Forum: Economic and Social Council

Issue: Addressing the Consequences of Deficit Spending and Increasing Levels of National Debt

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Introduction

Governments globally have been running significant budget deficits and accumulating debt for decades. This trend has rather intensified in recent years, for example, the accumulated worldwide debt reached approximately **235% of world GDP** in 2024. Deficits and debts can fund public investment, social programs, and emergency relief. Governments globally have been running significant budget deficits and accumulating debt for decades. This trend has rather intensified in recent years, for example, the accumulated worldwide debt reached approximately 235% of world GDP in 2024. Deficits and debts can fund public investment, social programs, and emergency relief. However, they often carry long-lasting implications. High levels of public debt can increase borrowing costs, halt government budgets, and boil inflationary pressures; slowing economic growth and limiting social welfare. The crisis is impending globally: developed economies like the United States and EU members face exponential debt ratios (the US federal debt to GDP ratio surpassed 120% by 2024; while many developing countries (such as Sri Lanka and Argentina) are confronting internal outright default and crisis. For this reason, the international community including the UN's Economic and Social Council takes close interest in how deficit spending and rising national debt sway economies, societies, and development goals.

Global debt trends are at historically highs. The COVID-19 pandemic and other recent shocks (e.g. financial crises, war) sparked unprecedented fiscal stimulus. On the one hand, such policies fended off health and job losses in the short run, but they pushed national debts upward by trillions. Governments nowadays therefore tread a thin balance between keeping public services and growth going, yet keeping debt sustainable. This chair's report will establish key economic terms, look into the history and influences of deficits/debt, scrutinise prominent case studies (US, EU, developing countries), address significant international actors, outline previous efforts as well as future policy choices to curb excessive deficits and debt.

Definition of Key Terms

Budget deficit

A budget deficit is defined as the occurrence when the governmental expenditures exceeds revenues over a certain timeframe. This would imply that it disposes of more than what it has take in from Income Tax along with the rest of the revenues, so it would borrow as necessary to fill the gap. Cumulative deficits, continuing over periods of time, add to public debt.

State (public) debt

The national debt is the total debt money the government must pay back, or the total past deficits of the federal budgets, substracted from surpluses. The national debt is ultimately government accumulated borrowing. Large amounts of national debt as a portion of GDP indicates that a nation may be large users of debt financing.

Fiscal Policy

Fiscal policy is the use of government spending and taxes to influence the economy. Expansionary fiscal policy (increasing spending or decreasing taxes) can increase growth in a recession, but counteractionary policy (decreasing spending or increasing taxes) can slow down an over-heating economy. Chronic deficits or surpluses are results of fiscal policy responses.

Debt-to-GDP ratio

The debt-to-GDP ratio is an indicator of debt sustainability and is defined as total government debt divided by the country's gross domestic product (GDP). It serves as a measure of the size of the debt relative to the size of the economy. For instance, a debt-to-GDP ratio of 100 percent indicates that the amount of debt equals one year of GDP. The bigger the debt-to-GDP ratio, the more it flags increasingly precarious financial circumstances.

Background

Historical Context and Causes of Deficit Spending

Governments have engaged in deficit spending for centuries, primarily to pay for wars and other emergencies. For example, after becoming an independent nation, the United States incurred deficits in order to both fund the Revolutionary War and establish basic government functions. During the 1800s and early 1900s, military-related crises (the Civil War, World War I, World War II) occurred that caused countries to rack up significant deficits, as these countries borrowed aggressively in order to feed their armies and ramp up production. The Second World War generated the largest deficits (relative to GDP) in the history of the United States, and provided very commonly accepted social justification. The Keynesian revolution of the 1930s provided new intellectual justification for running countercyclical deficits. As the Great Depression devastated economies all around the world, economist John Maynard Keynes argued that governments should run fiscal deficits (spend more than they take in) in order to increase demand and pull economies out of recession. This construct blended into policies from around 1930 onward: when economies would enter recession in advanced economies, governments would respond with expansionary (stimulus) spending, objectively determining that negative economic consequences associated with surplus stalking and temporary borrowing would not lead to a long-run utilization of deficit financing if the cycle was short-lived. As a counterpoint, in very depressed budgets consideration of balanced-budget, austerity etc., diminished, and in practice there has been almost no advanced economies that have run deficits in almost every year since the 1970s either (for comparison, parameters showed that the average US deficit since 1970 has been altogether 4 other years not negative). In the late twentieth and early twenty-first centuries, additional factors sustained deficits. Aging populations increased pension and health-care spending while tax revenues generally failed to catch up. Major economic shocks — like the 2008-2009 financial crisis and the 2020 COVID-19 pandemic — led to enormous fiscal stimulus (bank bailouts, extended unemployment benefits, vaccine programs). For example, the federal deficit in the U.S. moved sharply upward during the 2008 crisis and became quite large during the COVID-19 economic stimulus. Similarly, many EU member states began running large deficits after 2008 and again during the pandemic. As a consequence, cumulative deficits over the past several decades have driven debt-to-GDP ratios to all-time highs in many nation-states. The IMF reports the average public debt to GDP ratio in advanced economies is now above 100%.

Economic Impacts of Rising Debt

Having very high debt levels has many different consequences for an economy. A government, encumbered with a large debt, is forced to commit more budget towards interest payments and this reduces the budget available for more pressing priorities. For example, Sri Lanka, in the midst of a debt crisis, was paying 7 percent of GDP in interest in late 2022, and as a result, its spending was "crowded out." Economists warn that excessive public debt can "crowd out" private investment, since government borrowing captures savings that would have otherwise been used for private investment and increase interest rates. In the United States, the Congressional Budget Office (CBO) reports that for every 1% increase in the debt-to-GDP ratio average 10-year yields rise by about 0.02 percentage points; and higher interest rates reduce business investments over time further slowing growth. The Peterson Foundation estimates that for every additional dollar of deficit spending, private investments are displaced by about 33 cents. Less investment today can lead to less productivity and lower wages in the future. High debt levels can also increase inflationary risk.

While modern central banks in the United States and in the European Union have various capabilities to keep inflation moderated, large and persistent deficits can add to demand pressures and strengthen inflation expectations. For example, if governments inject significant fiscal stimulus into their economies when those economies are at or near full capacity, this could lead to overheating the economy and price increases. Large deficits, along with supply chain constraints, like those experienced during the pandemic of 2021 and 2022, contributed to the global inflation. In conclusion, uncontrolled growth in debt undermines price stability and, subsequently, the cost of living over time. The social and developmental consequences are also considerable. In developing countries, debt crises have resulted in dire cuts to social services, and in some cases has led to outright defaults. When a debt crisis hits, governments sometimes adopt austerity measures (raising taxes and cutting health or education budgets) to demonstrate to creditors that they are taking the crisis seriously. The initial years of the

Eurozone crisis, during the early 2010s, exemplify this situation: countries like Greece and Portugal drastically cut public spending to obtain bailout funds, which resulted in years of unemployment and recession. Such events can reverse contingent advances on poverty reduction and human development. On the other hand, moderate levels of spending and debt on fiscal deficits can support social, health and education programs as well as infrastructure; though this is only possible when debt is on a sustainable trajectory.

Case Study: U.S. Treasury, Capital Flows, and the Dollar's Status

In nominal terms, the U.S. has the largest national debt in the world (exceeding $35 trillion in 2024). Since the 1970s, the U.S. has operated with a budget deficit (aside from the brief surpluses around 2000), typically due to military spending that far exceeds any other country's, other types of entitlement programs, and tax policies that either intentionally or unwittingly lower revenue. Some of the most recent significant deficits came from the 2008 financial crisis and more recently the almost $2 trillion economic impact from COVID-19. Deficits have increased debt to a level above 100% of GDP, and while the debt might still be considered marketable from a practical or nominal perspective (due to the widespread use of the dollar worldwide), it has become problematic from an interest perspective. The U.S. has used over 14% of its total 2024 budget towards net interest payments. This issue has risen to political debate on the House and Senate floor as well. From a social policy perspective, there is simply less fiscal space for anything new at this point in time (e.g. implementing programs that would cost a lot of money in the long term, such as climate or social change programs). In support of both heaps of debt and to some extent low revenue, the U.S. Federal Reserve has intentionally kept interest rates low (in part) to allow for fiscal programs presented by the executive and Congress without crashing any markets that hold both personal securities and state-held debt.

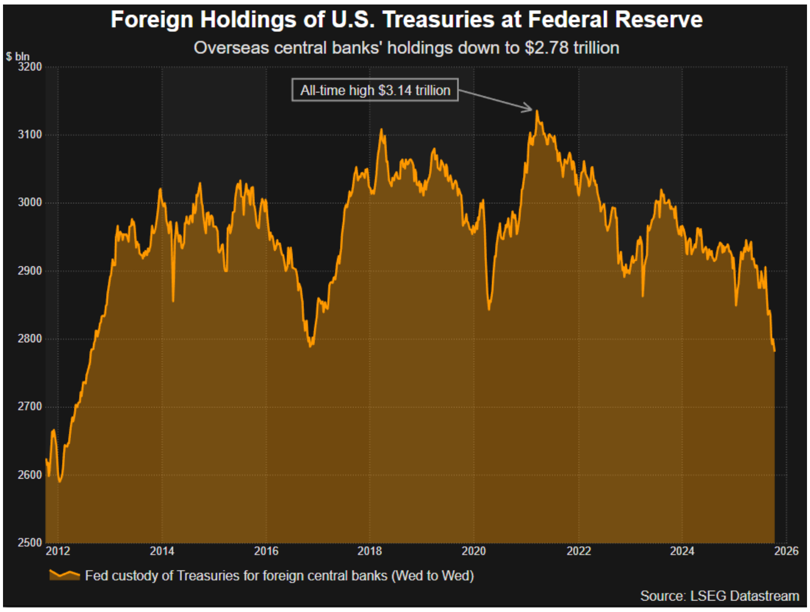

Figure 1: Foreign official holdings of U.S. Treasuries at the Federal Reserve (Reuters)

Following a peak of over $3.1 trillion, holdings by foreign central banks declined to $2.78 trillion (the lowest since 2012) by the end of 2025. This graph, which utilizes Fed custody data, shows a startling retreat of foreign official capital from US Debt markets. Indeed, a Reuters article (October 2025) stated foreign central bank holdings were only $2.78 trillion in New York Fed custody - the lowest in over 10 years. Although official data (with lag) show net buying of Treasuries, the downward trend is nevertheless consistent with a retreat of foreign bank official capital from US debt markets. This has caused economists to indicate that a prolonged loss of confidence in the dollar could lead to a flight away from US assets. Economist Dennis Snower (CEPR/VoxEU) warns that if investors begin to "hedge" against a declining dollar, this would spur a sell off in US Treasury debt and yields will spike - this could usher in a financial crisis. He explains that a drop in demand for dollar denominated debt makes borrowing costs increase which increases fiscal deficits putting stress on the status of the dollar as the world's reserve currency. Underlying these risks are fiscal choices. Snower emphasizes that a reserve currency issuer must maintain macro stability and sound debt management.

Yet recent U.S. policy has involved large unfunded tax cuts and spending expansions, raising debt rapidly. Rising U.S. deficits and even talk of default (e.g. debt-ceiling standoffs) have strained credibility. As one global-scenario analysis notes, losing confidence in the dollar could set off a chain reaction: capital flight, higher rates, inflation, and fragmentation of global finance. In short, if foreign holders see fiscal stability eroding, they may demand higher returns or diversify into other currencies, putting additional pressure on the U.S. economy and currency. These risks are founded on fiscal choices. Snower argues that an issuer of a reserve currency has a responsibility to maintain macro stability through appropriate debt management practices. However, recent U.S. policy decisions have included significant unfunded tax cuts and expansions of state spending, leading to rapidly rising debt. Rising U.S. deficits and even mere discussions of default (e.g., through debt-ceiling standoffs) have challenged our credibility. In one global-scenario exercise, the loss of confidence in the dollar (which would trigger capital flight and elevated interest rates) would not only produce inflation but would also lead to the disintegration of global finance. In short, if foreign holders feel that long-run stability in the U.S. fiscal position has been lost, they would demand greater returns or diversify their reserve into other currencies, adding downward pressure to the U.S. economy and the dollar.

Case Study: European Union (Eurozone)

The European debt crisis from 2010-2012 illustrated the dangers of having a high level of deficits in a monetary union. After the crash in 2008, several countries in the Eurozone (notably Greece, Spain, Portugal, Ireland, and Cyprus) had large deficits and debts. Investors lost confidence in the finances of these countries, interest rates on their bonds increased dramatically, and Greece was unable to rollover its debt in 2010. The EU (via the European Stability Mechanism) and the IMF provided bailouts for countries in exchange for austerity programs, which included cutting budgets and increasing taxes in an attempt to stabilize debt. These measures caused severe recessions, high unemployment, and social unrest in some countries (notably Greece which almost withdrew from the euro in 2015). Eventually, the measures worked, bringing debt ratios down and stabilizing economies, although at a tremendous economic and human cost. The Eurozone's response also included new institutional arrangements. The EU scrapped fiscal rules (the Stability and Growth Pact) of the previous years, and put in more stringent fiscal rules to limit future deficits (nominally 3% of GDP) and debt (60% of GDP) in through the Fiscal Compact. Consequently, the ECB took unconventional monetary policy (bond-buying programs) to keep borrowing costs low across Europe. Overall, the Eurozone crisis showed how high deficits in certain countries could endanger a whole currency union. It also provoked a cornucopia of reforms in fiscal rules and the institutional structure of the Eurozone.

Case Study: Developing Economies (Sri Lanka, Argentina)

A number of developing countries are grappling with significant debt issues. One of the clearest recent examples is Sri Lanka. After decades of deficit spending, financed by a combination of foreign loans (including Chinese lending and international bondholders debt) the government found itself with a debt-to-gdp ratio surpassing 120% by 2021. A foreign exchange shortage and the collapse of tourism since the COVID Pandemic prompted a debt crisis. In April 2022, Sri Lanka was forced to default on its foreign debt for the first time since independence. The economy began suffering chronic fuel, food, and medicine shortages. Interest became unmanageable, leading the country to negotiate a complicated debt restructuring with creditors and an IMF relief program. This volatile debt situation led to political unrest and a long-standing economic crisis for the country as a whole. Sri Lanka's case demonstrates how unchecked deficits can harvest reserves leading to debt default, even during peacetime. A long history of debt problems characterize the country and its economy of Argentina. Multiple decades of deficit financing (often occurring in the context of inflation and exchange rate policies) have led to numerous debt defaults (the most recent being in 2018–2019) and continual inflation (over 100% inflation in 2023). Argentina's government debt is roughly 90% of GDP (hereditary in dollars), although because much of the debt is denominated to foreign currency and the domestic peso has recently been devaluating, public debt servicing is crippling.

Moreover, Argentina has a long history of reliance on frequent IMF programs to provide financial stability (the largest loan in IMF history was $57 billion). Even with assistance, Argentina has faced ongoing difficulties with respect to public trust, due in no small part to IMF packages that frequently come with austerity conditions. The Argentine case vividly illustrates the manner in which deficits can become entrenched in inflationary expectations and socio-economic instability, and the role of external shocks (like capital flight) in deepening debt difficulties. Other low-income countries like Ghana, Zambia, and Ecuador have also experienced defaults and near-defaults in recent years as a result of commodity price shocks and deficits caused by the pandemic. In these instances, debt crises quickly led to the IMF or World Bank stepping in to both assist with the problem and to reform deeply entrenched policy problems.

Effects on Inflation, Interest Rates, Social Services, and Growth Inflation

Significant deficits inject funds into the economy, which can raise the risk of inflation if production does not keep pace. In a high-debt environment, government and central bank pressures may hold the risk of tolerating a small degree of inflation to reduce real debt levels. Nevertheless, most of the large, developed economies today place significant priority on curbing inflation; nonetheless, households pay the "stealth tax" of any potential price change. Recent studies indicate that even a sustained 1% of GDP permanent increase in the deficit may gradually eliminate thousands of dollars of consumption purchasing power per household over the course of many years. In countries with different institutions, it has previously been shown that deficits resulted in hyperinflation (such as observed in parts of Latin America in the 1990s). Interest Rates: As debt rises, investors will also require higher yields due to default risk and inflation. Higher interest rates will increase debt service costs (resulting in a feedback loop) in addition to increasing the price of private loans leading to higher rates of borrowing. Economists have generally attributed a modest, long-term rise in interest rates for each percentage point of increased debt-to-GDP ratio. Over time, higher debt will slow investment in business and infrastructure. For instance, the Congressional Budget Office estimates that higher debt will, on average, raise borrowing costs by approximately half of a percentage point in the United States over the next decade, slowing growth slightly. Social spending and public investment: Persistent deficits create difficult choices in the budgetary process. In boom times, governments may run operating deficits to invest in a new program; however, when the debt incursion is of concern, they often cut or impose a freeze on social service and program spending. For example, in Eurozone countries facing retreating economies, there were drastically reduced healthcare and education expenditures at the national level. Similarly, which is linked to the budgetary process of sustained deficits, high-debt governments may also delay desired infrastructure projects in favor of saving money. Occasionally, expenditures that incur operating deficits may be made to protect social spending when the economy is in decline (e.g., pandemic relief initiatives). In summary, unanticipated deficits in government funding limits their flexibility to provide financing for social government expenditures. Economic growth: It is argued that moderate levels of operating deficits can stimulate economic growth during periods of economic decline or recession (the stimulus effect). Yet, when governments have high levels of debt over the long term, the economy can be weighed down due to its inability to grow. Empirical studies have indicated that there is a threshold for debt associated with lower economic growth (often noted as being 90–100% of GDP). Higher levels of perceived government debt can impact growth ideologically and economically because debt can reduce investment and consumer confidence. However, some countries may carry substantial debt and still see high levels of growth in aggregate economic activity (e.g., Japan). This suggests that other types of economic activity are equally as important to growth (i.e., governmental spending).

Role of International Financial Institutions

International Monetary Fund (IMF): The IMF is a fundamental player in tackling debt crises. It closely monitors the risks of sovereign debt and counsels countries on fiscal policy that will maintain debt sustainability. The IMF will lend new funds (balance-of-payments support) to members in a crisis, but it requires a credible policy plan in place. A country is determined to be “outside the Fund's lending criteria” for excessive debt even if it implements reforms intended to reduce this debt burden; that is, it will first need to restructure its debt. The IMF has frameworks in place (Debt Sustainability Analyses) designed to help countries understand safe borrowing levels. The IMF often also helps organize restructurings during crises: in addition to providing technical support in negotiations, it can issue new funds to help with financing gaps after a restructuring deal is completed. The IMF has advocated for greater debt transparency, and has been pushing improved international rules (an example is the IMF's work on a global Sovereign Debt Restructuring Mechanism). World Bank: the World Bank (and regional development banks as well) primarily made loans to finance development projects, but also lower debt risks. Similar to the IMF, the World Bank at concessional loans (at low interest), helps poor countries to avoid making debt decisions which result in higher costs due to high fees, and interest from commercial borrowing. The results to both Incremental values of investment inflows in both banks (MF and WB) make for trajectories in certain low-income countries (LICs). Together, they make decisions on debt relief initiatives (such as the Heavily Indebted Poor Countries program, or Multilateral Debt Relief Initiative) aimed at countries qualifying for investment flooding in MF and WB for countries qualified as low-income (LICs). It also involves the IMF in developing academic guidelines and policies for debt sustainability. The World Bank has also recently supported debt swaps (e.g., "debt-for-nature" swaps) as means for less affluent countries to relieve on red debt for their commitment to improve the environment or social conditions. Other institutions' and groups: The Paris Club of creditor nations historically has restructured developing country debt. More recently, the G20 created the debt service suspension initiative (DSSI) during COVID-19 to suspend debt payments for the poorest countries, plus, it created the Common Framework as a guide for restructured debt beyond DSSI. Multilateral development banks also have sometimes made emergency loans to those governments in crisis. They require fiscal consolidation and giving assurances of poverty protection for their support.

Major Parties Involved

United States (US)

The US government is the world's largest debtor and a key creditor (as many hold US Treasuries). The US influence extends to global finance: US fiscal policy and debt levels affect world interest rates and dollar liquidity. Domestically, US policymakers are divided: some (fiscal conservatives) push for deficits cuts and debt reduction, while others prioritize maintaining social programs and investments even at the cost of higher debt. In international fora, the US often advocates market-based solutions and private-sector involvement in debt problems. The US also leads the IMF (the IMF Managing Director is selected by the US and EU consensus) and often sets its major policies.

European Union (EU)

The EU (and its largest members like Germany, France) strongly emphasizes fiscal responsibility, reflecting the experience of the debt crisis. EU institutions enforce rules on deficits (e.g. maximum 3% of GDP) and debt (60% of GDP), and punish breaches. European governments provide financial support to each other through the EU's rescue funds (EFSF, ESM) and coordinate through the eurogroup. The EU also plays a role in global development finance: European countries contribute to the IMF, World Bank, and regional development banks, and promote debt relief for vulnerable states. The EU has pushed for transparency: for instance, it supports public registries of lending. Eurostat data and the European Central Bank's policies are important for managing deficits within the euro area.

International Monetary Fund (IMF)

The IMF monitors member countries' fiscal health and offers loans with policy conditions. In debt crises, the IMF often takes a leading role. For example, the IMF facilitated multi-year programs for Greece (2010s) and Sri Lanka (2023), providing funds contingent on reforms. The IMF has been part of discussions on global solutions: it joined the World Bank in co-chairing the 2020 UN-led Sovereign Debt Roundtable, which seeks better debt workout procedures. The IMF's official capacity and expertise make it a key "creditor of last resort" for many countries, although its prescriptions (usually fiscal consolidation and liberalization) can be controversial.

World Bank

The World Bank Group – including the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) – finances projects in developing countries. Its role in debt issues includes providing concessional loans (reducing the need for expensive borrowing), offering technical advice on public finance management, and participating in debt relief initiatives. The Bank also tracks global development finance and has highlighted how debt affects poverty reduction. For severely indebted poor countries, the World Bank can suspend debt service under special programs, helping them reallocate funds to social needs. Its lending and policy advice aim to balance growth with fiscal sustainability.

Developing Nations (e.g. Argentina, Ghana)

These countries have diverse stances. Argentina (Latin America) often emphasizes debt relief and flexibility, citing the need for growth-friendly policies. It has negotiated various IMF and bond restructurings, but faces domestic constraints (inflation, poverty) that make austerity difficult. Ghana, along with other African or Caribbean nations, has recently highlighted the burden of pandemic-era borrowing; Ghana negotiated a Staff-Level IMF agreement in 2023 to restructure its debt while committing to reforms. Broadly, developing countries advocate for fairer global finance rules: more access to concessional finance, orderly restructuring when needed, and space to grow their economies. They often call on richer countries to support debt reduction (through swaps, write-downs, or emergency funds) when crises hit.

Timeline of Events

As the global economy is still in its phase of recovering from the past financial crisis rather than preventing such crises, there are numerous crises that the nations could look back to as examples of the consequences of either a large economic shift or the slightest change in the system.

Date	Description of event
November 1923	Peak of German hyperinflation, a key illustration of the catastrophic consequences of these monetary issues
October 1979	Volcker Shock, drastic rise of debt due to the rise of interest rate aimed to mitigate the inflation rate
August 1982	Continent wide debt crisis in Latin America mainly due to Mexico's withdrawal to pay the USA the debt

August 1991	Japan's asset bubble bursts, causing massive collapse in Japanese economy, which led them into the "Lost Decade"
July1997	Beginning of the Asian Financial Crisis
December 1997	IMF bailout of South Korea led to financial crisis in South Korea
August 1998	Devaluation of the Russian Ruble and the default of Russia on the domestic debt
January 1999	The Euro Launch, most European nations unified currency to Euro, which will reveal its fragility of the strategy later on
May 2010	The first Greek bailout occurred, revealing the fragmented economy led by the Euro union
December 2017	The USA national debt has increased due to the new projection of the US legislation
March 2020	COVID 19 led to numerous financial crisis by drastically deficit spending

Previous Attempts to Resolve the Issue

Fiscal Consolidation

The European Union and nations such as the United Kingdom have been attempting to resolve this issue of excessive national debt by diminishing economic activities. The primary factor that causes the accumulation of the national debt is the consistent usage of the money in terms of funding, government investment, and other sectors by the government; this is why the nations in the EU, such as the Baltic states and Spain, have been attempting to regulate or set a cap on their own national governtmental economic activities to slow down the accumulation of the debt and therefore leading to a relative stability. However, this solution has apparent flaws that provide adequate reasons for other nations not to implement this method. First, the limitation of the economic activities for the stability will lead to the downfall of the nation's economic performance or development, as the disability to conduct economic activities will be a direct inhibitor of the nation's economic growth. Furthermore, the downgrade of the economic performance would even diminish their capability to pay off the debt, making them more unstable by the debt.

Monetary Financing

One other solution that many would think about is simply replicating the currency of the nation from the central bank and paying the debt with that money. However, as is predictable, the replication of the currency will easily lead to a noticeable inflation of the nation, which will devalue the printed currencies. This means that the nation still has to pay the equivalent value of the money, but also goes through a threatening inflation. Some very common examples of this incident are Zimbabwe having a massive nominal currency value, meaning that the value of the currency itself is very low, and Germany after World War I going through hyperinflation.

Possible Solutions

As the rising threat of the increasing national debt has urged all nations to propose a solution or a breakthrough to this issue, numerous nations have already implemented several distinct methods to overcome the threat of the rising national debt, and still exists several ideal solution methods that have not yet been applied.

Growth-Led Migration

One possible method to lower the national debt level or at least the threat to the nation's economic stability by this debt is by undergoing economic growth. This would be an indirect mitigator of the national debt and the economic instability, as the development of the nation's economy will either aid the nation by utilizing that economic development to ease the payment of the debt or strengthen the nation's capability to pay back the debt, safely securing the economic stability that was previously threatened by the high level of debt. For instance, the USA and China have implemented the American Recovery and Reinvestment Act and the Chinese infrastructure-focused investments to enable economic growth to mitigate the danger of the high national debt level by strengthening the economy itself. Even though the effectiveness of this method is highly debatable due to this method's nature being an indirect advantage in terms of the mitigation of the national debt and the varying economic circumstances of the nations, which creates complexity about economic development, in which aspect will be useful to counteract the national debt-led instability.

International Cooperation and Trade

In a global economy, one crucial benefit that nations have is the ability to seek foreign aid, and this foreign aid could not only be in the form of bilateral support, but also in trade involving any form of monetary resources. In other words, the nations can trade with other monetary-wealthy nations by exporting raw materials or other physical or intangible resources in return, and therefore gaining the financial ability to pay the national debt. To facilitate this international trade between nations, one key factor is the increase in the global trade network that eases the demand-supply trade, where the nations provide what they have and obtain their needs in return. One concern about this method, however, is that since the global trade has always been an active event in this world, people are unsure about whether facilitating this ubiquitous event will be advantageous in terms of mitigating the national debt threat.

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