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US Debt on America's Youth

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I. Executive Summary

The U.S. national debt has always been a critical policy issue with long term consequences on the country's economic stability. Historically, broad political consensus exists that current debt levels are unsustainable. This brief explores the political discourse and past policy attempts of inaction, particularly for young Americans.

II. Overview

Pointed Summary

- Growing National Debt Trajectory
- Credit Downgrades and Rising Interest Burden
- Political Gridlock on Fiscal Reform
- Youth as Long-Term Economic Stakeholders

Relevance

America's rising national debt is no longer a future concern, but one that is having imminent consequences today. Interest payments now make up the largest expense in the federal budget, shunning education, infrastructure, and climate priorities. At the same time, credit rating agencies have issued downgrades which signals growing concern over the US government's ability to manage its finances. Despite widespread political agreement that this debt is unsustainable, a gridlock remains in Congress. Experts estimate that this will inevitably put more pressure on younger generations who will face higher borrowing costs and overall less economic flexibility in the future.

III. History

Current Stances

Public discourse around the national debt has become increasingly polarized, yet is marked by a growing undercurrent of anxiety about America's long-term fiscal health. Among policymakers, there is broad consensus that the debt trajectory is unsustainable, but significant disagreement persists over how to address it. Republicans largely emphasize spending restraint, seeking reductions in discretionary programs and entitlement reforms to curb future obligations. They frame high debt as an economic threat due to rising interest costs and crowding out private investment, but also a geopolitical vulnerability that could undermine U.S. global leadership.

Many Democrats, though historically more willing to embrace deficit spending for social investments, have also voiced concern about surging interest payments crowding out priorities like infrastructure, climate resilience, and education. Moderate Democrats increasingly highlight the need for balanced fiscal strategies that combine targeted spending discipline with revenue enhancements, such as higher taxes on corporations or high-income earners.

Outside Congress, economic institutions including the Federal Reserve and the Congressional Budget Office (CBO) have repeatedly warned of the risks posed by rising debt-to-GDP ratios, especially in a high-interest-rate environment. Financial markets have begun showing signs of unease, reflected in periodic sell-offs of U.S. Treasury securities whenever political brinksmanship over the debt ceiling threatens a government default. Meanwhile, credit rating agencies, which once treated U.S. debt as virtually risk-free, have grown more vocal, citing political dysfunction and mounting fiscal imbalances as reasons for recent credit downgrades.

These diverging stances highlight that while there is universal recognition of the problem, there is no clear political pathway forward, leaving the nation vulnerable to further shocks.

Tried Policy

Over the past several decades, the United States has tested numerous strategies to manage its rising debt, with mixed results. The late 1990s briefly saw budget surpluses fueled by strong growth and bipartisan fiscal agreements. However, surpluses vanished in the 2000s amid tax cuts, military conflicts, and the Great Recession, which spurred historic federal stimulus spending.

Efforts like the Budget Control Act of 2011 attempted to rein in deficits through spending caps and automatic cuts, but these measures largely spared mandatory programs like Social Security and Medicare, leaving the biggest drivers of long-term debt untouched. Persistently low interest rates further reduced pressure for reform, as debt service costs remained manageable even as borrowing increased.

The COVID-19 pandemic triggered another wave of massive federal spending, adding significantly to the debt. In recent years, surging interest rates have sharply raised the government's borrowing costs, with annual interest payments exceeding $1.1 trillion in 2024 – the largest single item in the federal budget. Credit rating agencies have responded with downgrades in 2023 and 2025, citing both the debt's size and political dysfunction as key risks.

These past policies reveal that while America has made periodic attempts at fiscal discipline, lasting solutions have remained elusive.

IV. Policy Problem

A. Stakeholders

The growing U.S. national debt and its implications for the country's credit rating affect several stakeholders across multiple sectors. Primarily, the direct impact of increased debt falls upon American taxpayers, as growing interest payments on the debt may lead to higher taxes or reductions in essential public services. As debt grows, the government needs to borrow more money to cover its expenses, increasing the demand for borrowing and driving up interest rates. Future generations are also significant stakeholders; unsustainable fiscal policies today can result in future economic instability and limited fiscal flexibility.

Financial institutions and investors–both domestic and international–also have a vested interest in the stability of U.S. credit. U.S. Treasury securities are largely regarded as one of the safest investments in the global economy; a downgrade in creditworthiness can decrease confidence and raise borrowing costs. Businesses face secondary effects, such as increased interest rates on loans and less favorable investment conditions. At the same time, federal agencies and programs, particularly those depending on discretionary funding like infrastructure, education, and defense, may experience budgetary constraints if debt service consumes a larger portion of the federal budget.

Finally, state and local governments, which rely on federal support and grants, can be affected if budget pressures at the federal level reduce available aid. As a whole, the consequences of U.S. debt mismanagement leave lasting ripples through every nearly level of the economy and society.

B. Risks of Indifference

Ignoring the growing national debt problem poses critical economic and political risks. One immediate threat is the potential for further downgrades to the U.S. credit rating, as occurred in 2011, 2023, and just recently in 2025. Such downgrades increase the cost of government borrowing, which in turn exacerbates the debt problem–a feedback loop that can spiral out of control. Despite having hit the debt ceiling multiple times, Congress continues to raise debt limits, potentially leading to spillover and the aforementioned consequences.

Long-term indifference to rising debt could lead to crowding out of private investment as the government competes for capital, raising interest rates across the board. This slows economic growth, job creation, and innovation. The risk of a fiscal crisis also grows: if investors lose confidence in the U.S. government's ability to manage its finances, they may demand higher yields on Treasuries—or worse, stop purchasing them altogether. This would force sudden austerity measures or inflationary responses like monetizing the debt.

Politically, failure to address the debt can erode public trust in government institutions, especially among younger generations burdened with the consequences. It also weakens America's geopolitical standing, as fiscal irresponsibility can be interpreted as a sign of internal instability by both allies and adversaries.

C. Nonpartisan Reasoning

Although debates over debt and deficits are often split down the aisle, there is broad nonpartisan agreement that a rapidly growing national debt threatens the country's long-term economic stability. Economists across the political spectrum recognize the need for sustainable policy solutions.

Addressing the debt does not require unanimous agreement on the ideal balance between spending and taxation. Instead, it requires a collective commitment to transparent budgeting practices, long-term fiscal planning, and the political will to make principled tradeoffs. Viable policy solutions exist that can uphold fiscal responsibility without undermining core national priorities.

By prioritizing responsible governance over short-term political interests, policymakers can craft forward-looking strategies that protect the United States' credit standing, promote intergenerational equity, and reinforce its leadership in the global economy.

V. Policy Options

A. Option 1

The sustained rise in national debt creates a significant risk of economic crowding out, where government borrowing competes with private sector demand for money. As federal borrowing increases, it drives up interest rates across the economy. This makes loans for homes, education, and business investment more expensive. This especially harms young Americans, who are entering the most financially formative years of their lives. With student loan rates climbing and housing affordability declining, many are already priced out of key milestones like higher education and homeownership.

Moreover, as debt service absorbs a growing share of the federal budget, discretionary spending on youth-focused priorities continues to stagnate or decline. Programs that promote workforce development, environmental resilience, and public education face repeated funding constraints — despite widespread recognition of their long-term value. This underinvestment not only undermines economic mobility for the next generation but also weakens the nation's overall productivity and competitiveness.

Failure to address these opportunity losses will compound over time. As more federal dollars are diverted toward interest payments, fewer resources will be available to support innovation, entrepreneurship, or social safety nets— all essential components of a thriving and inclusive economy. The longer policymakers delay action, the greater the cumulative damage to generational equity and social progress.

B. Option 2

A second course of action would be to institutionalize fiscal responsibility via a statutory debt-to-GDP trigger mechanism. Under this policy, Congress would enact legislation to impose automatic fiscal adjustments—such as proportional spending cuts, temporary tax surcharges, or the suspension of certain discretionary expenditures—if the federal debt-to-GDP ratio exceeds an amount specified in advance (e.g., 120% of GDP). This mechanism could work along the lines of the Budget Control Act of 2011, a bipartisan law that raised the debt ceiling while imposing caps on discretionary spending and establishing automatic sequestration cuts to reduce the federal deficit, but emphasizing longer-term sustainability over short-term deficit reduction.

This policy would achieve two core goals. First, it would restore market confidence by instilling firm fiscal restraints in the budget process, making it clear to the world that the United States has structural safeguards against runaway debt. Second, it would provide a nonpartisan enforcement tool capable of bypassing legislative gridlock, which has previously hindered fiscal action and fueled political brinksmanship on the debt ceiling. By tying fiscal adjustments to measurable, objective debt indicators, this mechanism would institutionalize urgency and responsibility into the politics of the budget process, potentially preventing further credit downgrading.

VI. Youth Impact

Though often treated as a long-term concern, the U.S. national debt affects today's youth and will increasingly shape their economic future. Servicing this debt cost the federal government over $1.1 trillion in 2024, now the single largest line item in the federal budget – surpassing even the defense budget.

This rapidly rising interest burden means fewer resources available for programs that directly benefit young Americans: education, public health, climate resilience, and student loan support. For instance, Pell Grant funding has remained virtually flat for the past decade, despite the surge in college costs of over 60% since 2000. And emergency situations cannot easily be addressed. Whether it's another pandemic, a global conflict, or an economic recession, a government already saddled with obligations will be more limited in its response. This not only compromises national resilience but places young Americans at greater economic risk.

The implications also extend beyond federal budgets. As debt-fueled borrowing raises interest rates, young adults face harder credit markets. The average federal student loan interest rate for undergraduates rose from 2.75% in 2020 to 5.5% in 2024, while mortgage rates have hovered above 6.5%, pricing many first-time buyers out of the housing market.

More broadly, the Congressional Budgeting Office projects that if current policies continue, net interest will consume nearly 25% of all federal revenue by 2050, limiting future governments' ability to respond to recessions or invest in long-term growth.

For young Americans, this isn't just about economics – it's about equity. Every year of inaction shifts the burden further onto their shoulders. Today's fiscal decisions will shape the economic opportunities, living standards, and public services available to future generations. To protect opportunity and intergenerational fairness, youth must not only be aware of the debt crisis but also be at the forefront of shaping its solutions.

VII. Conclusions

Economic crowding out is not just an abstract macroeconomic trend, but rather a direct threat to youth opportunity. By ignoring the mounting debt burden, the U.S. risks sacrificing the financial futures of millions of young Americans for short-term political convenience.

VIII. Acknowledgement

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