WILL MARKET DEMAND TIP OVER FEDERAL DEBT SUSTAINABILITY?

MUHUI SHI*

The thirty-six trillion-dollar question is hovering: what will be the tipping point for federal debt. Current scholarship has predominantly focused on the supply side of federal debt in measuring its sustainability: how much more can the U.S. borrow with its economic strength. But what if the real threat is not just how much the U.S. owes, but who is willing to keep lending? This paper flips the script to expose a hidden vulnerability: demand for U.S. debt is quietly eroding. When creditors lose appetite, even America's "safe haven" status cannot stop the soaring interest rates. This paper points to the foreign official holding of federal debt as a metric for indexing mid- to long-term market demand for federal debt and digs into the deteriorating Trumpism Concussion to the federal debt.

* Muhui Shi, Visiting Research, Harvard Law School, S.J.D candidate at University of Michigan. This note is deeply inspired by Professor Howell Jackson and fellow members of the Federal Budget Policy course. My gratitude to Professor John Pottow, Professor Jeffery Zhang, and Professor Ted Becker for their invaluable comments and insights. The author also wants to thank Ms. Laura Tikanvaara, Ms. Bettina Maxion, and rest of members at the Unidroit for their warm encouragements.

Table of Contents

Introduction: Wooden Barrel Theory for A Whole Water Dam

When you pour water into a wooden barrel, its capacity is determined by the shortest board—regardless of how long the other boards are or how varnished the barrel may appear. This principle may apply to federal debt.

In 2023, the U.S. is burdened with 34% of global public debt while the U.S. economy accounts for 26% of the world's nominal GDP or 15.05% of global GDP by purchasing power parity.[1] Even when narrowed down to the federal debt held by the public, the figure stands at a staggering $28 trillion, inching closer to 100% of domestic GDP. Unlike a simple barrel, however, the federal debt is more like a water dam: overflowing from a barrel is annoying but overflowing from a dam could be devastating.

The continuous issuance of new federal debt, the international diversification of foreign reserves, and the fact that many countries already hold an abundance of U.S. debt to satisfy their minimum reserve adequacy needs present a trillion-dollar question: how short the shortest board is for the federal debt.[2] This paper argues that an international, market-need-based metric is urgently needed to gauge this "shortest board" and thereby index federal debt U.S. sustainability.

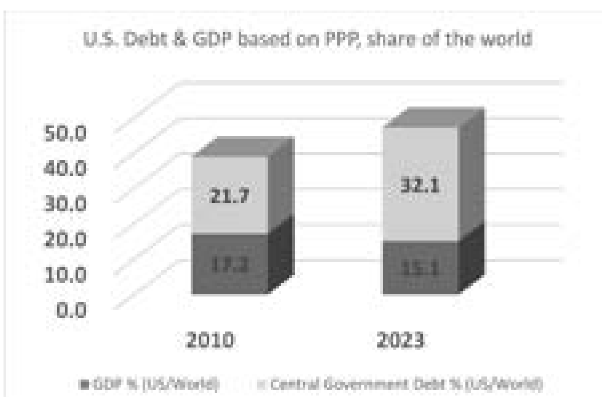

Figure 1: U.S. share of global debt is growing disproportionately bigger than the share of global GDP (UN, 2025; IMF, 2024)[3]

---

[1] *GDP based on PPP, Share of World*, IMF, https://www.imf.org/external/datamapper/PPPSH@WEO/OEMDC/ADVEC/WEOWORLD [https://perma.cc/ZQ52-W7VV]; WBG, *GDP(current US $)*, World Bank, https://data.worldbank.org/indicator/NY.GDP.MKTP.CD [https://perma.cc/SG62-XJXK].

[2] For the growing trend to diversify foreign reserve and central banks' different purpose while compiling their portfolio, *see generally*, Serkan Arslanalp, Chima Simpson-Bell & Barry Eichengreen, *The Stealth Erosion of Dollar Dominance: Active Diversifiers and the Rise of Nontraditional Reserve Currencies*, IMF (Working Paper No. 2022/058, Mar. 24, 2022), https://www.imf.org/en/Publications/WP/Issues/2022/03/24/The-Stealth-Erosion-of-Dollar-Dominance-Active-Diversifiers-and-the-Rise-of-Nontraditional-515150 [https://perma.cc/V6QC-D37P].

[3] UN Trade & Development (2025) A world of debt: A growing burden to global prosperity. UN Report 2024. Switzerland. Available at: https://unctad.org/publication/world-of-debt

I. Measuring Demand—A Curve Ball Metric for Federal Debt Sustainability

Unfortunately, it is difficult to make predictions about the future. Scholars in federal debt sustainability have formulated several distinct strands of research, each offering tangible hypotheses and palpable metrics. The first strand of research focuses on the dynamic balancing between economic growth and federal debt increase. Professor Olivier Blanchard argues that the gap between the average federal debt interest rate and GDP growth rate is central to evaluating sustainability.[4] Along a similar line, Professors Jason Furman and Professor Lawrence Summers argue that real GDP growth to real interest is a critical metric in determining the sustainable federal debt level.[5] In a slightly different gist, the growing interest cost on federal debt/tax revenue or GDP is also a frequently discussed metric in sustainability talks.[6]

Another distinct strand of research tries to delineate the absolute ceiling of federal debt. Professors Thomas J. Sargent and Neil Wallace provided the insight that the public demands create a cap for real federal debt-to-GDP ratio and similarly Professor Choi et al. pointed to the U.S. dollar's international reserve currency status as providing additional debt capacity.[7] From a comparative research perspective, Japan's experience of juggling with a high debt-to-GDP ratio is often cited as a benchmark. [8]

However, the demand side of the story is missing from the discussions. Current research predominantly focuses on the supply: how much additional

---

(accessed 13 April 2025); IMF (2024) GDP based on PPP, share of world. Available at: https://www.imf.org/external/datamapper/PPPSH@WEO/WEOWORLD/USA (accessed 13 April 2025)

[4] Olivier Blanchard, *Public Debt and Low Interest Rates,* 109 Am. Econ. Rev. 1197, 1197–1229 (2019).

[5] *See* Jason Furman & Lawrence Summers, *A Reconsideration of Fiscal Policy in the Era of Low Interest Rates*, Brookings 1, 37 (Nov. 30, 2020), https://www.brookings.edu/wp-content/uploads/2020/11/furman-summers-fiscal-reconsideration-discussion-draft.pdf [https://perma.cc/CJ5P-8AZR] ("When the growth rate is greater than the interest rate there is substantially more room to run primary deficits and any given primary deficit will not lead to an unlimited explosion of debt but instead will lead the debt to asymptote to a finite value").

[6] *See* U.S. Gov't Accountability Off. [hereinafter Gao], The Nation's Fiscal Health - Annual Report to Congress 11 (2024), https://www.gao.gov/assets/d24106987.pdf [https://perma.cc/9ZZM-53LS].

[7] Sargent, T. J. & N. Wallace, *Some Unpleasant Monetarist Arithmetic*, Q. Rev., no. 3, Oct. 2019, at 1–17, https://researchdatabase.minneapolisfed.org/concern/file_sets/xp68kg33d?locale=en [https://perma.cc/9NR7-B99K]; Jason Choi et al., *Exorbitant Privilege and the Sustainability of US Public Debt*, Nat'l Bureau of Econ. Rsch. (Feb. 2024), https://www.nber.org/system/files/working_papers/w32129/w32129.pdf [https://perma.cc/DR6G-RVAG].

[8] Zhengyang Jiang et al., *Measuring U.S. Fiscal Capacity Using Discounted Cash Flow Analysis*, Nat'l Bureau of Econ. Rsch. (Apr. 2022), http://www.nber.org/papers/w29902 [https://perma.cc/E7VC-RUZG]; YiLi Chien & Ashley H. Stewart, *What Lessons Can Be Drawn from Japan's High Debt-to-GDP Ratio?*, Fed. Rsrv. Bank St. Louis (Nov. 14, 2023), https://www.stlouisfed.org/on-the-economy/2023/nov/what-lessons-drawn-japans-high-debt-gdp-ratio [https://perma.cc/8NCY-AHGW].

debt can the U.S. sustainably issue. Metaphorically, although it is important to measure how many more dishes the chef can keep cooking with the material at hand, a subtle but increasingly more urgent question is how much more the sated epicure would like to order. With the massive amount of federal debt already flowing in the market, the demand side of the discussion deserves closer scrutiny. So far, only immediate-term demand-focused metrics are available: bid-to-cover, the spread between When-issued yield/auction yield, and primary dealers' share in auctions.[9] However, a mid-to-long-term metric is necessary to index federal debt sustainability.

Despite its novelty, measuring market demand has never been as important a federal debt sustainability metric as it is now. Before now, the only time the U.S. had such a high debt-to-GDP ratio was the World War II.[10] At the time, the constantly positive U.S. international trade balance,[11] the rise of the U.S. dollar as the global reserve currency,[12] and the dominant share of global manufacturing output[13]—translated U.S. economic strength into a growing appetite for federal debt. But all of this upward momentum counterbalancing the debt expansion is either shrinking or gone completely—making demand a potential shortest board for breaking the federal debt sustainability. Like in a barrel, extra caution needs to be taken when an unprecedented amount of water is being poured into it.

II. Flashing Red Lights for Federal Debt Demands

If you take the global economy as a single integrated investment entity, its capacity and willingness to hold U.S. federal debt in its investment portfolio is finite—both in terms of possessing outstanding debt and making marginal purchases each year. This research refers to these limits as federal debt market potential (FDMP). The upper bound for the market to hold outstanding federal debt is referred to as $FDMP_t$, while the marginal global market capacity to absorb newly issued federal debt in a given year is referred to as $FDMP_i$.

[9] David Wessel, *How to Tell If the US Treasury is Having Trouble Borrowing in the Bond Market*, Brookings (July 23, 2024), https://www.brookings.edu/articles/how-to-tell-if-the-us-treasury-is-having-trouble-borrowing-in-the-bond-market/#:~:text=The%20U.S.%20government's%20growing%20appetite,explains%20the%20metrics%20they%20track [https://perma.cc/VLQ9-8BXS].

[10] A Fiscal Cliff New Perspectives on the U.S. Federal Debt Crisis 25 (John Merrifield & Barry W. Poulson eds., 2020).

[11] Brian Reinbold & Yi Wen, *Historical U.S. Trade Deficits*, Fed. Rsrv. Bank St. Louis (May 17, 2019), https://www.stlouisfed.org/on-the-economy/2019/may/historical-u-s-trade-deficits [https://perma.cc/ZF7Q-52JU].

[12] Barry Eichengreen, Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System 48–49 (Oxford Univ. Press, 2011).

[13] Gavin Wright, *The Origins of American Industrial Success, 1879-1940*, 80 Am. Econ. Rev. 651, 652 (1990).

In indexing the $FDMP_t$ and $FDMP_i$, I argue that *the foreign official holding of federal debt* should serve as a metric for mid- to long-term market demand in measuring the federal debt sustainability. Both $FDMP_t$ and $FDMP_i$ are always in flux.

Depending on whichever gets triggered first, either $FDMP_t$ or $FDMP_i$ could become the shortest board for federal debt sustainability. For instance, assume the federal government decides to issue "A" amount of federal debt in a given year, increasing the total federal debt outstanding to "N." If A is bigger than $FDMP_i$ or N is bigger than $FDMP_t$, a tipping of federal debt could result. In both scenarios, the outcome is similar: demand for federal debt becomes saturated unless significantly higher interest rates are offered, leaving the federal government struggling to secure funding to cover its deficit.

$FDMP_i$ and $FDMP_t$ are likely correlated through the law of diminishing marginal utility—the marginal demand for the global market to purchase new federal debt is likely diminishing as the market owns more and more outstanding debt. In terms of $FDMP_t$ and $FDMP_i$, that might suggest the closer the federal debt outstanding approaches the theoretical upper bound of $FDMP_t$, $FDMP_i$—the capacity to absorb marginal debt—may shrink. And yet, with a substantial amount of federal debt already outstanding and more on the way, this hypothesis when validated could potentially serve as a metric and warning sign—like the beeping sound of radars getting faster and sharper.

A. Why Foreign Official Holding of Federal Debt Matters

The foreign official holding of federal debt refers to the foreign government, often the central banks, holding of federal debt. This data is more functionally critical than the private holding of the federal debt when indexing the federal debt sustainability.

First, the foreign official holding could more accurately reflect the actual international appetite for federal debt compared to the foreign private holdings. This is because foreign private holdings are calculated based on the location rather than the nationality of the holder. As a result, a portion of what is classified as foreign private holdings may actually belong to U.S. offshore investment vehicles. For instance, if a U.S. investment company buys federal debt through its Japanese branch or subsidiary, that federal debt will be considered to be foreign-held rather than domestically held. Given the extensive international business operations of U.S. companies and individuals, it is likely that a significant share of foreign private holdings is, in fact, held by U.S. entities. This makes it difficult to measure or predict the true international demand for U.S. federal debt.

Second, the level of foreign official holdings directly reflects the U.S. dollar's status as the global reserve currency—a critical factor in federal debt sustainability. Unlike the typically profit-driven private holding, official holding of federal debt is often motivated by foreign reserves maintenance.[14] The official demand for marginal federal debt is slowing compared to other advanced economies. For instance, at the beginning of 2005, the official holding of U.S. federal bonds was approximately 19.2% bigger than the twenty-three advanced countries combined.[15] But by Q1 2024, foreign official holdings of U.S. debt were 15.8% smaller than the combined holdings of those same economies.[16]

Third, foreign official holding of federal debt is less sensitive to yield fluctuations, making them more stable and less prone to sudden withdrawals compared to private holdings.[17] They serve as a form of "tier one capital" for federal debt. Also, foreign official holders—often foreign central banks or international organizations—tend to possess comprehensive knowledge and expertise to evaluate the issuer's core capacity to handle the debt.

B. The Story of the Statistics

Mid- to long-term market demand—measured by foreign official marginal purchases—appears to be shrinking in both nominal and real terms (see Figure 2).[18] The stagnating foreign official holding could indicate that $FDMP_t$ might be shrinking in real terms and the upper bound of global federal debt demand outside the U.S. is not keeping pace with the U.S. GDP growth.

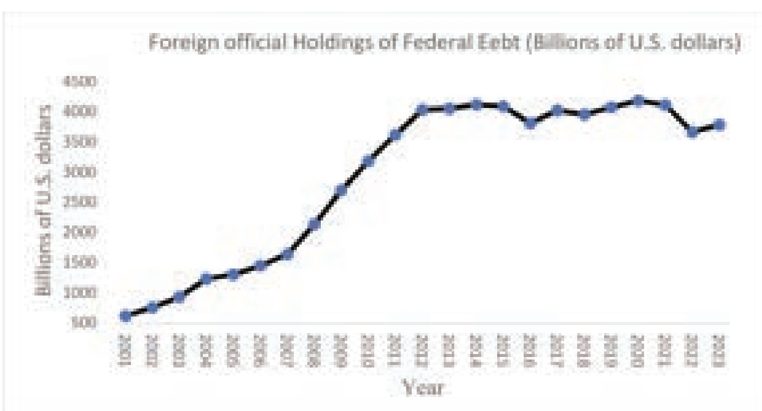

FIGURE 2: FOREIGN GOVERNMENT HOLDING OF FEDERAL DEBT

---

[14] MARC LABONTE & BEN LEUBSDORF FOREIGN HOLDINGS OF FEDERAL DEBT 7-8 (CRS report RS22331, 2024), https://crsreports.congress.gov/product/pdf/RS/RS22331/37 [https://perma.cc/6W6C-2M53].

[15] *Id.*

[16] *Id.*

[17] LABONTE & LEUBSDORF, *supra* note 14, at 8.

[18] *Major Foreign Holders of Treasury Securities*, https://ticdata.treasury.gov/resource-center/data-chart-center/tic/Documents/mfhhis01.txt [https://perma.cc/X9TL-L9LB].

Worse still, as shown in Figure 2, in the majority of years after 2015, foreign governments sold more federal debt than they bought—a sign that could imply that the $FDMP_t$ may even be shrinking even in nominal terms.[19] Although foreign governments are not the most active marginal holders of advanced economies' sovereign debt, their behavior is indicative of other holder groups' demand and overall market demand.[20] Combined with the steady supply of new debt, this stagnation (or outright reduction) in foreign official holdings hints that the market could be nearing saturation and that international appetite for marginal federal debt ($FDMP_i$) may be waning.

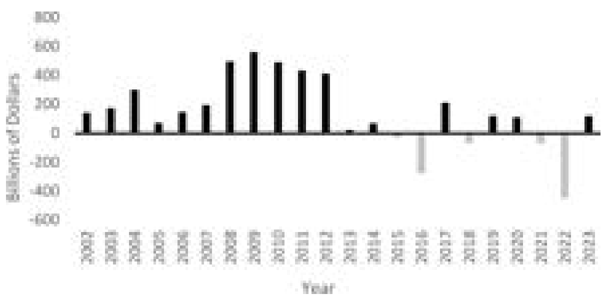

FIGURE 3: FOREIGN GOVERNMENT NEW PURCHASE OF FEDERAL DEBT BY YEAR (BILLION OF DOLLARS)

So far, this potential problem of declining $FDMP_i$ has been partially masked by the growing share held by foreign private investors: growing from 40% in 2000, the foreign private holders are now taking up 4157.9 billion or 52.3% of all foreign-held federal debt.[21] However, as discussed above, composition matters more than sheer volume, especially when indexing federal debt sustainability. Foreign private investors alone cannot fully compensate for the weakness in foreign official demand, both in terms of functionality and as a metric for debt sustainability.

III. TRUMPISM CONCUSSION TO FEDERAL DEBT

The global perspective on the U.S. has been changing swiftly since January 20th, 2025. Although the $FDMP_t$ and $FDMP_i$ have been rising during the long summer for the U.S. economy since Bretton Woods, these dynamic

[19] *Id.* Data compiled from the Treasury statistics.
[20] Xiang Fang, Bryan Hardy & Karen K. Lewis, *Who Holds Sovereign Debt and Why It Matters*, BANK FOR INT'L SETTLEMENTS 10–13 (May 2023), https://www.bis.org/publ/work1099.pdf [https://perma.cc/YVH3-3PJS].
[21] LABONTE & LEUBSDORF, *supra* note 14 at 5; Major Foreign Holders of Treasury Securities, *supra* note 18.

numbers can reverse and shrink.[22] Among the different factors, the de-dollarization movement and the loss of allies stand out as two factors that could significantly impact both $FDMP_t$ and $FDMP_i$ under Trumponomics.

Fundamental changes to the federal debt have happened quietly over the past 15 years: it is disproportionately held by close allies rather than proportionately among countries with strong foreign exchange reserve demands. Many potential sovereign buyers with strong purchasing capacity have moved on or are moving on from the federal debt. As shown in chart 1, seven out of the top ten biggest federal debt holders were also top foreign exchange reserve holders in 2011.[23] But today, that number has shrunk to four out of ten.[24] The mismatch could indicate an overall smaller $FDMP_t$ where countries with the capacity to purchase federal debt may lack the interest to do so, while those interested in investing may lack the financial capacity.

CHART 1: TOP 10 FOREIGN HOLDERS OF FEDERAL DEBT AND THEIR CORRESPONDENT FOREIGN RESERVE RANKING

Top 10 Holders	**2023**	**Total Reserve ranking**	**2011**	**Total Reserve Raking**
1	Japan	2	Mainland China	1
2	Mainland China	1	Japan	2
3	United Kingdom	20	Oil Exporters#	3
4	Luxembourg	62	Carib bean Banking Centers##	not provided
5	Canada	24	Brazil	6

[22] Some may point to the short unfortunate intervals of the Great Financial Crisis or the pandemic to disprove the importance of $FDMP_t$ or $FDMP_i$. But such argument would have neglected the condition for my argument where the importance of market demand float when the market is saturating. During the Great Financial Crisis, the debt to GDP held by the public grew from approximately 35% to less than 70%. The market is far from saturation. In the pandemic, the debt to GDP held by the public grew from around 78% to 97%. But there was an upward momentum to hold U.S. debt as a safe haven asset during the global panic. *See Federal Debt Held by the Public as Percent of Gross Domestic Product*, FED. RSRV. BANK ST. LOUIS (Mar. 4, 2025), https://fred.stlouisfed.org/series/FYGFGDQ188S [https://perma.cc/X63T-M4B7].

[23] Data compiled from LABONTE & LEUBSDORF, *supra* note 14, at 3; *Major Foreign Holders of Treasury Securities*, *supra* note 18; WBG, *Total Reserves (Includes Gold, Current US$)*, https://data.worldbank.org/indicator/FI.RES.TOTL.CD?end=2011&most_recent_value_desc=true&start=1960&view=chart&year=2011 [https://perma.cc/NS9C-STPM]; *Foreign Exchange Reserves*, NAT'L STAT. https://eng.stat.gov.tw/Point.aspx?sid=t.10&n=4209&sms=11713 [https://perma.cc/GTR3-GCYD].

[24] *Id.*

Top 10 Holders	2023	Total Reserve ranking	2011	Total Reserve Raking
6	Ireland	69	Taiwan (385.55)	approximately 6 or 7
7	Belgium	647	Russia	5
8	Cayman Islands	139	Luxembourg	117
9	Switzerland	3	Switzerland	7
10	Taiwan (570.6 billion)	approximately ranking 7	Belgium	46

#: unsure where but most likely refer to Saudi Arabic
##: Caribbean Banking Centers includes Bahamas, Bermuda, Cayman Islands, Netherlands Antilles, British Virgin Islands, and Panama

One potentially more profound, though less immediate concern is the global tariff war—if the U.S. starts to lose allies, it could further shrink the potential buyer pool and knock down the $FDMP_i$. Worse still, could those who ceased to be close allies start dumping the federal debt, thus rolling back the overall $FDMP_t$? The market contraction does not necessarily have to be politically motivated—the worsening fiscal capacity and political uncertainty may have already been chipping away the dollar's safe haven status and the political hostility may just be the last straw.[25] The federal debt sustainability could suffer the clash of increased issuance of federal debt to cover the deficit for the Trump tax cut and the foreign momentum to scale back on federal debt holding.

Another hovering concern with the FDMP is the talk of the so-called Mar-a-Lago accord proposed by the chair of the Council of Economic Advisers Stephen Miran.[26] This Accord argues that the U.S. can forcefully demand foreign governments to change the outstanding federal bond they hold into a non-tradable century bond without interest. If countries refuse, they will face tariffs or have the security guarantees removed.[27] Locking in the sold bond and turning them into non-convertible ultra-long-term dead

[25] Katie Martin, *Investors Dare to Imagine a World beyond the Dollar*, Fin. Times (Mar. 4 2025), https://www.ft.com/content/4ba5c22a-4cf7-4ece-9bbd-4f8df6bb0071 [https://perma.cc/3C2Z-CMP6]; Erica L. Green, *Trump Says He's 'Not Joking' About Seeking a Third Term in Defiance of Constitution*, N.Y. Times (Mar. 30, 2025), https://www.nytimes.com/2025/03/30/us/politics/trump-third-term.html [https://perma.cc/5K95-4Q8E].

[26] Stephen Miran, *A User's Guide to Restructuring the Global Trading System*, Hudson Bay Capital (Nov. 2024), https://www.hudsonbaycapital.com/documents/FG/hudsonbay/research/638199_A_Users_Guide_to_Restructuring_the_Global_Trading_System.pdf.

[27] Harry Downie, Samuel Zief & Paul Jacobson, *Navigating Washington's Risks: Mar-a-Lago Accord and Tariffs,* J.P.Morgan (Mar. 31, 2025), https://privatebank.jpmorgan.com/apac/en/insights/markets-and-investing/tmt/navigating-washingtons-risks-mar-a-lago-accord-tariffs#:~:text=A%20“Mar%2Da%2DLago,have%20U.S.%20security%20guarantees%20removed.

numbers is just a fancy term for default.[28] The mere talk of it could paralyze $FDMP_i$ and freeze any further foreign demands to buy or even hold federal debt. If the Mar-a-Lago accord is to be applied, the federal debt will face severe market volatility.

IV. Too Big to Fall or Too Big to Sustain

The United States is too often in a class of its own and its national debt is exceptional as well. The special features of U.S. federal debt are what makes FDMP particularly relevant in measuring federal debt sustainability—its unparalleled size. Although many have referred to Japan when talking about the debt sustainability cap—if Japan can, the United States surely can too. But Japan's debt to GDP ratio, while a staggering 226%, includes only 4 trillion (114%) held by the public. In contrast, $28 trillion worth of U.S. federal debt is held by the public. They are worlds apart—the U.S. is issuing decades' worth of Japanese debt in two years at the current rate. As a result, the market demand factor could be less of an urgent problem for Japan than for the U.S. as long as the market acknowledges its repayment capacity.

Although some might argue that having less foreign investment in U.S. debt will help preserve its stability in the face of brewing geopolitical tension, the brutal truth is the U.S. alone cannot absorb all the new debt accrued each year. In total, the U.S. gross domestic savings, representing the basis for any investment stays relatively stable at approximately 16% to 18% of gross national product during the past decade.[29] In 2023, that means, governments, private parties, and households in the United States combined have saved 5.18 trillion dollars.[30] The newly issued U.S. debt stands at 2.2 trillion dollars–claiming 42.47% of all domestic savings. The sheer volume of federal debt outstanding and the newly issued debt may be growing too big too fast for the domestic market. There is even a good possibility that federal debt is growing bigger than the global market can absorb.[31]

---

[28] *See* Erik Sherman, *Why Trump's 'Mar-A-Lago Accord' Would Financially Matter To You*, Forbes (Feb. 23, 2025, 11:57pm EST), https://www.forbes.com/sites/eriksherman/2025/02/23/why-trumps-mar-a-lago-accord-would-financially-matter-to-you/ [https://perma.cc/G4B4-5NYS]; Steven Kamin & Mark Sobel, *Mar-a-Lago Accord, Schmar-a-Lago Accord*, Fin. Times (Mar. 12, 2025), https://www.ft.com/content/c5b1c6b3-85a7-4e99-bcac-3d331f03640b [https://perma.cc/5CE5-BJAT]; Maria Solovieva & Andrew Foran, *The Non-Starter Playbook of the Mar-a-Lago Accord*, TD (May 1, 2025), https://economics.td.com/us-mar-a-lago-accord#:~:text=In%20contractual%20terms%2C%20this%20would,still%20save%20on%20interest%20costs [https://perma.cc/E54A-JPS9].

[29] WBG, *World Development Indicators*, World Bank, https://data.worldbank.org/indicator/NY.GDS.TOTL.ZS?locations=US [https://perma.cc/3RGQ-PMM9]; *GDP, current prices*, IMF, https://www.imf.org/external/datamapper/NGDPD@WEO/USA?zoom=USA&highlight=USA [https://perma.cc/BD5T-ZATS].

[30] *Id.*

[31] In the same gist, the newly issued federal debt alone claims 7.69% of the annual global savings in 2023. See WBG, *Gross domestic savings (current US$)*, World Bank, https://data.worldbank.org/indicator/NY.GDS.TOTL.CD [https://perma.cc/7VZE-796Y].

CONCLUSION: THE SHOW MUST GO ON

On May 2025, Moody's, the last of three credit rating groups that give federal debt its triple-A credit rating, stripped the U.S. of its top-notch rating. Despite all the recognition it assigned to the dollar and the U.S. economy, it said that the fiscal strength has "deteriorated further."[32]

On the supply side, the government deficit persists. According to the CBO, the U.S. will keep issuing new debt at approximately the same pace throughout the next decade, if not all the way into 2055.[33] However, the outlook of steady debt increase itself looks like wishful thinking: it has taken for granted that no major economic turbulence—where the government borrows a good chunk of new debt to save the market—would happen for the next three decades. Both the global financial crisis and the pandemic witnessed a soaring amount of federal borrowing.

I recognize that I am raising more questions than providing answers. However, when standing blindfolded on such a precarious slope, it is better to ask too many questions than too few.

---

[32] Harriet Clarfelt, *Moody's warns on deteriorating outlook for US public finances*, FIN. TIMES, https://www.ft.com/content/f3699a8c-a68f-4551-b45c-cf9e39886c57 [https://perma.cc/H9R2-SM2L].

[33] See CONG. BUDGET OFF., The Long-Term Budget Outlook: 2025 to 2055 (2025), https://www.cbo.gov/publication/61270 [https://perma.cc/RD88-5VDZ].