

## Trump is massively increasing US debt

<https://www.taxresearch.org.uk/Blog/2025/03/04/trump-is-massively-increasing-us-debt/>

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The Republicans in the USA always say they hate debt, except when it is massively increased by Donald Trump as a result of his tax cuts for the wealthy. Then it's OK. But in a world increasingly hostile to the US they might have to think again.

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This is the transcript:

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Donald Trump is planning to massively increase the levels of US national debt.

Now, this isn't something that he announced that he would do in advance when he was running for election because according to the Republicans, the US national debt is the biggest threat to the existence of the nation that exists, despite which Donald Trump did spectacularly good job at increasing it during the course of his first term as president.

Now he plans to repeat that trick by increasing that debt by at least \$2.5 trillion during

the course of this presidency.

How's he going to do that? Well, according to a budget that has been approved by the US House of Representatives, which is of course the lower house in Congress in the USA, there are going to be tax cuts of \$4.5 trillion over Trump's presidential term.

At the same time, there will be cuts in spending of \$2 trillion. The difference is not hard to work out. It's \$2.5 trillion and that is going to be piled onto US National debt.

Now, let's be clear, the details of this budget are not yet known. These are outline figures that have been approved by the House, and things will change. There are months and months of negotiations to go, not least between the House of Representatives and the Senate, who have a different idea on what to do with regard to the budget, and of course with the President, who has to choose between the options with which he is presented. But the broad thrust is clear. What the Republicans in the House of Representatives want to do is to continue with the Trump tax cuts that were introduced during the course of his first term.

Now, as is commonplace in the USA, those tax cuts that were introduced in 2017 have what is called a sunset clause attached to them. In other words, they were not granted in perpetuity, or forever if you so wish. They were instead granted for a limited period of time, and they are coming up to expire.

The cuts that were given were massive for the wealthy.

In particular, the corporation tax rate in America was cut from 35% to 21%.

Higher rates of tax were cut.

The rate of inheritance tax in the USA - the estate tax - was cut, and effectively the allowance was doubled to reduce significantly the number of estates which were subject to such a charge.

And whilst there were also cuts for ordinary Americans, in comparison to the benefits that went to the wealthy, those cuts for ordinary people in High Street and Midwest USA were tiny.

So what we get, if we get the perpetuation of these cuts, is a continuation of the bung that Trump gave to wealthy America in 2017. It seems highly likely that this is what he is trying to do.

And after all, are we really surprised by that? His supporters are the billionaires who stand to gain most from those cuts, and they're hardly going to let him up on that.

So instead, let's look at what the \$2 trillion of cuts that he's planning are. These are largely to Medicaid, on which 25% of the US population rely for their medical support,

and to nutritional programs which are used to support the most vulnerable people in the USA to ensure that they basically get something called a food stamp - literally support to ensure that they get the sustenance that is required to continue to live. It's that basic, and these programs are literally what Trump is trying to cut to fuel the tax cuts that he wants to give to the rich.

But even so - and this is my important point at this moment - despite the absolute travesty of those two proposals - tax cuts for the wealthy, whilst cutting benefits for people who depend upon them and who are the poorest in US society, by and large - even so, he's planning to increase the US deficit by \$2.5 trillion and that is not insignificant.

The total debt at present is \$36 trillion.

Now let's be clear about what that debt represents. It is simply money that has been spent into the US economy by the US government, which has yet to be reclaimed in tax.

But the US is in a totally different situation with regard to its deficits from every other country in the world because most countries in the world do not create a currency that the rest of the world is desperate to own. But the world is desperate to own dollars. Some countries in the world literally use it as their own currency, in effect. Panama does legally, as do a few other states, and there are places like Lebanon, where frankly to use the local currency is just pointless. The dollar prevails. So the dollar is a valuable asset way beyond the boundaries of the USA.

And it is because other people around the world want the dollar, not least for oil trading as well, that the US can run such a massive deficit without having to worry about it. But is there a point where it does have to worry?

Now, traditionally, or at least while the Democrats are in office, the Republicans always say that that point has been reached at any point in time - literally any point in time. It doesn't matter what the Democrats do, if they want to increase the deficit, and so the level of US national debt, the Republicans will always oppose it, but they will be relaxed for Trump.

There will be consequences, though, because in a volatile world where trade is going to be less commonplace and where the BRICS countries - that's Brazil, Russia, India, China, and South Africa, plus their allies - who between them now control almost half of world trade are planning to trade in oil and other commodities in a currency other than the dollar.

With this, the USA might find that actually funding the deficit of two and a half trillion in the way that it has been used to, by simply dumping it on the rest of the world, is not as easy as they once thought.

There could be real consequences for the USA from this. In particular, interest rates might have to stay higher than they might otherwise have anticipated because the US might need to do that to literally sell these dollars.

They might also find that this is compounded by the tariffs that Trump plans to impose, which will in turn reduce world trade and therefore the demand for the dollar.

The point I'm making is that Trump is planning to increase the US budget deficit and in effect sell \$2.5 trillion to the world at a time the world might not want \$2.5 trillion, precisely because the USA is really no one's friend anymore.

It is setting out to alienate everyone, and that is what Donald Trump is trying to do. Let's be clear about it. There is no one left who he hasn't really got a gripe with, whether it be those BRICS states in the so-called developing world, or the European Union, or Canada, or whoever else it is that he might wish to pick on, including China.

If he picks a fight with everyone, who is going to want to buy these dollars if they can find an alternative? Well, no one will buy them if they can get that alternative. And what I'm suggesting is that what Trump is really doing is accelerating the moment when the US dollar might not be the reserve currency of the world.

If that ever happens and it's foreseeable, the US economy is going to run in a very different way. Running deficits at free will, which is what it has done, and which Trump is still proposing will become very much harder.

Trump's plan to run a big budget deficit looks to be reckless.

It may be foolhardy.

It could change the world economy for good.

This man is not in control of his own destiny, and if he thinks he is, he might be seriously mistaken.