreed to launch the bold new global infrastructure initiative Build Back Better World (B3W), a values-driven, high-standard, and transparent infrastructure partnership led by major democracies to help narrow the $40+ trillion infrastructure need in the developing world, which has been exacerbated by the COVID-19 pandemic.

Through B3W, the G7 and other like-minded partners with coordinate in mobilizing private-sector capital in four areas of focus—climate, health and health security, digital technology, and gender equity and equality—with catalytic investments from our respective development finance institutions.

B3W will be global in scope, from Latin America and the Caribbean to Africa to the Indo-Pacific. Different G7 partners will have different geographic orientations, but the sum of the initiative will cover low- and middle-income countries across the world.

The White House 'Fact Sheet'; June 12, 2021

Global Elites at the World Economic Forum rejoiced at the news of the G7 agreement.
The sum of the initiative will cover low-and middle-income countries across the world.
Build Back Better, in the eye of Global Elites at the World Economic Forum, was a plan for redistribution of wealth, taking money from wealthy, developed countries and spending it in poorer, less developed countries. To reduce not only inequality between nations, but most importantly, the influence and power of larger nations. Like the United States.

The immediate post crisis period offers a small window to build back better by not wasting the $10 trillion that governments around the world are investing to alleviate the effects of the COVID-19 pandemic.

COVID-19's legacy: This is how to get the Great Reset right; World Economic Forum post, July 14, 2020

By "not wasting" stimulus money on those affected by the pandemic? Global Elites wanted a say in how money was going to be spent in countries around the globe, to exert their influence and determine the outcome of this spending.

"The pandemic represents a rare but narrow window of opportunity to reflect, reimagine, and reset our world."

Klaus Schwab, Founder and Executive Chairman, World Economic Forum

"There is a golden opportunity to seize something good from this crisis..."

His Royal Highness, Prince Charles; World Economic Forum 'Launch of the Great Reset', June 3, 2020

Doctors who treated Coronavirus patients say that the virus invades the body and begins replicating itself, attacking cells all over the body. The virus attacks the lungs first, causing inflammation, scarring and thickening the tissue around air sacs in the lungs. The air sacs become filled with fluids and begin to die. The patient's oxygen levels plummet, and they struggle to breathe. The virus goes on to attack the heart, creating blood clots and causing strokes, and attacking the kidneys, causing acute injury and organ failure.
Patients died, intubated and still struggling to breathe, alone in hospital rooms isolated from their loved ones.
This, was the "opportunity" seen by Global Elites, to enact a *Great Reset* of society.

"We have an opportunity, Chris, to do so many things now to change some of the structural things that are wrong, some of the structural things we couldn't get anyone's attention on."
Presidential candidate Joe Biden interview with CNN's Chris Cuomo, April 8, 2020

Yes, Klaus Schwab, Prince Charles and Joe Biden all saw an *opportunity*, coming as a result of the global pandemic that caused the deaths of hundreds of millions of people.

One way to invest smartly is to embed climate and environmental resilience into stimulus packages and recovery programmes.
COVID-19's legacy: This is how to get the Great Reset right; World Economic Forum post, July 14, 2020

From this post, we can see that Global Elites are very much interested in appropriating trillions of stimulus money meant to alleviate the effects of a global pandemic, and direct them to green energy projects, climate change mitigation, infrastructure projects and equitable growth in society.

A true recovery from COVID-19 will not be about putting things back together the way they were: we need to 'build back better', to 'reset', if we are to address the deep systemic vulnerabilities the pandemic has exposed.
To build back better, we must reinvent capitalism. Here's how; World Economic Forum post, July 13, 2020

The FY2022 Federal Budget, submitted to Congress in May 2021, was the first federal budget submitted by the Biden-Harris administration. It was also the first federal budget *not* subjected to spending caps, due to the expiration of the *Budget Control Act of 2011*. Included in President Biden's Budget Message was the following statement: *"The President believes this is a moment to build back better and to rise to meet the full range of challenges and opportunities before us…"*
Sound familiar? The Great Reset was underway in the United States, just as John Kerry had promised Global Elites of the World Economic Forum, back in November 2020.

President elect Biden took office on January 20, 2021. By this time, eight pandemic stimulus plans totaling $6.8 trillion in current and future years spending, had already been signed into law by Congress. Biden's Build Back Better Part 1, The *American Rescue Plan*, was already working its way through the newly seated 117th Congress and would eventually be signed into law on March 11, 2021, sending another $1.9 trillion in pandemic related stimulus payments into the economy.
Build Back Better Part 2, The *American Jobs Plan* and Build Back Better Part 3, The *American Families Plan*, totaling another $4.79 trillion in current and future spending, were already in the negotiating stage with Congressional Democrats, who held the majority of seats in both the House of Representatives and Senate.

Before President Biden submitted his budget request to Congress on May 28, $13.56 trillion in current and future years spending had already been authorized by Congress or was in the negotiating stage. On top of all this, the President submitted the FY2022 budget request for an additional $6 trillion in spending for the current fiscal year, *26% higher* than the last pre-pandemic budget request just two years ago.

We couldn't go back to the way things were, to the levels of spending we had before the pandemic occurred… we had to seize the "opportunities" before us "provided by the pandemic" and spend even more money, money that was necessary to "revamp [Reset] all aspects of our societies and economies".
The *Build Back Better* framework proposed by candidate Joe Biden in 2020, called for climate change and social policy spending totaling $4.79 trillion, equivalent to 70% of all the previous year federal spending.

The House on Friday passed a sprawling, roughly $2 trillion social policy, climate and tax measure that is the central pillar of President Biden's domestic agenda.
The product of months of intense negotiations, the package would bolster the federal safety net, enhancing support for children and families with child care subsidies and universal prekindergarten, expanding health coverage, increasing housing assistance and investing heavily in combating climate change.
The New York Times; November 21, 2021

A sweeping $1.9 trillion spending plan, known as the Build Back Better bill [BBB Pt 1]*, is making its way through Congress and could make a key part of President Joe Biden's economic agenda a reality… The Congressional Budget Office estimates that the legislation would increase the deficit by $367 billion over the next 10 years. But the White House has worked to make the case that the bill will be fully paid for when accounting for a proposal to enhance tax enforcement, which the CBO excluded.*
CNN Politics: December 8, 2021

Taking into account that once spending policies are passed into law it is almost impossible they remain temporary, the CBO then projected the Build Back Better Act would increase the deficit *by $3 trillion* over the next ten years if the bills policies remained permanent.

Remember that any spending on programs and services above and beyond what is taken in from taxes and other receipts must be financed by borrowed money. The U.S. Treasury sells securities to investors in the U.S. and in foreign countries, and to foreign central banks.
In exchange for buying those Treasury securities, the buyers are promised the return of principal when the security matures, plus interest payments over the term of the security. Just like a bank Certificate of Deposit. The interest owed to borrowers, known as *net interest* on the debt, depends on interest rates at the time the security is bought, like a CD. The Federal Reserve lowered interest rates to stimulate the economy in response to the pandemic and yields on Treasuries followed, making federal deficit spending inexpensive to finance. (Think, taking out a five-year loan at a rate of 1% or less to purchase a car)

The federal government borrowed more than $5 trillion from March 2020 through September 2021, when short-term Treasury rates were below 1%.
Between October 2023 and September 2024, the Treasury had to refinance $7.6 trillion of publicly held debt at rates between 3 % and 4%.

5 Year Treasury Rate: July 2018 – November 2024

Total deficit spending for FY2020 and 2021 was $5.907 trillion, so the Treasury department was able to finance much of this borrowed debt including interest payments, at rates less than 1.5%. Net interest paid out to finance U.S. debt for these two years was $1.085 trillion. Total deficit spending for FY2022, 2023 and 2024 was $4.9 trillion, so the Treasury department had to finance this debt plus interest at rates as high as 4.8%. Net interest to finance U.S. debt for these three years was $2.08 trillion, $949 billion in FY2024 alone! The U.S. cannot afford to pay off its debt, which hit $35 trillion at the end of FY2024. It must issue new bonds for investors to purchase, to pay off investors whose bonds have matured. In this respect, the U.S. National Debt is just a Ponzi Scheme, where previous investors are paid off by the money coming in from new investors.

The "creditworthiness" of the United States affects the interest rate investors are willing to buy Treasury securities at. For decades the U.S. held a top-notch debt rating (AAA) for its status at the world's largest economy, and the safety of its credit for borrowing money. On August 5, 2011, S&P Global Ratings cut the U.S. credit rating to AA+ when the National Debt hit the debt ceiling limit of $28.4 trillion, and Congress balked at raising the borrowing limit. On August 2, 2023, Fitch Ratings cut the U.S. credit rating to AA+, as Congress debated another debt ceiling increase and its $32.6 trillion in total debt. Credit downgrades on the United States reflect on investor willingness to borrow. They must be given higher interest rates to entice them to lend money to our government, and the government pays more interest to finance its debt.

The Congressional Budget Office (CBO) regularly publishes reports presenting its baseline projections of what the federal budget and the economy would look like in the current year and over the next 10 years if laws governing taxes and spending generally remain unchanged. The most recent report, *An Update to the Budget and Economic Outlook: 2024 to 2034*, was published in June 2024. In its report, the CBO projected that by FY2034, the budget deficit will grow to $2.846 trillion, as outlays (spending), boosted by rising spending on mandatory programs and net interest payments, increase faster than revenues.

Fiscal Year	Revenues	Outlays	Mandatory	Discretionary	Deficit	Net Interest
FY2018	3,330	4,107	2,522	1,262	-777	324
FY2019	3,462	4,446	2,735	1,338	-984	375
FY2020	3,419	6,551	4,578	1,627	-3,132	345
FY2021	4,045	6,821	4,834	1,636	-2,776	352
FY2022	4,896	6,271	4,133	1,664	-1,375	475
FY2023	4,439	6,134	3,758	1,718	-1,695	658
FY2024	4,918	6,751	4,165	1,818	-1,833	949
FY2034	7,459	10,305	6,336	2,259	-2,846	1,710

Numbers in billions of dollars

Source: Budget of the United States Government; FY2018-FY2025

Source: Congressional Budget Office; Update to the Budget, June 2024

Mandatory Programs: Social Security, Medicare, Medicaid, Social Welfare programs, Unemployment benefits

Notice that total outlays decreased in FY2022 after pandemic stimulus spending slowed, it then picked back up in FY2023 and FY2024 as spending from President Bidens *Build Back Better* bills began to kick in. Also notice, that Net Interest payments began to rise in FY2022, as Treasury yields began to rise again. (see chart on page 230)

Net interest paid on the National Debt increased dramatically to $949 billion in FY2024, as Treasury yields rose well over 4.0%. Net interest payments will continue to increase sharply over the next decade, if not due only to higher rates but also due to higher levels of debt the interest is applied to. The CBO estimates that Net Interest payments will rise by $761 billion (80%) over the next ten years, to an estimated $1.71 trillion in FY2034. This spending will also have to be financed with borrowed money, fueling an upward debt spiral with no end.

The Budget Outlook, by Fiscal Year

		Percentage of GDP				Billions of dollars			
	Average, 1974–2023	**Actual, 2023**	**2024**	**2025**	**2034**	**Actual, 2023**	**Actual, 2024**	**2025**	**2034**
Revenues	**17.3**	**16.5**	**17.2**	**17.0**	**18.0**	**4,441**	4,919 **4,890**	**5,038**	**7,459**
Individual income taxes	8.0	8.1	8.6	8.6	9.7	2,176	2,447	2,550	4,021
Payroll taxes	6.0	6.0	5.9	5.8	5.9	1,614	1,678	1,737	2,455
Corporate income taxes	1.8	1.6	1.8	1.6	1.2	420	525	490	507
Other	1.5	0.9	0.8	0.9	1.2	230	239	260	476
Outlays	**21.0**	**22.7**	**24.2**	**23.5**	**24.9**	**6,123**	6,752 **6,880**	**6,975**	**10,305**
Mandatory	11.0	13.9	14.7	13.9	15.3	3,747	4,191	4,127	6,336
Social Security	4.4	5.0	5.1	5.2	6.0	1,348	1,452	1,549	2,478
Major health care programs	3.4	5.8	5.8	5.7	6.8	1,556	1,654	1,690	2,821
Medicare	2.1	3.1	3.2	3.1	4.2	832	903	935	1,735
Medicaid, CHIP, and marketplace subsidies	1.3	2.7	2.6	2.5	2.6	724	750	755	1,086
Other mandatory	3.2	3.1	3.8	3.0	2.5	843	1,086	889	1,037
Discretionary	8.0	6.4	6.3	6.2	5.5	1,719	1,797	1,832	2,259
Defense	4.2	3.0	3.0	3.0	2.8	806	849	905	1,144
Nondefense	3.7	3.4	3.3	3.1	2.7	913	948	928	1,115
Net interest	2.1	2.4	3.1	3.4	4.1	658	892 949	1,016	1,710
Total deficit (-)	**-3.7**	**-6.2**	**-7.0**	**-6.5**	**-6.9**	**-1,683**	-1,833 **-1,990**	**-1,938**	**-2,846**
Primary deficit (-)	-1.6	-3.8	-3.9	-3.1	-2.7	-1,024	-1,098	-922	-1,136
Debt held by the public at the end of each period	48.3	97.3	99.0	101.6	122.4	26,236	28,178	30,188	50,664

Source: An Update to the Budget and Economic Outlook: 2024 to 2034, Congressional Budget Office, June 2024
Updated November 8, 2024, using final FY2024 numbers.

Mandatory spending on Social Security, Medicare, Medicaid, social welfare programs, and unemployment benefits, will increase by $2.1 trillion (51%) over the next ten years. The CBO report also shows that revenue received from Individual Income Taxes will increase by $1.6 trillion (64%) over the next ten years, due to the expiration of the 2017 Tax Cuts and Jobs Act lower tax rates.
Note: This report will have to be revised again, now that Republicans are in control of the House, Senate and the White House, and those lower tax rates are likely to be extended.

The National Debt, what we owe to all those we've borrowed from to fund government spending, is currently $34.95 trillion. The "unfunded liabilities" of the Social Security OASI Retirement and Medicare HI hospitalization trust funds over the next 75-years is an *additional $140 trillion*. Add to this, proposed spending on Progressive Democrat policies like Medicare for All, College for All, Housing for All, Free Child Care and Pre-K for All, Eliminating Medical Debt, Universal Basic Income and the Green New Deal, and you have a recipe for fiscal and economic disaster.

The 2024 Annual Report of the Board of Trustees of the Social Security administration noted that the OASI retirement trust fund reserves become depleted in 2033, at which time OASI income would be sufficient to pay only 79 percent of scheduled benefits.
The 2024 Annual Report of the Medicare Trustees noted that the hospitalization trust fund (Medicare Part A) will be depleted in 2036, resulting in a cut in payments for Medicare beneficiary services of 11% in 2036 and 13% in 2048, unless changes are made to the program.
Republicans have attempted to address these problems in prior years proposing changes to be made to extend their solvency. Each time Democrats have mounted P.R. campaigns claiming they would end the programs for millions of seniors.
If Congress fails to act, the programs won't end for seniors, but benefits *will* be cut, impoverishing many of them.

Addressing our country's fiscal problems will require the willingness by both parties to make difficult choices that will impact all of us. And the longer they wait to act, the worse the impacts will be. The current path of the federal budget is not sustainable, and the United States is on the brink of bankruptcy. Unless politicians in Washington tackle these problems head on, we face the risk of another financial crisis, one much worse than that of 2008-2009.

In his book *Endgame: The End of the Debt Supercycle*, John Mauldin notes that when fiscal crisis occur, they often happen during an economic downturn and collapses happen suddenly and unexpectedly, often brought on by even small events. Mauldin predicts that we won't be able to borrow our way out of the crisis. He predicts that if government does not act to rein in spending, we will see much higher inflation, higher interest rates, larger deficits, higher unemployment and a reduced standard of living. Remember, the rich have the money to deal with crisis situations and the poor will get more government relief. It will be the middle-class that will suffer the most.

Mauldin recently posted an article on his website *Mauldin Economics*, titled *One-Way Road to Crisis*. Mauldin writes, "The gargantuan federal debt will get larger still, bringing a ***global debt crisis*** ever closer. We are long past the point where even serious spending cuts or revenue increases can avert this. We should still do them, but we now need major restructuring, not possible given whatever the outcome will be in this election. We are on a one-way road to crisis. There's no turning back…"