

# Federal Debt & US National Interest ; How US Government can increase its revenue & reduce its debt .

This article will show you the current picture of Financial Statement of US Govt. based on the data of Financial Statement ended Sep 30th 2021. <https://www.fiscal.treasury.gov/>

- **Background Of US Debt and How it is big**
- **Glimpses of Financial Statement; Statement of “Net Cost” for the year ended Sep 30th, 2021.**
- **Balance Sheet for the year ended Sep 30th 2021.**
- **Break up of US Federal Debt .**
- **Recommendations to US Government for its national interest**
  1. **Investment in Cement Sector , modern industry.**
  2. **Investment in private sector and become subsidiary or Holding Company.**
  3. **By export increment.**
  4. **Investment in Steel & Iron sector.**

The U.S. national debt is once again raising alarm bells. The massive spending in response to the COVID-19 pandemic has taken the budget deficit to levels not seen since World War II. This expansion follows years of ballooning debt—totaling nearly \$17 trillion in 2019—that will now be even more difficult to reduce. Raising the debt ceiling, the legal limit on government borrowing, has become a perennial fight in Congress.

Major budget legislation signed by President Donald Trump, along with continued growth in entitlements and higher interest rates, saw the debt on track to nearly double by 2029, coming close to the size of the entire U.S. economy. With pandemic-related spending, the debt is now expected to be twice the size of the economy by midcentury. President Joe Biden has pledged to spend trillions of dollars more in an effort to reshape the post pandemic economy. That could expose the country to a number of dangers, some economists say, and reducing it will require politically difficult decisions to curb entitlement spending, raise taxes, or both. Other experts say the United States can safely afford to borrow more since it pays relatively little interest due to its unique position in the global economy.

The U.S. debt is the sum of all outstanding debt owed by the federal government. On December 16, 2021, it surpassed \$29 trillion for the first time. The U.S. Treasury Department tracks the current total public debt outstanding and this figure changes daily. The debt clock in New York also tracks it.

The majority of the national debt is debt held by the public.<sup>1</sup> The government owes this to buyers of U.S. Treasury notes including individuals, companies, and foreign governments.

The remaining portion is intra governmental debt. The Treasury owes this debt to its various departments that hold Government Account Series securities. The biggest owner is the Social Security Trust Fund.

These Government Account Series securities have been running surpluses for years, and the federal government uses these surpluses to pay for other departments. They will come due as people born from 1946 to 1964 retire over the next two decades.

#### Key Takeaways

The U.S. debt is the total federal financial obligation owed to the public and intra governmental departments.

The U.S. national debt is so big because Congress continues both deficit spending and tax cuts. If steps are not taken, the ability for the U.S. to pay back its debt will come into question, affecting the global economy.

#### The U.S. National Debt Over Time

The chart below tracks U.S. debt milestones from 1989 to 2021. It has increased by more than 800% during that time. In December 2021, the national debt exceeded \$29 trillion. This figure includes both debt held by the public as well as intra governmental debt.<sup>1</sup>

#### **Why Does the U.S. Have So Much Debt?**

There are a few significant reasons as to why the size of the national debt is big

#### **Federal Budget Deficits**

The national debt is an accumulation of federal budget deficits. Each new spending program and tax cut adds to the debt.

The largest deficit thus far goes to President Barack Obama. He added \$8.3 trillion to the

debt, a 70% increase. That's due to the ? American Recovery and Reinvestment Act (ARRA) stimulus package, which helped resolve the 2008 financial crisis. He also cut taxes and increased military spending.<sup>2</sup>

Although the national debt under Obama grew the most dollar-wise, it wasn't the biggest percentage increase. That honor goes to President Franklin D. Roosevelt. He only added about \$236.1 billion between 1933 and 1945, but that was an increase of about 1,048%.<sup>3</sup> He did this to fight the Great Depression and prepare the U.S. to enter World War II at the start of the 1940s.

President Donald Trump is the second-largest contributor to the debt dollar-wise. He added \$7.8 trillion to the debt. This was a 39% increase.<sup>1</sup>

More than \$2 trillion of the debt that Trump added to was from stimulus spending to help families and businesses recover from the COVID-19 pandemic. Trump's fiscal year budgets also added to the debt before the pandemic hit.

### **Social Security Trust Fund**

Every president borrows from the Social Security Trust Fund. Over the years, the Fund has taken in more revenue than it needed through payroll taxes leveraged on the baby boomer generation.

Ideally, this money should have been invested to be available when members of that generation retire. Instead, the Fund was "loaned" to the government to finance increased spending. This interest-free loan helps keep Treasury bond interest rates low, allowing more debt financing. But, it must be repaid by increased taxes as more individuals retire.<sup>45</sup>

### **Investment from Other Countries**

Foreign countries like China and Japan buy Treasuries to invest their export proceeds that are denominated in U.S. dollars.<sup>6</sup> They are happy to lend to America – their largest customer – so that it will keep buying their exports.

### **Low Interest Rates**

The U.S. government has benefited from low interest rates. It couldn't keep running budget deficits if interest rates skyrocketed. Why have interest rates remained low? Purchasers of Treasury bills are confident that the U.S. has the economic power to pay them back. During recessions, foreign countries increase their holdings of Treasury bonds as a safe-haven investment.

### **The Debt Ceiling**

Congress sets a ceiling on the debt but raises it frequently. Since 1960, Congress has modified the U.S. debt limit 78 times, with more sure to come.<sup>7</sup> President Trump signed the Bipartisan Budget Act of 2019 that suspended the public debt limit through July 31, 2021.<sup>8</sup> On Aug. 1, 2021, the debt ceiling became \$28.4 trillion—equal to the amount of the national debt.<sup>1</sup>

On Dec. 14, 2021, the debt ceiling was raised once again, by \$2.5 trillion—the new limit is around \$31.4 trillion.<sup>9</sup> This increase constituted the largest dollar amount increase of the national debt.

### **How the Large U.S. Debt Affects the Economy**

In the short run, the economy and voters benefit from deficit spending because it drives economic growth and stability. The federal government pays for defense equipment, health care, building construction, and contracts with private businesses. New employees are then hired and they spend their salaries on necessities and wants, like gas, groceries, new clothes, And more. This consumer spending boosts the economy. As part of the components of GDP, federal government spending contributes around 7%.<sup>10</sup>

Over the long term, debt holders could demand larger interest payments. This is because the debt-to-GDP ratio increases and this high ratio of debt to gross domestic product (GDP) tells investors that the country might have problems repaying them. That's a newer—and worrying—occurrence for the U.S. Back in 1988, the national debt was only half of what the U.S. produced that year.<sup>11</sup>

Weakened demand for U.S. treasury's could increase interest rates and that would slow the economy.

**United States Government  
Statement of Net Cost  
for the Year Ended September 30, 2020**

(In billions of dollars)	Gross Cost	Earned Revenue	Subtotal	(Gain)/Loss from Changes in Assumption	Net Cost
Department of Health and Human Services .....	1,537.0	130.0	1,407.0	0.1	1,407.1
Social Security Administration .....	1,157.6	0.3	1,157.3	-	1,157.3
Department of Veterans Affairs .....	386.3	4.0	382.3	602.7	985.0
Department of Defense .....	802.2	39.8	762.4	(17.4)	745.0
Department of the Treasury .....	581.3	20.6	560.7	-	560.7
Small Business Administration .....	562.1	3.1	559.0	-	559.0
Department of Labor .....	493.2	-	493.2	-	493.2
Interest on Treasury Securities Held by the Public .....	371.1	-	371.1	-	371.1
Department of Agriculture .....	198.0	10.1	187.9	-	187.9
Office of Personnel Management .....	97.3	25.2	72.1	89.9	162.0
Department of Education .....	190.2	33.3	156.9	-	156.9
Department of Homeland Security .....	122.3	11.8	110.5	3.1	113.6
Security Assistance Accounts .....	154.8	42.8	112.0	-	112.0
Department of Transportation .....	108.8	1.1	107.7	-	107.7
Department of Energy .....	60.9	5.4	55.5	-	55.5
Department of Justice .....	39.1	1.8	37.3	-	37.3
Department of Housing and Urban Development .....	36.3	2.2	34.1	-	34.1
Department of State .....	34.6	2.8	31.8	1.1	32.9
National Aeronautics and Space Administration .....	22.3	0.2	22.1	-	22.1
Department of the Interior .....	23.0	2.4	20.6	-	20.6
Department of Commerce .....	19.4	3.9	15.5	-	15.5
U.S. Agency for International Development .....	13.8	-	13.8	-	13.8
Federal Communications Commission .....	13.9	0.4	13.5	-	13.5
Railroad Retirement Board .....	13.1	-	13.1	-	13.1
Environmental Protection Agency .....	9.1	0.4	8.7	-	8.7
U.S. Postal Service .....	79.2	71.7	7.5	-	7.5
National Science Foundation .....	7.3	-	7.3	-	7.3
Smithsonian Institution .....	1.5	0.5	1.0	-	1.0
Millennium Challenge Corporation .....	0.6	-	0.6	-	0.6
Export-Import Bank of the U.S. ....	0.8	0.4	0.4	-	0.4
U.S. Nuclear Regulatory Commission .....	0.9	0.7	0.2	-	0.2
National Credit Union Administration .....	0.3	0.2	0.1	-	0.1
U.S. International Development Finance Corporation .....	-	0.1	(0.1)	-	(0.1)
Farm Credit System Insurance Corporation .....	0.1	0.2	(0.1)	-	(0.1)
General Services Administration .....	0.3	0.8	(0.5)	-	(0.5)
Securities and Exchange Commission .....	2.2	3.3	(1.1)	-	(1.1)
Tennessee Valley Authority .....	8.8	10.1	(1.3)	-	(1.3)
National Railroad Retirement Investment Trust .....	0.1	1.8	(1.7)	-	(1.7)
Pension Benefit Guaranty Corporation .....	19.2	22.0	(2.8)	-	(2.8)
Federal Deposit Insurance Corporation .....	1.7	6.5	(4.8)	-	(4.8)
All other entities .....	23.4	1.7	21.7	-	21.7
<b>Total .....</b>	<b>7,194.1</b>	<b>461.6</b>	<b>6,732.5</b>	<b>679.5</b>	<b>7,412.0</b>

The net cost; means Expenditures of all department less income of each department if any, add other losses of each department if any, which is equal to 7,412 Billion dollar.

**United States Government**  
**Statement of Operations and Changes in Net Position**  
**for the Year Ended September 30, 2020 (Consolidated)**

(In billions of dollars)	Funds other than those from Dedicated Collections	Funds from Dedicated Collections (Note 21)	Eliminations	Total
	2020			
<b>Revenue (Note 18):</b>				
Individual income tax and tax withholdings.....	1,570.8	1,283.8	-	2,854.6
Corporate income taxes.....	317.1	-	-	317.1
Excise taxes.....	40.8	52.2	-	93.0
Unemployment taxes.....	8.2	34.5	-	40.7
Customs duties.....	66.2	0.1	-	66.3
Estate and gift taxes.....	17.6	-	-	17.6
Other taxes and receipts.....	147.0	18.9	-	165.9
Miscellaneous earned revenues.....	16.3	0.1	-	16.4
Intra-governmental revenue.....	-	107.7	(107.7)	-
<b>Total revenue.....</b>	<b>2,182.0</b>	<b>1,497.3</b>	<b>(107.7)</b>	<b>3,571.6</b>
<b>Net Cost of Government Operations:</b>				
Net cost.....	5,328.9	2,083.1	-	7,412.0
Intra-governmental cost.....	107.7	-	(107.7)	-
<b>Total net cost.....</b>	<b>5,436.6</b>	<b>2,083.1</b>	<b>(107.7)</b>	<b>7,412.0</b>
<b>Intra-governmental transfers.....</b>	<b>(555.6)</b>	<b>555.6</b>	<b>-</b>	<b>-</b>
<b>Unmatched transactions and balances</b> <b>(Note 1.S).....</b>	<b>11.6</b>	<b>-</b>	<b>-</b>	<b>11.6</b>
<b>Net operating (cost)/revenue.....</b>	<b>(3,798.6)</b>	<b>(30.2)</b>	<b>-</b>	<b>(3,828.8)</b>
<b>Net position, beginning of period*.....</b>	<b>(26,484.6)</b>	<b>3,517.1</b>	<b>-</b>	<b>(22,967.5)</b>
Adjustments to beginning net position				
Changes in accounting principle (Note 1.T).....	12.5	(12.5)	-	-
Net operating (cost)/revenue.....	(3,798.6)	(30.2)	-	(3,828.8)
<b>Net position, end of period.....</b>	<b>(30,270.7)</b>	<b>3,474.4</b>	<b>-</b>	<b>(26,796.3)</b>

\*Net position, beginning of period is presented above as combined in alignment with the FY 2019 presentation.

**United States Government  
Balance Sheets  
as of September 30, 2020, and 2019**

(In billions of dollars)	2020	Restated 2019
<b>Assets:</b>		
Cash and other monetary assets (Note 2) .....	1,926.9	524.8
Accounts receivable, net (Note 3) .....	321.2	238.0
Direct loans and loan guarantees receivable, net (Note 4) .....	1,577.4	1,425.8
Inventory and related property, net (Note 5) .....	379.7	355.7
General property, plant and equipment, net (Note 6) .....	1,145.0	1,106.9
Securities and investments (Note 7) .....	121.9	118.3
Investments in special purpose vehicles (Note 8) .....	108.4	-
Investments in government-sponsored enterprises (Note 9) .....	108.9	112.1
Other assets (Note 10) .....	281.3	110.6
Total assets .....	<u>5,950.7</u>	<u>3,992.0</u>
Stewardship property, plant and equipment (Note 25)		
<b>Liabilities:</b>		
Accounts payable (Note 11) .....	105.1	98.0
Federal debt and interest payable (Note 12) .....	21,082.9	16,861.0
Federal employee and veteran benefits payable (Note 13) .....	9,409.3	8,440.3
Environmental and disposal liabilities (Note 14) .....	602.7	595.4
Benefits due and payable (Note 15) .....	256.3	223.6
Loan guarantees liability (Note 4) .....	520.1	21.7
Insurance and guarantee program liabilities (Note 16) .....	199.3	194.5
Other liabilities (Note 17) .....	568.2	510.3
Total liabilities .....	<u>32,743.9</u>	<u>26,944.8</u>
Commitments (Note 19) and Contingencies (Note 20)		
<b>Unmatched transactions and balances (Note 1.S) .....</b>	<b>3.1</b>	<b>14.7</b>
<b>Net Position:</b>		
Funds from Dedicated Collections (Note 21) .....	3,474.4	3,517.1
Funds other than those from Dedicated Collections .....	(30,270.7)	(26,484.8)
Total net position .....	<u>(26,796.3)</u>	<u>(22,967.5)</u>
Total liabilities and net position* .....	<u>5,950.7</u>	<u>3,992.0</u>

\*Total liabilities and net position equals Total liabilities, Total net position and Unmatched transactions and balances.

## Breakup Of US Debt & Interest Payable

### Note 12. Federal Debt and Interest Payable

#### Federal Debt and Interest Payable as of September 30, 2020, and 2019

(in billions of dollars)	2019	Net Change	2020	Average Interest Rate	
				2020	2019
<b>Treasury securities (public):</b>					
<b>Marketable securities:</b>					
Treasury bills .....	2,376.4	2,651.7	5,028.1	0.2%	2.1%
Treasury notes .....	9,756.0	899.9	10,655.9	1.9%	2.2%
Treasury bonds .....	2,311.5	356.6	2,668.1	3.5%	3.9%
Treasury inflation-protected securities (TIPS) .....	1,454.7	67.7	1,522.4	0.7%	0.8%
Treasury floating rate notes (FRN) .....	424.1	54.2	478.3	0.3%	2.0%
<b>Total marketable Treasury   securities .....</b>	<b>16,322.7</b>	<b>4,030.1</b>	<b>20,352.8</b>		
<b>Nonmarketable securities:</b>					
Net unamortized premiums/(discounts) .....	486.4	179.6	666.0	1.1%	2.2%
Total Treasury securities, net (public) .....	<b>16,766.4</b>	<b>4,225.7</b>	<b>20,992.1</b>		
<b>Agency securities:</b>					
Tennessee Valley Authority .....	21.0	(1.2)	19.8		
All other agencies .....	0.1	-	0.1		
<b>Total agency securities, net of   unamortized premiums and   discounts .....</b>	<b>21.1</b>	<b>(1.2)</b>	<b>19.9</b>		
<b>Accrued interest payable .....</b>	<b>73.5</b>	<b>(2.6)</b>	<b>70.9</b>		
<b>Total federal debt and interest payable .....</b>	<b>16,861.0</b>	<b>4,221.9</b>	<b>21,082.9</b>		

Types of marketable securities:  
 Bills—Short-term obligations issued with a term of 1 year or less.  
 Notes—Medium-term obligations issued with a term of 2-10 years.  
 Bonds—Long-term obligations of more than 10 years.  
 TIPS—Term of more than 5 years.  
 FRN—Term of 2 years.

#### Recommendations:

**Investment in Cement Sector:** US Govt. can do investment by borrowing Treasury bills and do investment in cement sector, risk and returns are directly proportionate to each other



<https://www.cemnet.com/global-cement-report/country/united-states>

## Quarries of cement in US



*By investment you can be a subsidiary or holding, depends upon the percentage of investment via Treasury bills, or Treasury bond; hence revenue will be increased.*

### Investment in Iron and Steel Industry:

**About the Top 10 U.S. Iron and Steel Mill:** These iron and steel mills are still operating and support the U.S. economy by producing essential raw materials.

**California Steel Industries, Inc.** Located in Fontana, California, California Steel Industries, Inc. is one of the largest mills in the country with 1,000 employees. This mill offers the widest selection of flat rolled steel products in the West. Additional products include cold rolled sheet, galvanized steel, hot rolled steel, pickled and oiled steel, and electric resistance welded pipe.

**Evraz, Inc.** The Pueblo mill is one of the six EVRAZ North American production sites.

With 1,000 employees, it's among the largest in the country and is home to one of EVRAZ's Product Technology Centers. This manufacturer offers steel and coiled plates, rails, pipes, and recycling services.

**EVRAZ Portland.** The EVRAZ Portland location is the only plate mill in the West. Its 500 employees also operate quench and tempering lines.

**Carlton Forge Works** Located in Paramount, California, Carlton Forge Works and its 350 employees produce highly-specialized rings and forgings designed for use mainly in the aerospace and nuclear industries, among other fields.

**Tube Specialties Co., Inc.** Tube Specialties Co., Inc. is a Troutdale, Oregon, manufacturer with 300 employees. This mill specializes in producing OEM parts for the automotive industry and steel tubes for a variety of sectors.

### **Steel scape, LLC**

Steel scape, LLC is a company with 250 employees located in Kalama, Washington. Besides producing metal, this manufacturer uses innovative methods to work with metallic-coated steel and pre-painted steel.

**Eaton Metal Products Co., LLC** .With 200 employees, Eaton Metal Products Co., LLC is a fully-integrated company located in Denver, Colorado, that handles everything from design to manufacturing. Pressure vessels are one of this manufacturer's areas of expertise.

**Superior Steel Fabrication** , Superior Steel Fabrication is a Eugene, Oregon, company of 200 employees. They specialize in sheet metal manufacturing, metal fabrication and precision machining. Other capabilities of this manufacturer include powder coating and plating.

**.CMC Steel Fabricators, Inc.** This Kalopei, Hawaii, mill is one of the many facilities operated by CMC Commercial Metals. Its 190 employees produce concrete reinforcing steel for the construction industry.

**Tri-Point Oil & Gas Production Systems, LLC.** Tri-Point Oil & Gas Production Systems, LLC is an end-to-end business that offers engineering, production, installation, field service and more for oil and gas wells. The Brighton, Colorado, location employs 175 people and manufactures wellhead parts.

**US can do investment as holding or Subsidiary company .**

**By Export Increment ; By increasing export and Sales to Europe , Canada and other countries fiscal deficit will be reduced and cash flow will be increased.**

IJSER