



Wharton expert foresees a 2025 financial crisis due to \$34 trillion deficit, threatening to upset the forthcoming administration.

Description

The current financial landscape of the United States presents a humbling spectacle, replete with baffling numbers masquerading as an imminent ticking time bomb. America's overwhelming \$34 trillion public debt, a colossal accumulation of public liability, stands poised on the cusp of reshaping the global fiscal trajectory. It threatens a fiery eruption of financial disarray, that could, perhaps as early as next year, exert a forceful backlash on the world economy if the future presidential administration continues to endorse inflationary measures.

Notably, esteemed Wharton Business School Professor Joao Gomes adds a defining commentary on this daunting scenario, describing the massive debt as a pivotal juncture in history that conceivably has the potential to destabilize the impending American governance. Commenting on the impending ramifications, Gomes elucidated, "Towards the later part of the decade we will inevitably have to confront this predicament. If future choices include aggressive tax concessions or bold fiscal stimuli, the market would likely retaliate, sending interest rates skyrocketing and potentially igniting a full-blown economic crisis as early as 2025."

Economic pundits are presently foretelling a bleak future wherein the mind-numbing debt-to-Gross Domestic Product ratio is predicted to escalate to an unprecedented 190 percent by mid-century if it continues unabated along the present trajectory. The prodigious accumulation of deficits witnessed under the stewardship of the recent administrations headed by both Trump and Biden, are the most substantial since the era of Franklin D Roosevelt's tenure during the depths of the Great Depression.

This escalation has been partially ushered in by the devastating onslaught of the COVID-19 pandemic, which rocked the American economy, and indeed nations worldwide. However, Professor Gomes, in his capacity as the Senior Vice Dean for Research, Centers, and Academic Initiatives at the Wharton Business School, University of Pennsylvania, offered a bleak prognosis that neither the Republican nor Democrat parties would likely treat this as a topmost issue.

Offering a dismal analysis of the enormous federal debt, Gomes postulated that at this critical juncture, the concerned parties should ideally engage in a measured discourse regarding practical options and feasibility. Notwithstanding, given the prevailing political climate, he anticipates an indifferent approach, with the pressing issue potentially being swept under the rug.

As an indelible symbol of national indebtedness, government borrowing at the end of 2023 soared to an all-time high of \$34 trillion. This compelling figure, disquietingly embodying a per capita federal obligation of \$101,233, presents sinister implications for the future of successful economic prosperity in the United States. Experts caution that this burgeoning debt accumulation pressurizes inflation, compelling higher interest rates and pushing up the cost of domestic borrowing. The lasting impacts of this looming debt crisis may profoundly affect significant social programs inclusive of the iconic Social Security and Medicare.



Further stoking incipient fears, the Committee for a Responsible Federal Budget, a fiscal watchdog, decried this level of indebtedness as a risk to both economic stability and national security. A similarly ominous prophecy of the oncoming storm was offered by Maya MacGuineas, the committee's president. In recent predictions, it is theorized that by the end of this very year, interest payments on this relentless debt will overshadow defense spending, registering as the most rapidly expanding segment of the federal budget.

The enormity of this financial predicament is represented by net interest that has surged exorbitantly over the past few years, increasing from \$352 billion in 2021 to an astounding \$659 billion in 2023. Federal projections for 2024 indicate that just the interest on this behemoth of public debt will constitute a jaw-dropping \$870 billion.

In this backdrop, lawmakers are left with little choice but to lift the nation's debt restrictions temporarily to evade a catastrophic default. Even as the specter of an unprecedented financial crisis looms, the \$34 trillion question remains: how will America navigate its fiscal future amidst the ever-rising tide of debt?

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Vocabulary List:

1. **Humbling** // (adjective): Making someone feel less proud or important.
2. **Replete** // (adjective): Filled or well-supplied with something.



3. **Poised** // (adjective): Having a composed and self-assured manner.
4. **Conceivably** // (adverb): In a way that can be imagined or believed.
5. **Retaliate** // (verb): Make an attack or assault in return for a similar attack.
6. **Predicament** // (noun): A difficult, unpleasant or embarrassing situation.

Vocabulary quizzes

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

1. What word means filled or well-supplied with something?
Option: Humbling
Option: Replete
Option: Poised
Option: Conceivably
2. Which word describes the quality of being impulsive or unpredictable?
Option: Grapple
Option: Wipeout
Option: Staggering
Option: Capriciousness
3. What word means having been made greater in size or value?
Option: Staggering
Option: Contraction
Option: Aggressive
Option: Augmented
4. Which word refers to a difficult or unpleasant situation?
Option: Refinement
Option: Retaliate
Option: Predicament
Option: Capitulation
5. Which term is used to describe a carefully planned movement or action?
Option: Dismal
Option: Augmented
Option: Manoeuvres
Option: Precipitated
6. What word means subject to sudden or unpredictable changes of mood or mind?
Option: Infusion



- Option: Mercurial
- Option: Downturn
- Option: Ascent

7. Which word describes something that inspires fear or respect?

- Option: Aggressively
- Option: Audaciously
- Option: Disclosed
- Option: Formidable

8. What term means deeply shocking or surprising?

- Option: Contraction
- Option: Aggressive
- Option: Staggering
- Option: Disruption

9. Which word is used to describe bleak or depressing situations?

- Option: Pragmatic
- Option: Dismal
- Option: Augmented
- Option: Apprehension

10. What word means made known or revealed?

- Option: Capitalized
- Option: Disruption
- Option: Pragmatic
- Option: Disclosed

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

- 11. After the verbal abuse he decided to _____ by insulting them back.
- 12. She believed _____ in the importance of education for all.
- 13. The company _____ on the current market trends to increase profits.
- 14. The new manager brought an _____ of fresh ideas to the team.
- 15. The team needed to adopt a more _____ strategy to win the competition.
- 16. It is _____ possible to finish the project ahead of schedule if we work efficiently.



17. The experienced boxer proved to be a _____ opponent to the newcomer.
18. Being stranded in the middle of nowhere without a phone was a true _____.
19. She remained _____ in the face of criticism showing great maturity.
20. His _____ behavior made it hard for others to predict his next move.

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

21. The superhero had to _____ with the villain to save the city.
22. The extreme sports competition had a challenging course with a final obstacle called the _____.
23. The novel’s plot _____ several generations showcasing how family dynamics evolved over time.
24. The heated argument _____ a series of unfortunate events that led to their breakup.
25. The mountain climbers began their _____ to the summit as the sun rose.
26. The economic recession caused a significant _____ in the country’s GDP.
27. Her _____ about the upcoming exam kept her awake at night.
28. The construction noise created a _____ in the neighborhood disturbing the residents.
29. Seeing the vastness of the universe was a _____ experience for the astronauts.
30. Her plan to start a business with no money initially surprised everyone.

Answer

Multiple Choice: 1. Replete 2. Capriciousness 3. Augmented 4. Predicament 5. Manoeuvres 6. Mercurial 7. Formidable 8. Staggering 9. Dismal 10. Disclosed

Gap-Fill: 11. retaliate 12. ardently 13. capitalized 14. infusion 15. aggressive 16. conceivably 17. formidable 18. predicament 19. poised 20. mercurial

Matching sentence: 1. grapple 2. wipeout 3. span 4. precipitated 5. ascent 6. downturn 7. apprehension 8. disruption 9. humbling 10. audacious

CATEGORY

1. Business - LEVEL6



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