Interest on US Debt Fuelling Future Deficits

Description

U.S. national debt is forecasted to rise significantly in the coming decades, driven not just by possible future government decisions but mainly due to escalating interest payments on existing debt. This situation has become clearer after recent data revealed that, as of March 31, the nation's debt has surpassed its economic output, marking a troubling fiscal milestone.

Currently, the national debt stands at $31.27 trillion, while the gross domestic product (GDP) for the previous year is estimated at $31.22 trillion. This results in a debt-to-GDP ratio of 100.2%. Analysts at Deutsche Bank noted that interest payments are becoming a major factor in the national deficit. They pointed out that the Federal Reserve's ability to raise interest rates to combat inflation is limited because doing so could threaten financial stability.

This year, the federal budget deficit is projected to exceed $2 trillion, with interest payments alone expected to reach $1 trillion. By 2036, these interest costs could grow to $2.1 trillion when national debt is anticipated to hit 120% of GDP. The Congressional Budget Office (CBO) suggests that the shortfall between revenue and expenditure, excluding interest, will remain around 2% of GDP despite increasing spending on social programmes.

Moreover, the gap between primary deficits and total deficits has widened since the COVID-19 pandemic, as significant government spending and rising interest rates have inflated the budget gap. If current trends persist, future administrations may find their fiscal policies increasingly restricted by the need to manage the burgeoning national debt.

Vocabulary List:

1. **interest** //ˈɪntrəst// (noun): Money paid for using borrowed money
2. **deficit** //ˈdɛfɪsɪt// (noun): When spending is more than money received
3. **revenue** //ˈrɛvəˌnuː// (noun): Money that a government or company receives
4. **expenditure** //ɪkˈspɛndɪtʃɚ// (noun): Money spent by a person or organization
5. **fiscal** //ˈfɪskəl// (adjective): Related to government money and budgets
6. **burgeoning** //ˈbɜrdʒənɪŋ// (adjective): Growing quickly and becoming more important

Comprehension Questions

Multiple Choice

1. What is the current national debt of the U.S. as of March 31?

    Option: $30 trillion
    Option: $31.27 trillion
    Option: $32 trillion
    Option: $29 trillion

2. What is the forecasted federal budget deficit for this year?

    Option: $1 trillion
    Option: $1.5 trillion
    Option: $2 trillion
    Option: $2.5 trillion

3. What is the debt-to-GDP ratio mentioned in the text?

    Option: 98.5%
    Option: 100.2%
    Option: 95.3%
    Option: 102.5%

4. By what year is the national debt anticipated to hit 120% of GDP?

    Option: 2025
    Option: 2030
    Option: 2036
    Option: 2040

5. How much are interest payments expected to reach by this year?

    Option: $500 billion
    Option: $750 billion
    Option: $1 trillion
    Option: $1.5 trillion

6. Which organization's analysts noted that interest payments are becoming a major factor in the national deficit?

    Option: Goldman Sachs
    Option: JP Morgan
    Option: Deutsche Bank
    Option: Bank of America

True-False

7. The U.S. national debt is forecasted to decrease in the coming decades.

8. The national debt has not surpassed the nation's economic output.

9. Interest payments alone are projected to reach $2.1 trillion by 2036.

10. The Congressional Budget Office indicated that the shortfall will remain around 2% of GDP.

11. The gap between primary deficits and total deficits has narrowed since the COVID-19 pandemic.

12. Future administrations may face fewer restrictions on their fiscal policies due to national debt.

Gap-Fill

13. The U.S. national debt is projected to ________________________ significantly in the coming decades.

14. As of March 31, the debt-to-GDP ratio is ________________________%.

15. This year, the federal budget deficit is projected to exceed ________________________ trillion.

16. Interest payments are expected to reach _____ trillion this year.

16. Interest payments are expected to reach ________________________ trillion this year.

17. The anticipated national debt by 2036 is ________________________% of GDP.

18. The gap between primary deficits and total deficits has ________________________ since the COVID-19 pandemic.

Answer

Multiple Choice: 1. $31.27 trillion 2. $2 trillion 3. 100.2% 4. 2036 5. $1 trillion 6. Deutsche Bank
True-False: 7. False 8. False 9. False 10. True 11. False 12. False 16. True
Gap-Fill: 13. rise 14. 100.2 15. 2 16. 1 17. 120 18. widened

Vocabulary quizzes

Multiple Choice (Select the Correct answer for each question.)

1. What type of policy is concerned with the management of money supply and interest rates?

   Option: Fiscal policy
   Option: Monetary policy
   Option: Trade policy
   Option: Industrial policy

2. What is the term for a formal inquiry or systematic examination?

   Option: Allegation
   Option: Investigation
   Option: Resolution
   Option: Retaliation

3. What term describes an action taken in response to an injury or wrong?

   Option: Retaliation
   Option: Advancement
   Option: Acquisition
   Option: Ceasefire

4. Who is the person that follows another in a role or position?

   Option: Predecessor
   Option: Successor
   Option: Colleague
   Option: Peer

5. What are military attacks carried out by aircraft called?

   Option: Bombings
   Option: Airborne attacks
   Option: Airstrikes
   Option: Drones

6. What is a temporary stop to warfare called?

   Option: Truce
   Option: Ceasefire
   Option: Peace treaty
   Option: Negotiation

7. What term refers to the ability to be maintained at a certain rate or level, especially regarding

environmental practices?

Option: Growth
Option: Sustainability
Option: Innovation
Option: Deficit

8. What is the term for the amount by which something, especially a sum of money, is too small?

Option: Surplus
Option: Revenue
Option: Expenditure
Option: Deficit

9. What is the income generated from normal business operations called?

Option: Revenue
Option: Expense
Option: Loss
Option: Asset

10. What term is used for a formal statement given in court?

Option: Testimony
Option: Evidence
Option: Witness
Option: Allegation

Gap-Fill (Fill in the blanks with the correct word from the vocabulary list.)

11. The newspaper published several ________________________ against the politician, sparking public outrage.

12. The stadium has a seating ________________________ of 50,000 spectators.

13. The military used ________________________ for surveillance and targeted operations.

14. The company's annual ________________________ on marketing increased significantly last year.

15. The city witnessed a ________________________ population, leading to a greater demand for housing.

16. The funds were ________________________, leading to a scandal that threatened the organization.

17. The report ______________________ the need for immediate action on climate change.

18. The new laws were implemented to ______________________ cybercrime effectively.

19. A significant ______________________ of the audience expressed their approval of the proposal.

20. The new policy sparked considerable ______________________ among investors and stakeholders.

Matching Sentences (Match each definition to the correct word from the vocabulary list.)

21. The court's ruling set a legal precedent that would influence future cases.
22. The team reached a resolution after hours of negotiation and discussion.
23. The technological advancement has revolutionized the way we communicate.
24. The new policy aims to accommodate the needs of all employees in the workplace.
25. Sustainable practices focus on reducing energy consumption and waste.
26. The government announced new fiscal policies to stimulate economic growth.
27. The witness provided crucial testimony that helped solve the case.
28. The author retracted his statement after realizing it was inaccurate.
29. The military conducted airstrikes against terrorist positions to weaken their influence.
30. It is essential to follow safety protocols in all laboratory experiments.

Answer

Multiple Choice: 1. Monetary policy 2. Investigation 3. Retaliation 4. Successor 5. Airstrikes 6. Ceasefire 7. Sustainability 8. Deficit 9. Revenue 10. Testimony
Gap-Fill: 11. allegations 12. capacity 13. drones 14. expenditure 15. burgeoning 16. misused 17. emphasised 18. combat 19. percentage 20. interest
Matching sentence: 1. precedent 2. resolution 3. advancement 4. accommodate 5. consumption 6. fiscal 7. witness 8. retracted 9. airstrikes 10. essential

CATEGORY

1. Business - LEVEL5

POST TAG

1. ESL learning
2. esl news
3. fiscal outlook
4. future deficits
5. Level 5
6. US debt

Tags

1. ESL learning
2. esl news
3. fiscal outlook
4. future deficits
5. Level 5
6. US debt

Date Created
2026/05/03
Author
aimeeyoung99