



Wharton Professor Foresees Financial Crisis in 2025, Warns \$34 Trillion Debt Could Undermine Future Administration

Description

Professor Joao Gomes, a prominent scholar at Wharton Business School, has raised the alarm about the acute implications of the US's public debt level, which could potentially besiege the future administration if not properly managed. According to Gomes, this substantial debt burden, presently poised at \$34 trillion, holds the capacity to unleash considerable global economic disruption as early as next year if the succeeding President fails to curb expensive policies.

Insinuating that we are at a crucial juncture in history, Gomes warns of the possible derailment of the incoming administration due to this mounting public debt. Unless proactive measures are taken to address this concern during the latter part of the decade, he fears, the situation may spiral out of control, precipitating a crisis by 2025.

Expert forecasts paint an equally grim picture. Current projections anticipate a galloping debt-to-GDP ratio that could escalate to a staggering 190 percent by 2050 unless it deviates from its present course.

Recently, administrations helmed by both Biden and Trump have been implicated in this issue, as they oversaw sizeable accumulation of deficits, the likes of which have not been witnessed since Franklin D Roosevelt's tenure during the Great Depression. These surges in public debt were influenced partly by the devastating effects of the COVID-19 pandemic on both US and global economies.

However, both the Republican and Democratic parties appear to be overlooking the gravity of this issue, Gomes warns. This is undoubtedly a paramount moment in history that calls for introspection of our options and implementing a feasible plan to mitigate this crisis. Yet, the political inclination seems to be towards shying away from addressing this concern head-on.

With the mounting US public debt reaching a historical apex of \$34 trillion at the end of 2023, this predicament has translated into every American citizen being burdened with a federal debt of \$101,233, as pointed out by the Peter G. Peterson Foundation. Consequently, the expanding deficit is causing the US government to fork out more than \$1.8 billion daily on interest payments alone. Economists have cautioned that this rising debt load could apply unwarranted pressure on inflation, thereby keeping interest rates elevated and subsequently inflating household borrowing costs.

Crucially, concerns have also loomed around the potential impact on significant schemes such as Social Security and Medicare. Maya MacGuineas, president of the fiscal watchdog Committee for a Responsible Federal Budget, has flagged this accelerating debt level as a significant threat to national security and the economy. She deems this a "depressing achievement"; one that is expected to surpass defense spending by the end of this year.



Overall, the situation presents an ominous picture for America's economic future, reinforcing the urgent need for robust and sustainable economic policies. Should the current trajectory persist, the public debt issue will undoubtedly constitute a formidable challenge for the forthcoming administration.

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Vocabulary List:

1. **Acute** // (adjective): Having a sudden and severe effect.
2. **Besiege** // (verb): Surround and harass.
3. **Burden** // (noun): A heavy load or responsibility.
4. **Curb** // (verb): Restrain or control.
5. **Derailment** // (noun): The act of being thrown off course.
6. **Escalate** // (verb): Increase rapidly.

Vocabulary quizzes



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

1. Which term describes a serious and often critical situation?

- Option: Besiege
- Option: Curb
- Option: Acute
- Option: Escalate

2. What word means to exceed or go beyond?

- Option: Surpassed
- Option: Outperformed
- Option: Plunge
- Option: Elevated

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

3. The heavy workload placed a significant _____ on the employees.

4. The company is going through a major _____ to digital operations.

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

5. The professor is a recognized authority in the field of astrophysics.
6. Harvard University is a prestigious and esteemed place of learning.

Answer

Multiple Choice: 1. Acute 2. Surpassed

Gap-Fill: 3. Burden 4. Transition

Matching sentence: 1. Prominent 2. Institution

CATEGORY

1. Business - LEVEL5

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