

The background is a solid green color with various white line-art illustrations of financial concepts scattered around the edges. These include stacks of money, individual coins, a piggy bank, a bar chart, a line graph, and a dollar sign. The central text is in a large, bold, white sans-serif font.

# SHOULD WE WORRY ABOUT THE CURRENT DEFICIT IN THE US?

Kaitlin Murphy, Javier Ruiz, Laura Rodrigo



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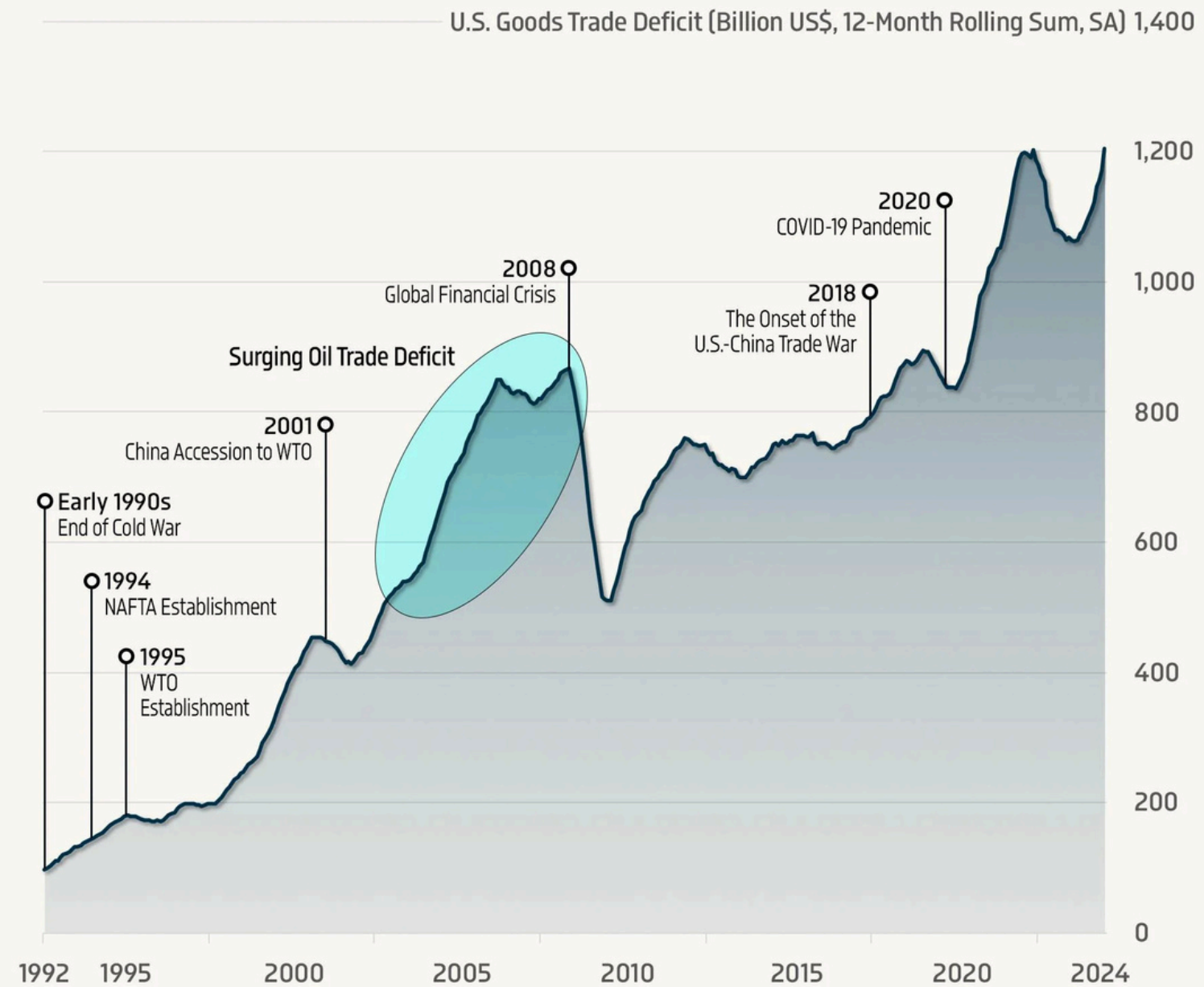
# IF THE US BUYS MORE THAN IT SELLS, IS THAT NECESSARILY A PROBLEM?

1. US runs a trade deficit.
2. Imports manufactured goods, electronics and oil.
3. exports services (intangible) education, entertainment, tourism, finance and technology.
  - a. Goods. 1.2 trillion deficit. Largest in the world.
  - b. Services. 300 billion surplus.
  - c. Total.





# U.S. Goods Trade Deficit Hits Record \$1.2 Trillion in 2024



Sources of Primary Data: BEA, U.S. Census

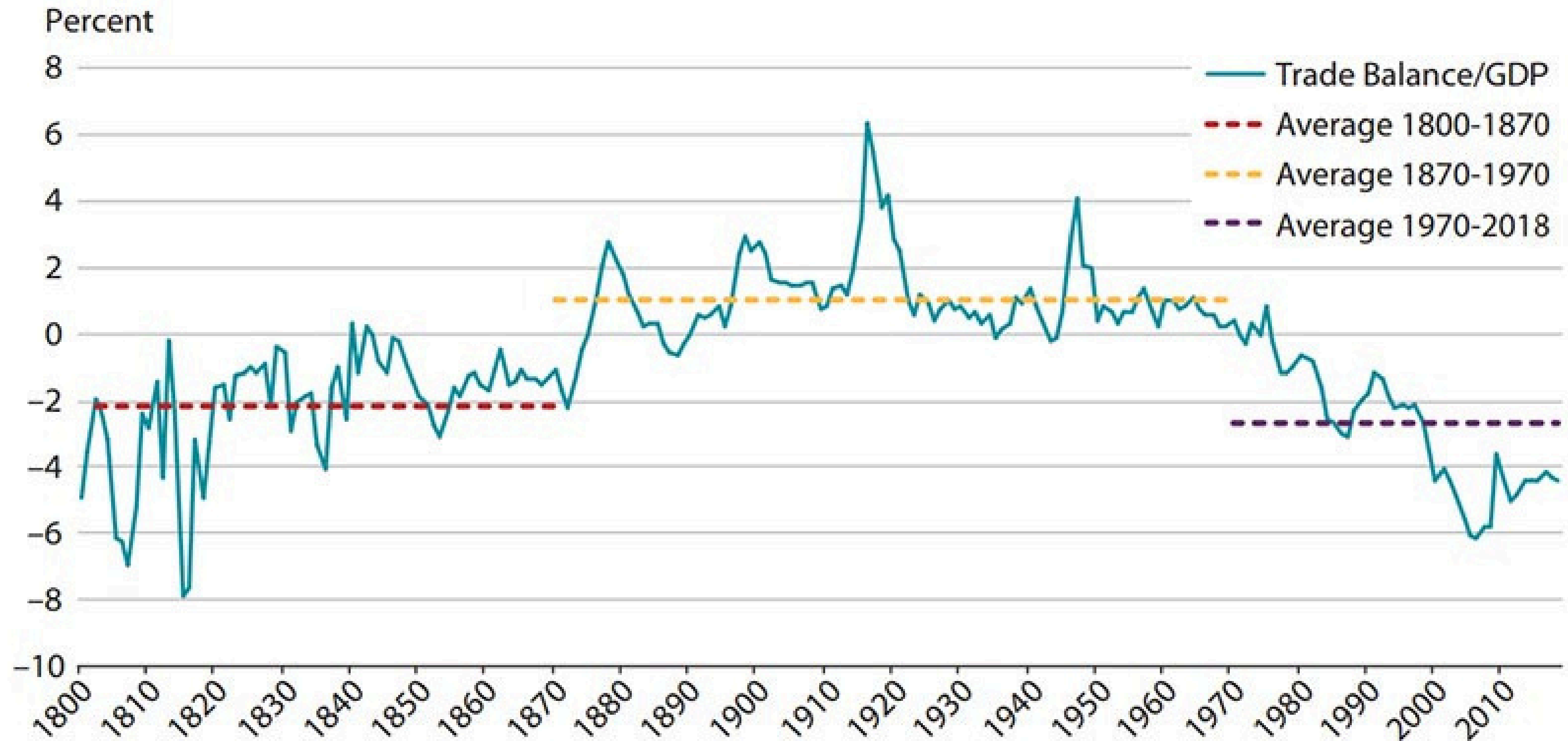
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# US GOODS TRADE BALANCE TO GDP



Federal Reserve Bank of St Louis



# HAS IT ALWAYS BEEN LIKE THIS?

1. 1948 Marshall plan. Many exports to rebuild Europe and Asia, very little imports.
2. 1960. Competition from rebuilt economies like Germany and Japan, dollar becomes overvalued.
3. 1970 oil Shocks. US was a major oil importer. Start of a persistent trade deficit.





# HAS IT ALWAYS BEEN LIKE THIS?

4. 1990s Globalization. Production and supply chains become international and US offshores manufacturing.

5. 2001 China joins WTO and integrates fully into the global trade system US imports from China rose dramatically, main source of USA trade deficit.





# IS THIS A SIGN OF ECONOMIC WEAKNESS?

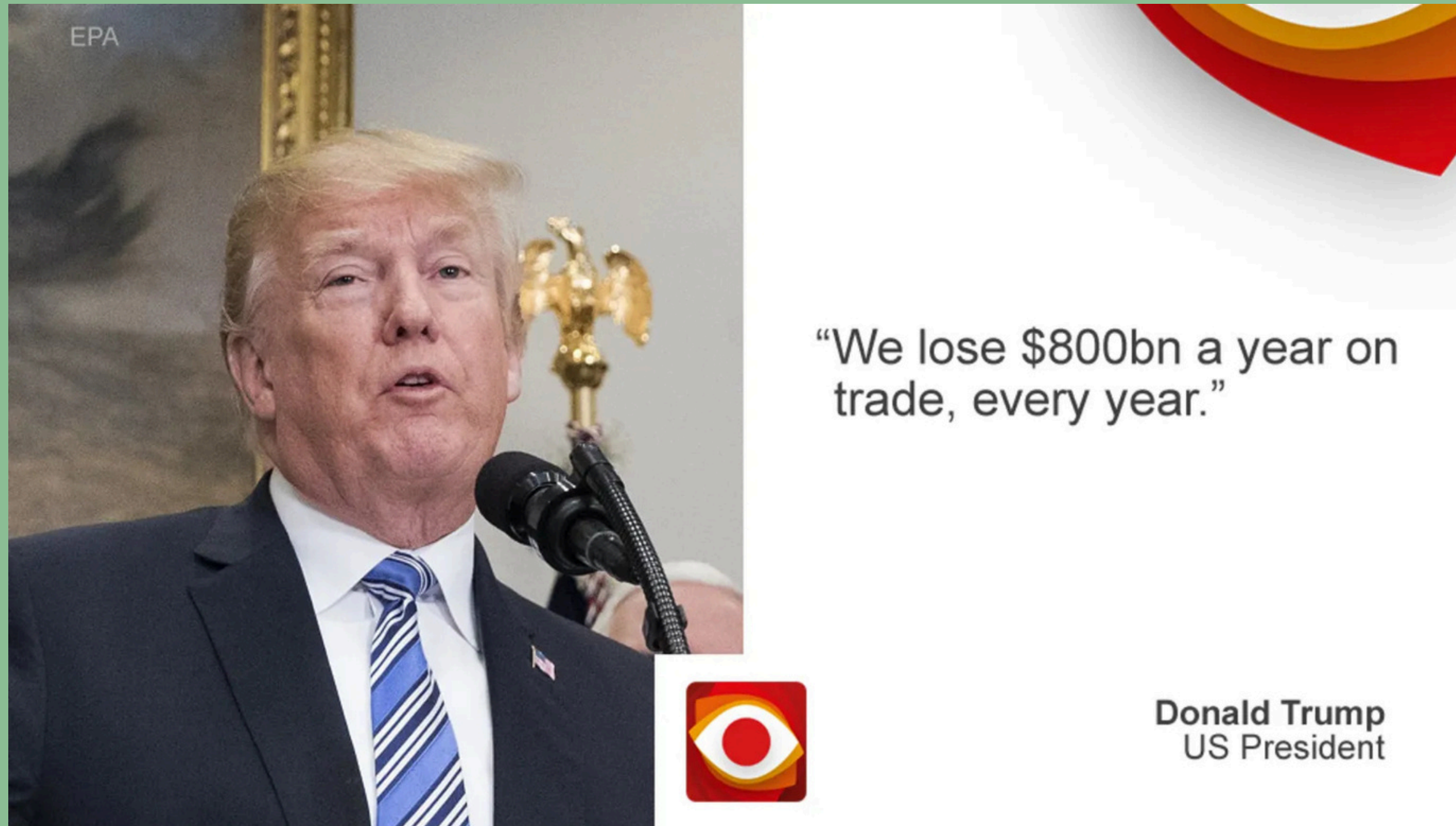
**Over-reliance?**

**Investment capacity?**

**International debt?**

**Strong consumption power?**





**2016**

**The trade deficit meant the US was losing economically to other countries.**

BBC US trade: Is Trump right about the deficit?





**Once president, in 2020 his speech softens regarding the trade deficit.**





# POLITICAL & ECONOMIC FACTORS

Bidenomics &  
Global Reactions





# WHAT IS BIDENOMICS?



Bidenomics is President Joe Biden's economic strategy focused on growing the economy “from the middle out and the bottom up”

- Public investment
- Stronger labor power
- Industrial policy



Fact sheet: Bidenomics has driven \$500 billion in private sector investments across the country, is growing South Carolina's economy from the middle out and bottom up | The White House (2023) National Archives and Records Administration. Available at: [https://bidenwhitehouse.archives.gov/briefing-room/statements-releases/2023/07/05/fact-sheet-bidenomics-has-driven-500-billion-in-private-sector-investments-across-the-country-is-growing-south-carolinas-economy-from-the-middle-out-and-bottom-up/?utm\\_](https://bidenwhitehouse.archives.gov/briefing-room/statements-releases/2023/07/05/fact-sheet-bidenomics-has-driven-500-billion-in-private-sector-investments-across-the-country-is-growing-south-carolinas-economy-from-the-middle-out-and-bottom-up/?utm_) (Accessed: 06 October 2025).



# KEY PILLARS

- Massive Public investment – IRA, CHIPS and Science Act, Infrastructure Investment and Jobs Act
- Promoting green energy and domestic manufacturing
- Encouraging unionization and higher wages
- Fiscal spending for long term growth



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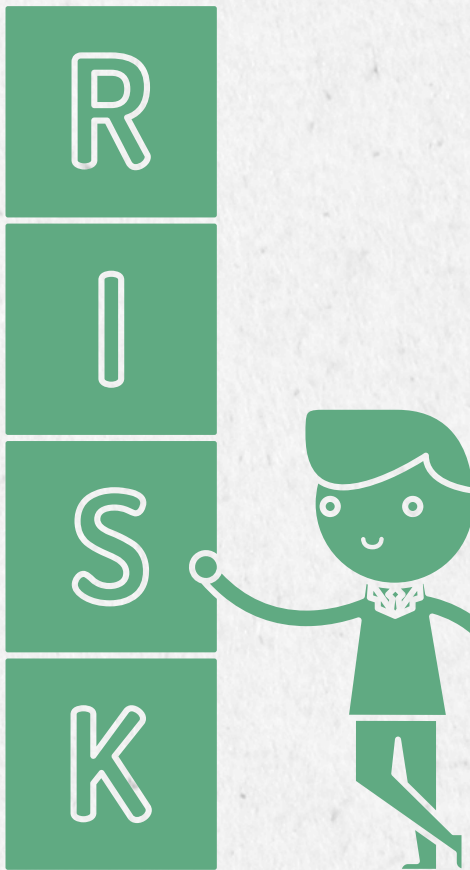
# DANGERS OF BIDENOMICS

Inflation & Higher Prices

Rising Government Debt

Government “Picking  
Winners”

- 
- Bessent, S.K.H. (2024) The fallacy of Bidenomics: A return to central planning, Manhattan Institute. Available at: [https://manhattan.institute/article/the-fallacy-of-bidenomics-a-return-to-central-planning?utm\\_](https://manhattan.institute/article/the-fallacy-of-bidenomics-a-return-to-central-planning?utm_) (Accessed: 06 October 2025).
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# EUROPE'S RETURN TO PROTECTIONISM

- Strategic Autonomy
- Subsidies & State Aid
- Trade Barriers
- Industrial Policy Revival

- Josie Stewart, M.D., Radsch, C.C. and Nicol Turner Lee, A.K. (2022) How Europe aims to achieve strategic autonomy for semiconductors, Brookings. Available at: [https://www.brookings.edu/articles/how-europe-aims-to-achieve-strategic-autonomy-for-semiconductors/?utm\\_](https://www.brookings.edu/articles/how-europe-aims-to-achieve-strategic-autonomy-for-semiconductors/?utm_) (Accessed: 06 October 2025).
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# How did Bidenomics affect the US deficit today?



**Higher deficit in FY2024**





**Increased national debt**



**Spending driven growth**



**Future deficit risks**

- 
- 
- CBO estimate: 2024 deficit reaches \$1.8 trillion under Biden-Harris spending: U.S. Senate Committee on the Budget (2024) Press Item | Press | Ranking Member's Newsroom | Ranking Member | U.S. Senate Committee On The Budget. Available at: [https://www.budget.senate.gov/ranking-member/newsroom/press/cbo-estimate-2024-deficit-reaches-18-trillion-under-biden-harris-spending?utm\\_](https://www.budget.senate.gov/ranking-member/newsroom/press/cbo-estimate-2024-deficit-reaches-18-trillion-under-biden-harris-spending?utm_) (Accessed: 06 October 2025).
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# COMMERCIAL AND FINANCIAL DEPENDENCY

## COMMERCIAL RELATIONSHIP

- **US import's from China \$536.3B**
- **US export's to China \$219.48B**

## THE UNIQUE PRIVILEGE OF THE DOLLAR

- **Possible search of domestic investors**

## FINANCIAL RELATIONSHIP

- **Emission of Government bonds**
- **China's holdings of the US treasuries → \$1.3 trillion in 2014 to about \$780 billion in 2024**

**US DEFICIT**

**IMPORTS SEND  
DOLLARS  
ABROAD**

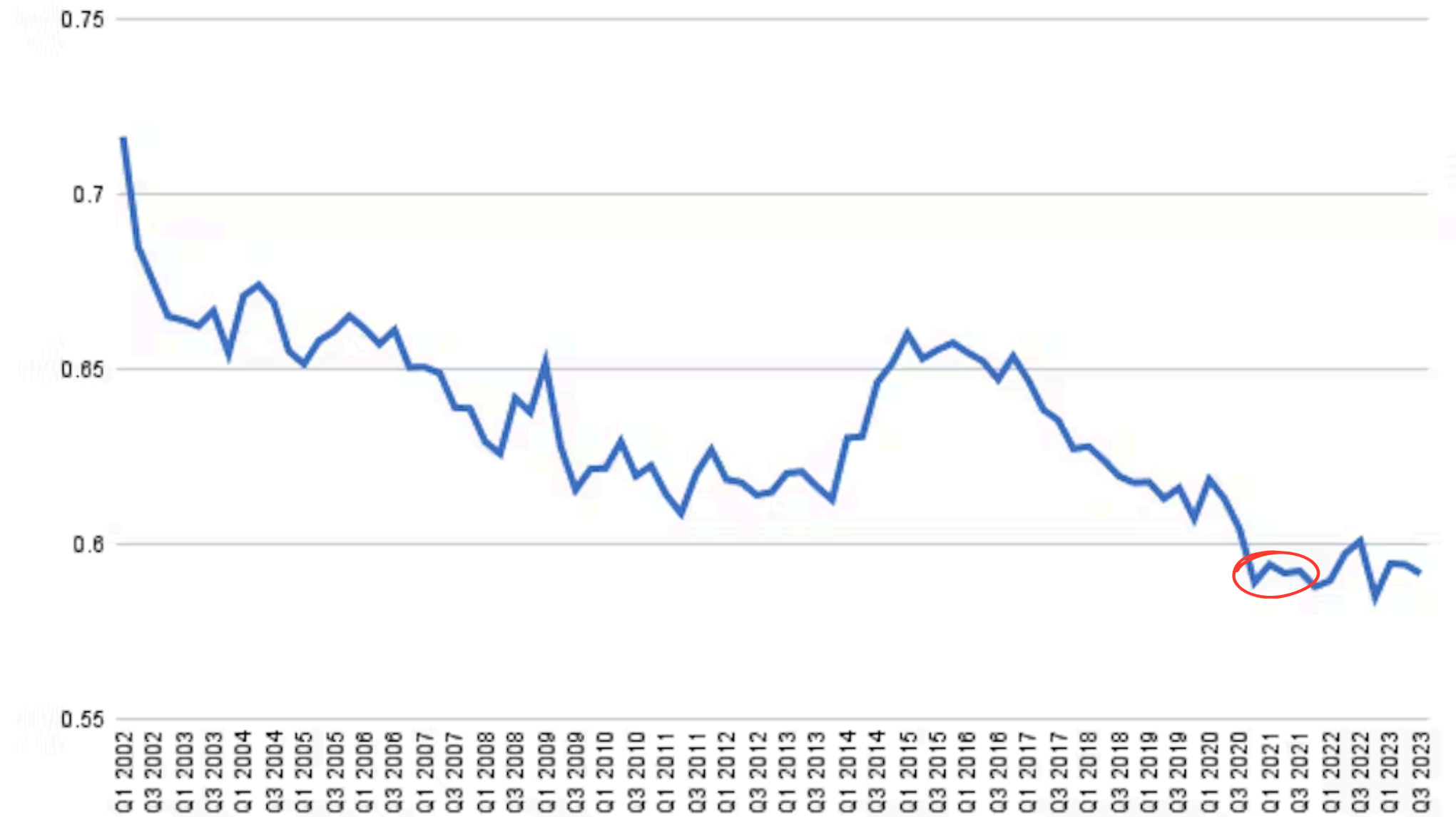
**INVESTORS USE  
DOLLARS TO  
INVEST IN US  
ASSETS**

**DOLLARS FLOW  
BACK TO  
FINANCE  
DEFICIT**

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# DE-DOLLARIZATION



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## WHY ARE COUNTRIES REDUCING THEIR DEPENDENCY ON THE US DOLLAR?

- The invasion of Ukraine (2022) --> Russia received unprecedented sanctions.
- US was responsible for aseismic event.
- Dollar backlash from countries with different geopolitical interests.

## HOW ARE THEY DE-DOLLARIZING?

- Russia and China, bilateral trade agreement.
- China and Saudi Arabia, currency swap agreement.



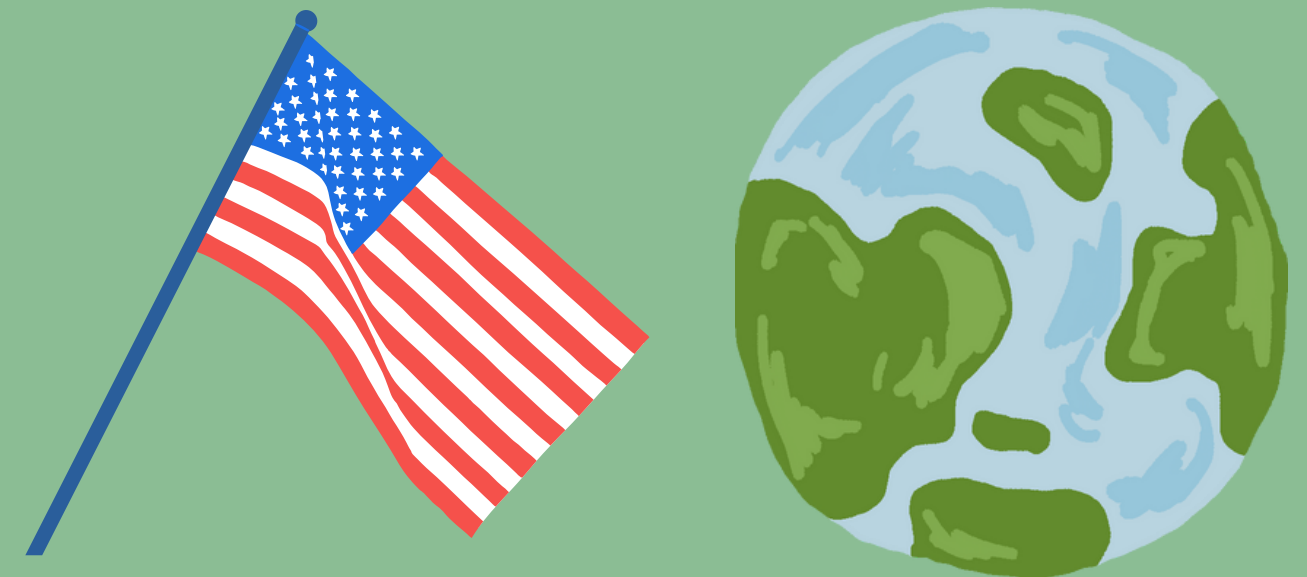
# SHOULD WE BE WORRIED ABOUT THE CURRENT US DEFICIT?

## THE UNITED STATES

- President Trump has been shifting towards protectionism.
  - Generalized raise in tariffs.
  - Incentives and subsidies to local production.
  - Renegotiation of trade agreements.

## EUROPE

- Appreciation of the Euro.
- Escalating borrowing costs.
- Escalating geopolitical tensions.
  - Trump's military demands on Europe





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**Thank you  
very much!**