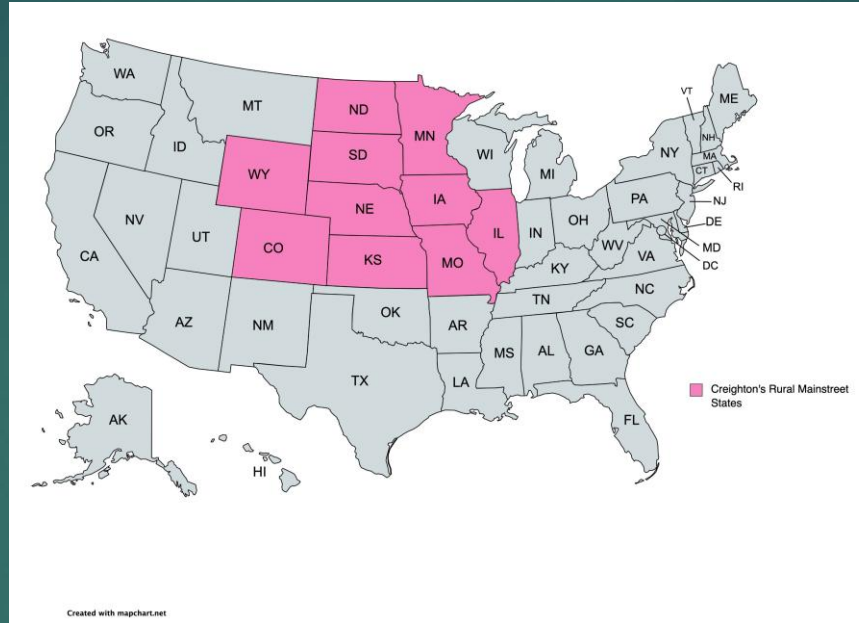


# The Perils of a Debtor Nation: Debt-Trade & Risk Factors



**MITA's 2025 World Trade Conference**  
**May 14, 2025**

**Ernie Goss Ph.D.**

**Professor of Economics, MacAllister Chairholder, Creighton University**

**Web: [www.gossandassociates.com](http://www.gossandassociates.com)**

2025

**Risk Factors:  
Housing, Equity Markets,  
and Trade**

**Current debt and interest payments:**

**A “REAL” problem for the Fed Q4 2024 = \$1.1T**

**(War Time Deficit in Peace Time Economy) = \$2.5T**

**MMT**

**A Political Tool-**

**Not an Economic Theory (Stein)**

# **Trade Deficit (Imports Rise with Economic Growth)**

- \*Dollar as Reserve Currency**

- \*Supports Budget Deficit**

- \*Produces Lower U.S. Interest Rate**

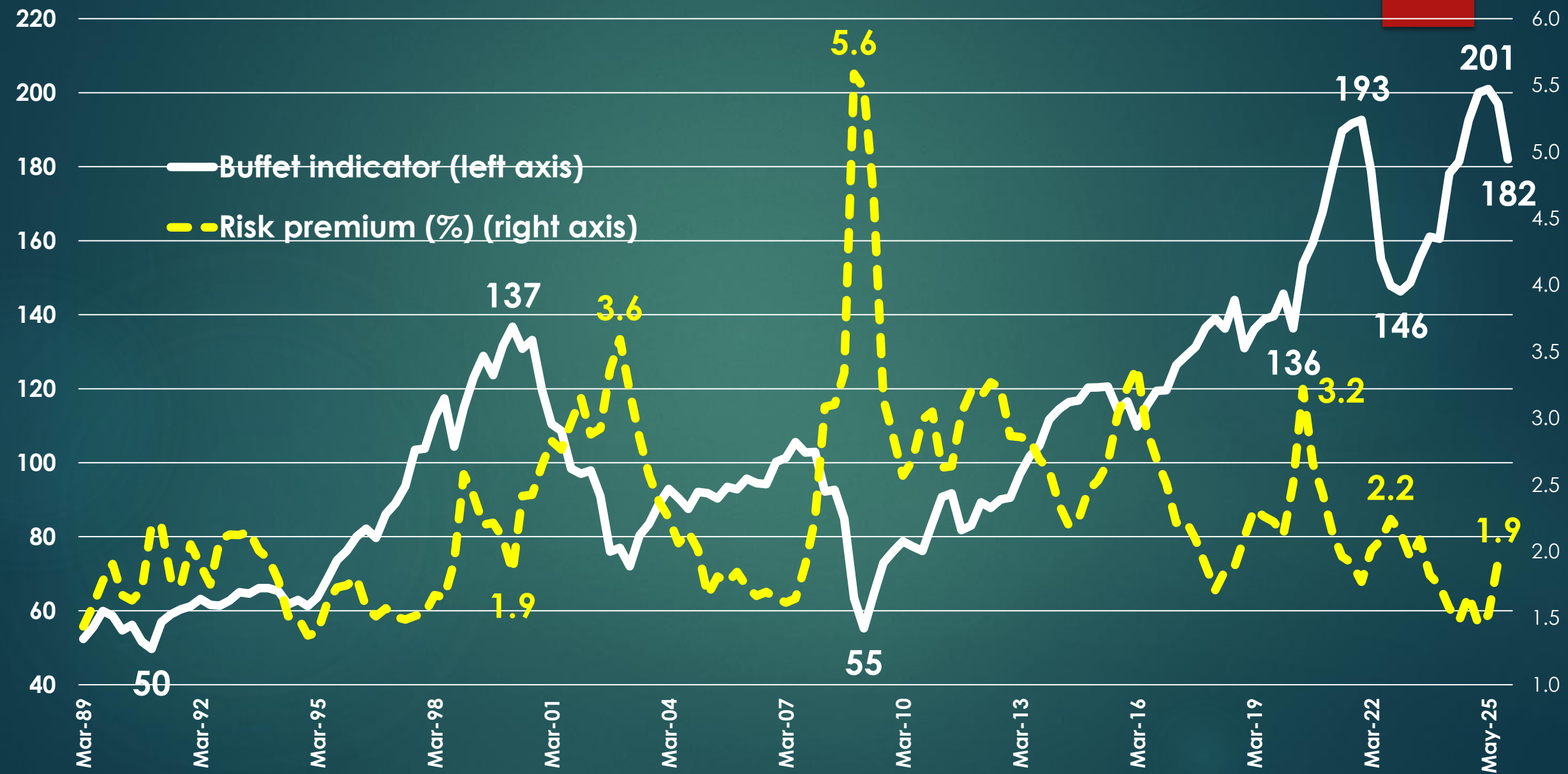
**Allow 2017 tax reforms to expire**  
**Return of SALT tax deductions**

**Tariffs-Negotiating Strategy?**  
**Can be offset with currency devaluations**  
**A 10% tariff on Chinese goods offset**  
**By 10% Yuan devaluation**

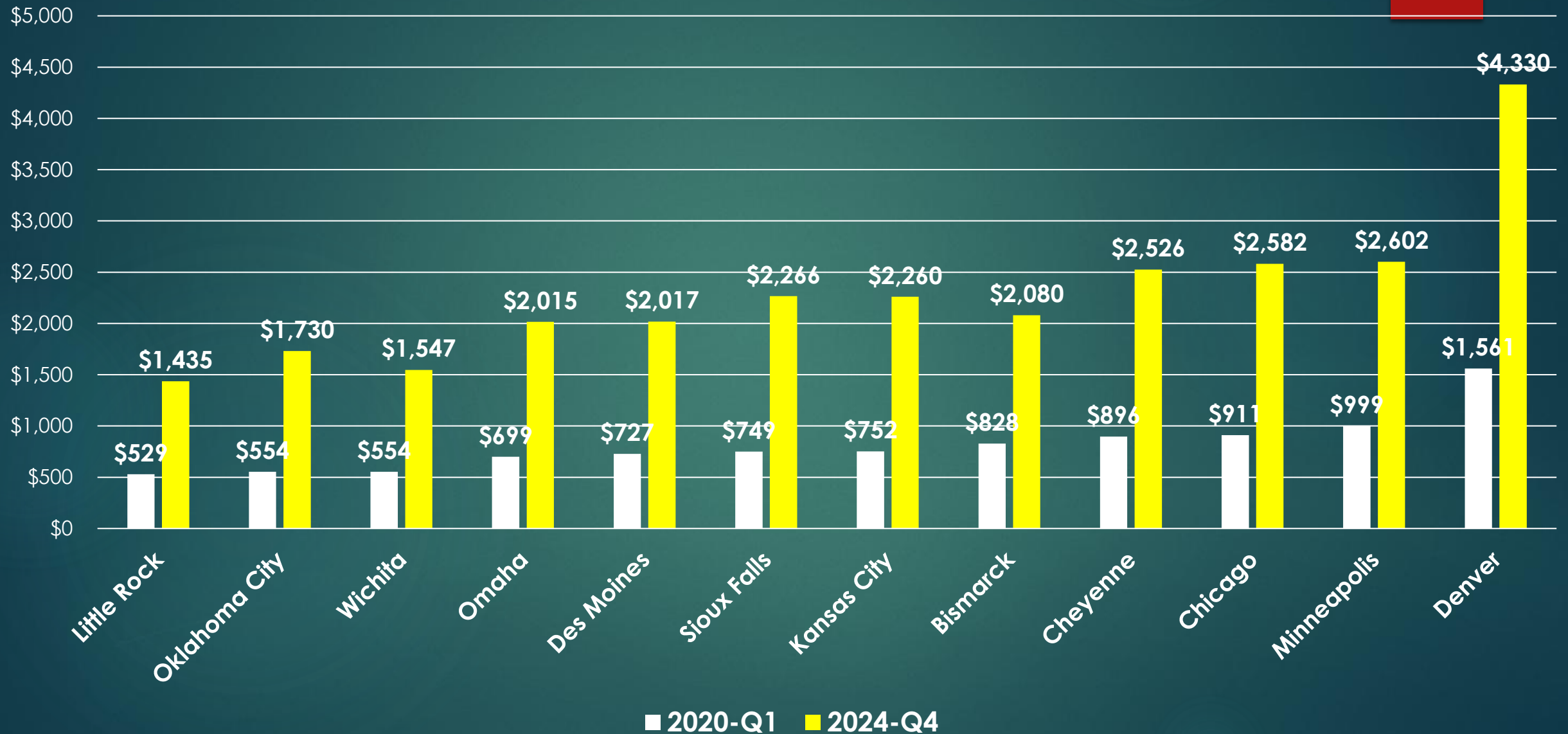
**Housing Affordability at record low**  
**A crash ahead? (Watch FL, GA, TX, AZ)**

**U.S. stock market most expensive ever,**  
**Factors: 1. passive investment (ETFs),**  
**buybacks, FOMO, Foreign buyers:**  
**Buffet Indicator = 182, P/E = 25 - 28**

# Figure 1: Buffett Indicator vs. risk premium (%), 1985 – 2025

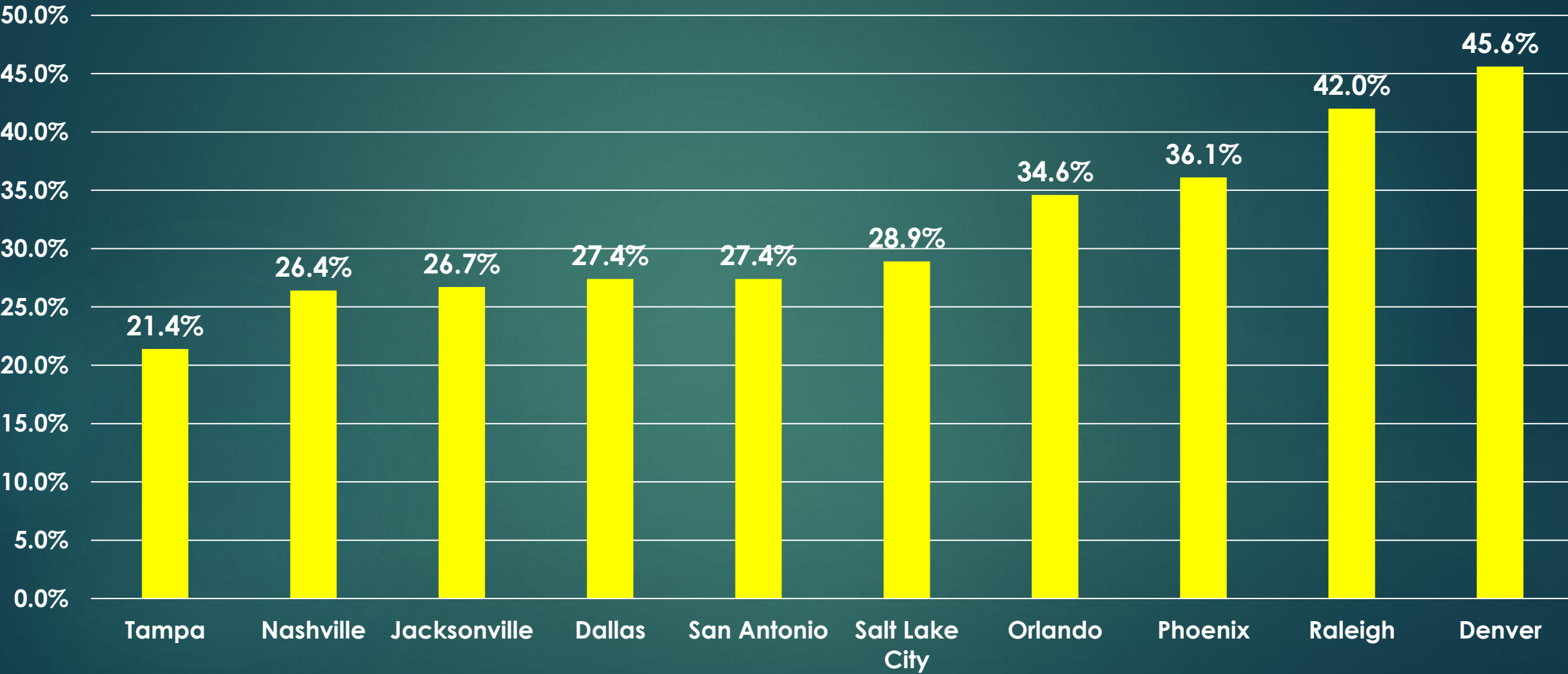


# Monthly home payment on median priced home: with 10% down, 2020 vs. 2024

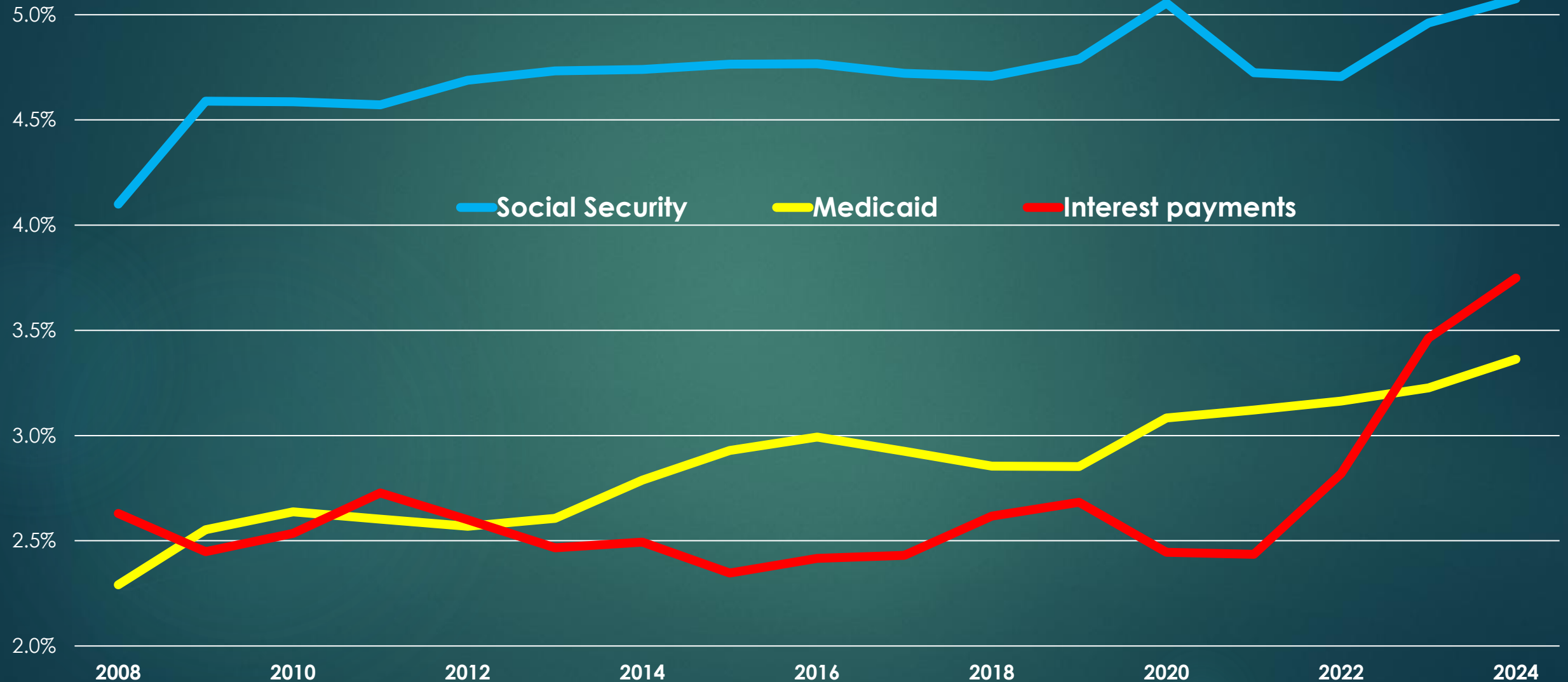




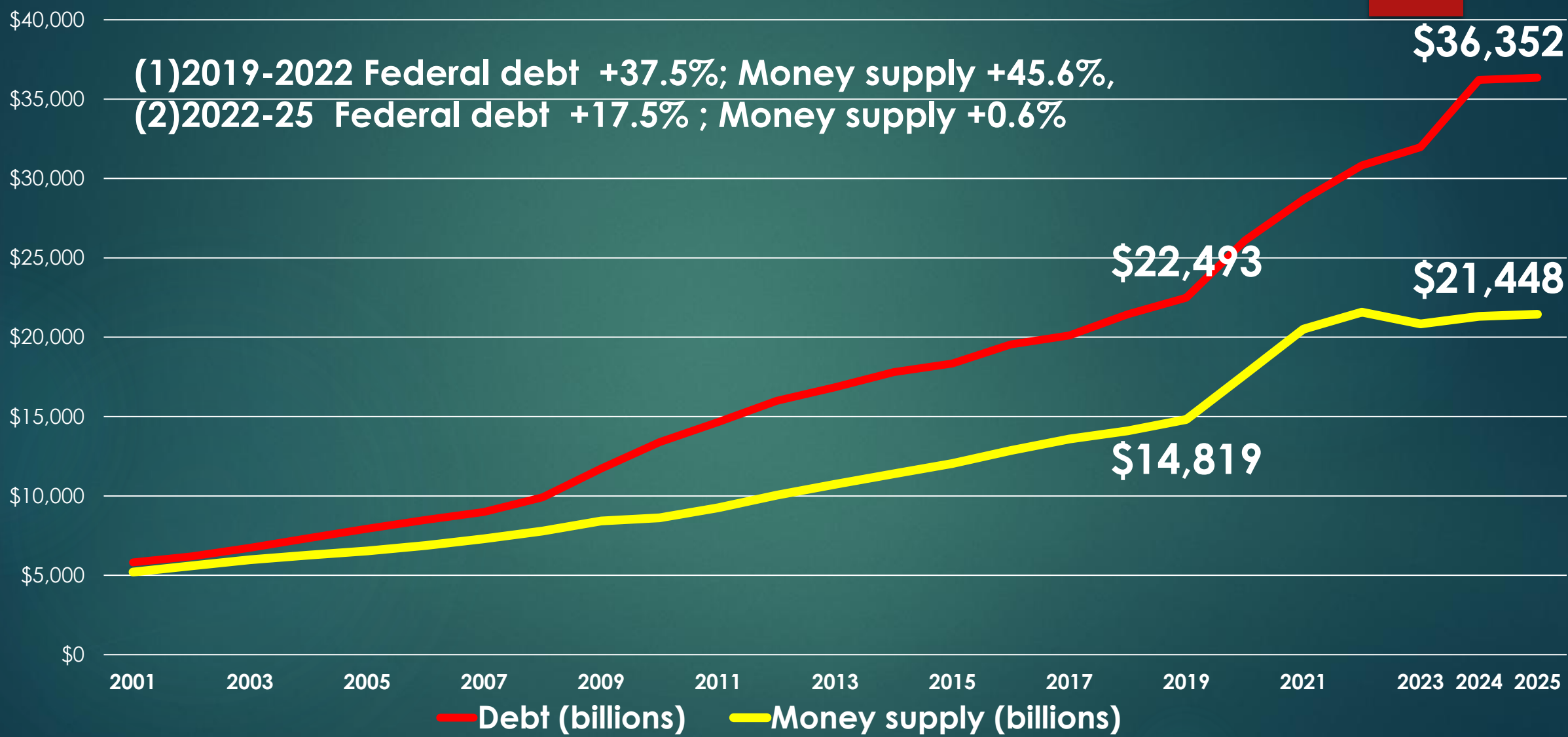
# Changes in Housing Inventories, March 2024-25



# Federal spending as % of GDP, 2000-25

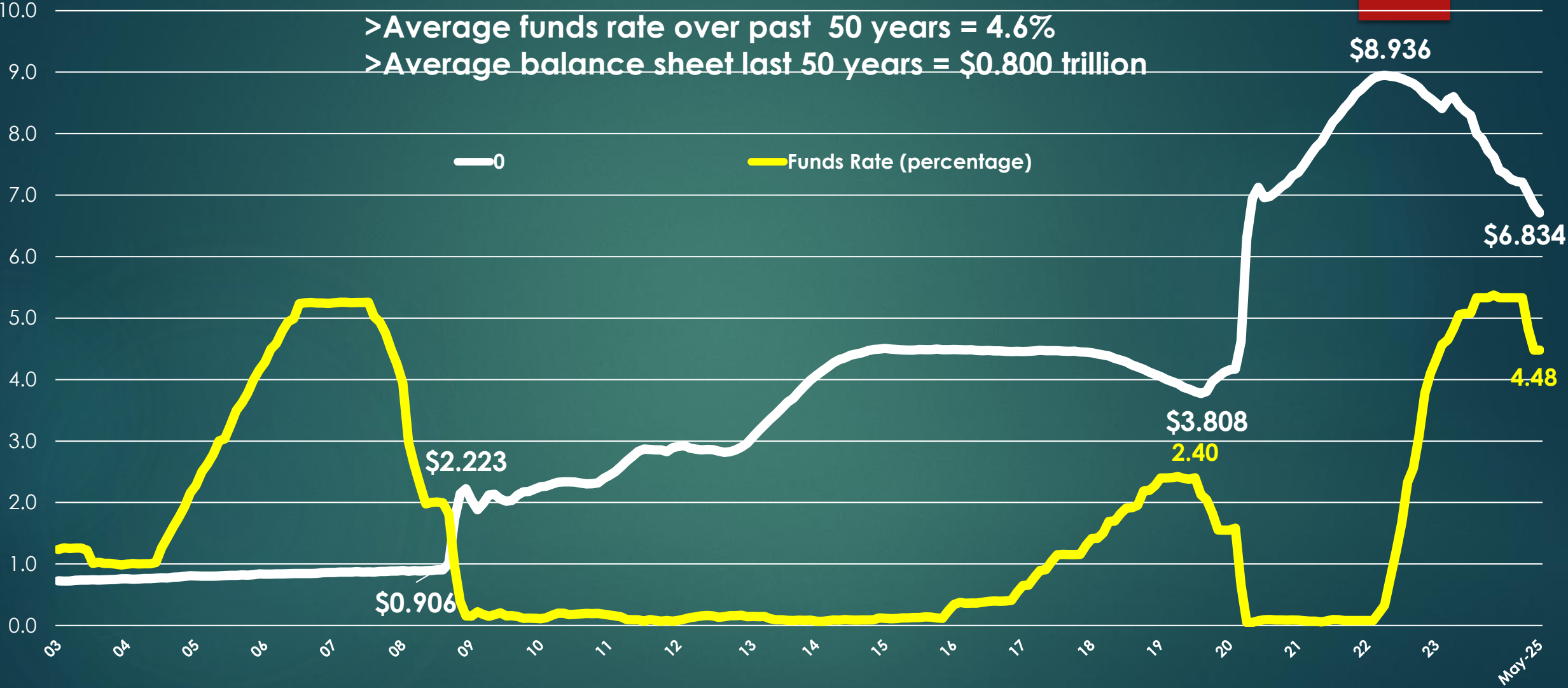


# U.S. Debt & Money Supply (in billions), 2001-25

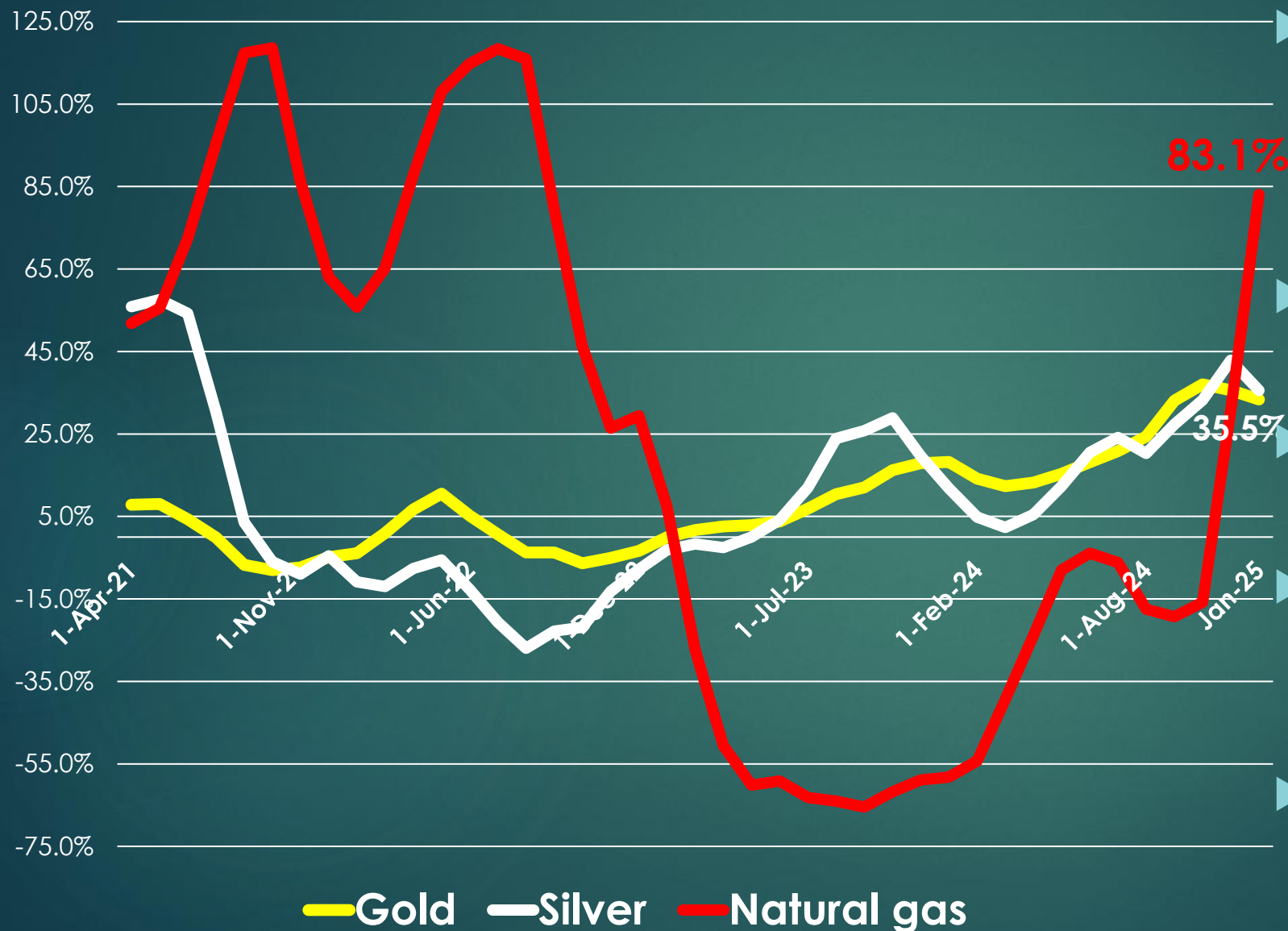


# Fed balance sheet, funds rate, 2003- 2025

>Average funds rate over past 50 years = 4.6%  
>Average balance sheet last 50 years = \$0.800 trillion



# Year-over-year commodity prices, 2020-25



► Expect upward pressures on commodity prices (especially natural gas)

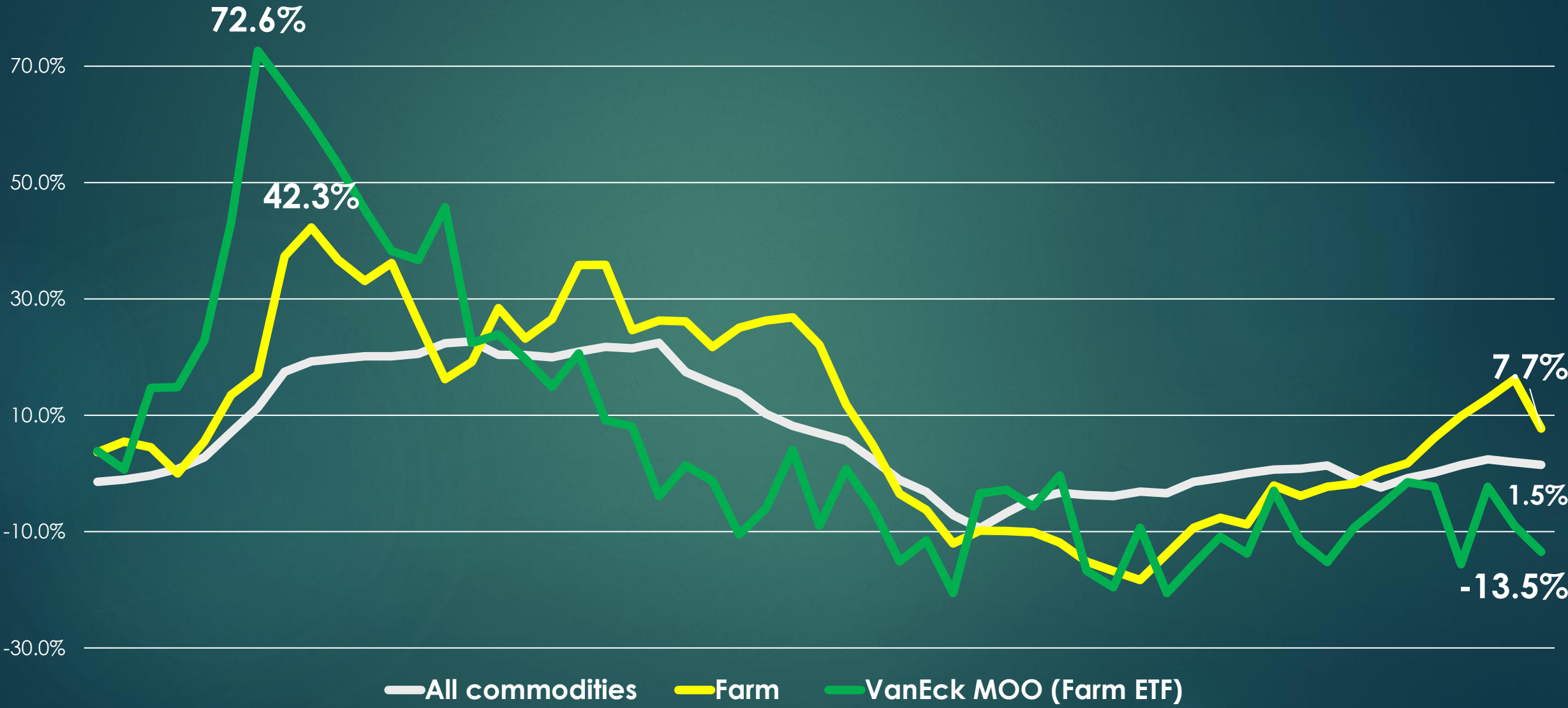
► Need for base load electricity

► BRICS becomes a mounting issue.

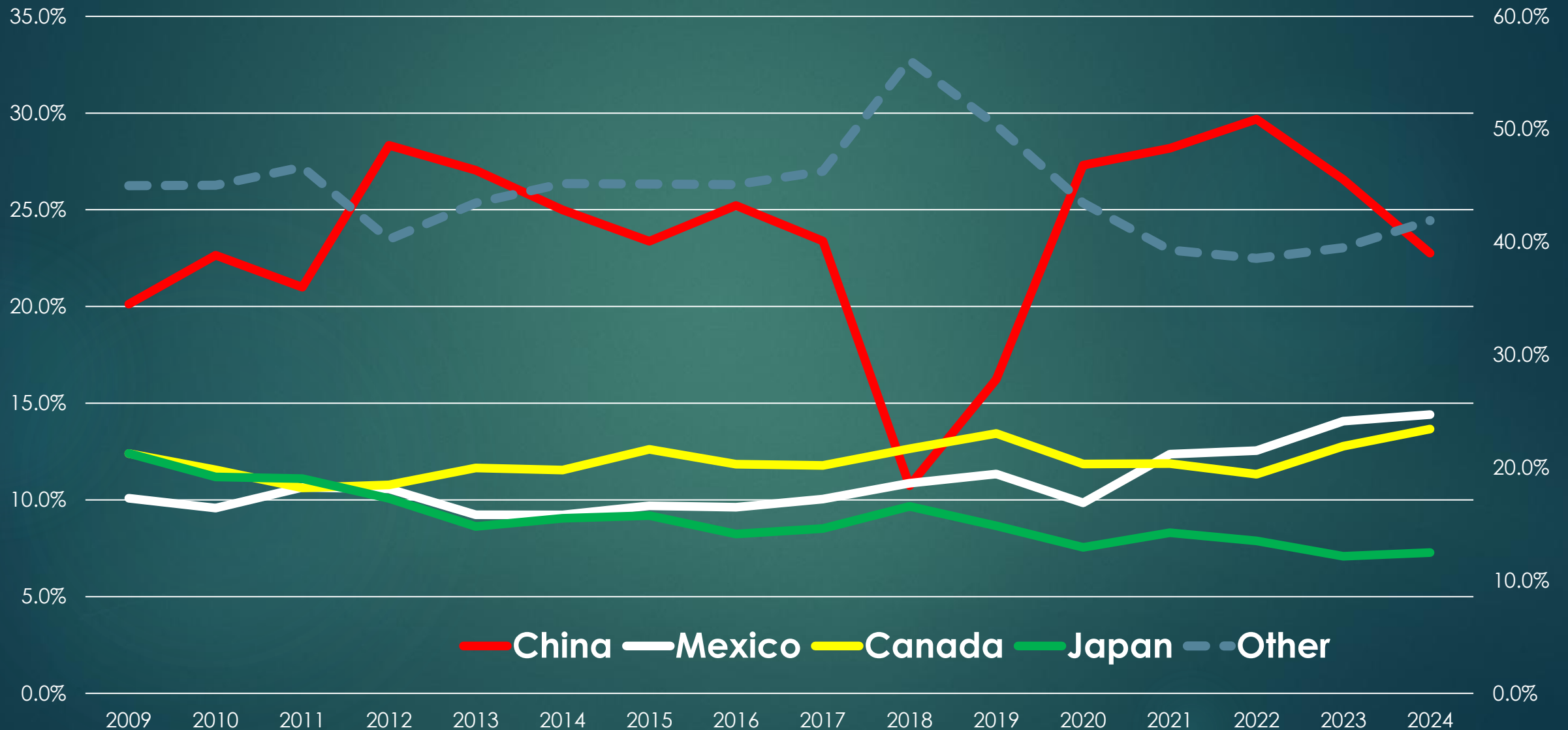
► Central banks will continue to be big gold purchasers

► Basel III makes gold a reserve currency on July 1, 2025.

# Commodity YOY price growth, 2020-2025

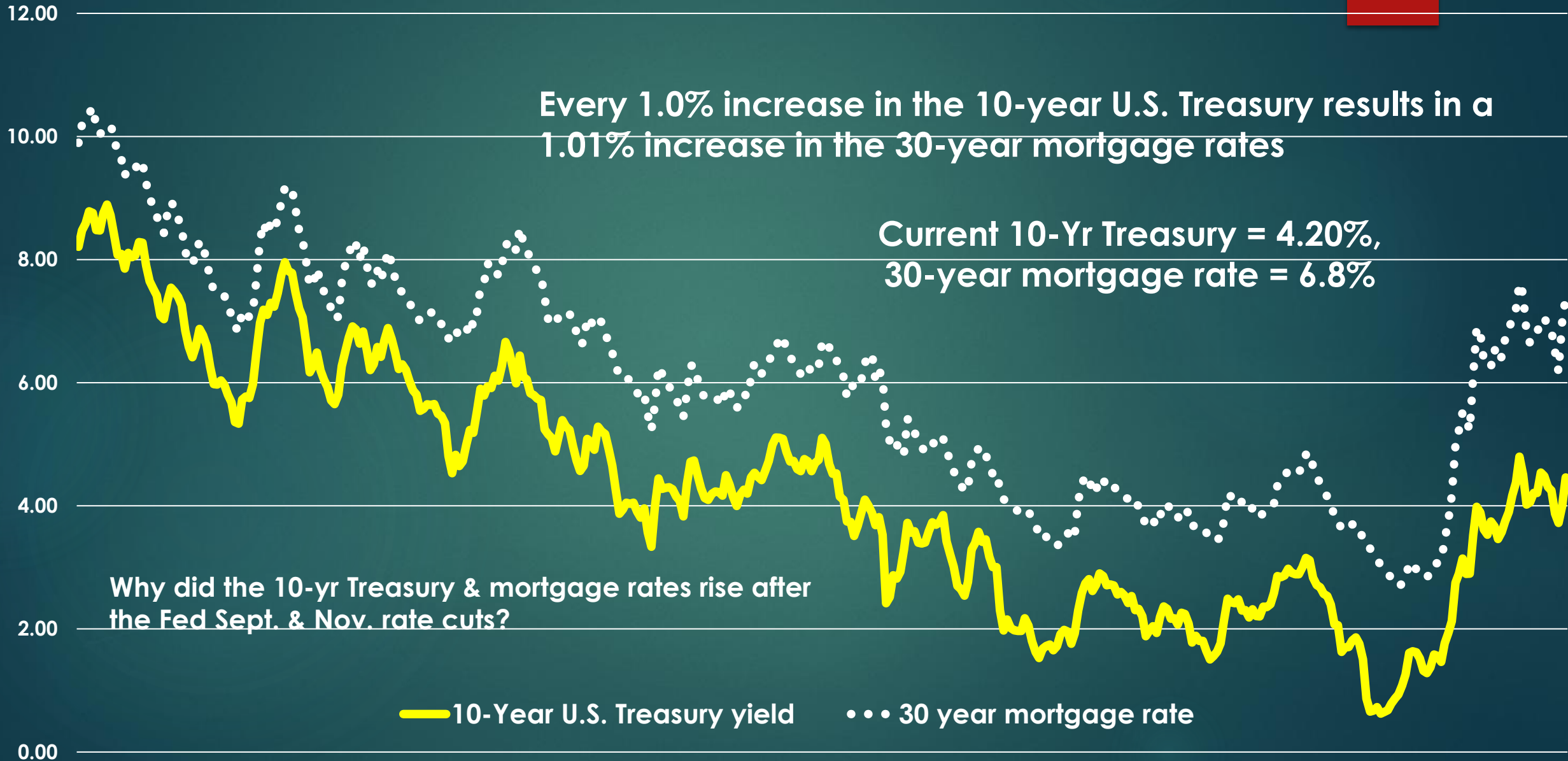


# Ag & Livestock Exports by Nation, 2009-24



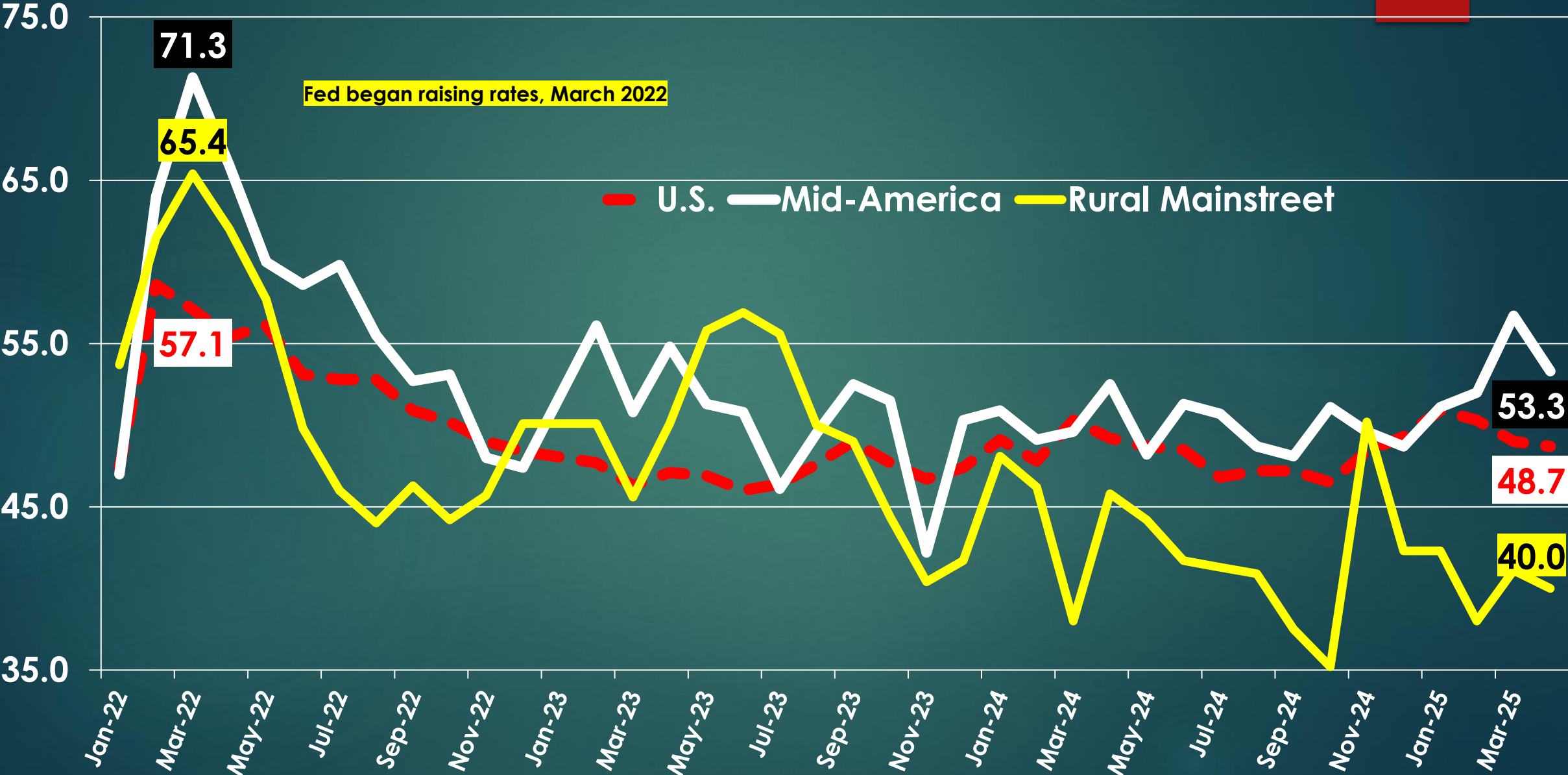


# U.S. Treasury Yields vs. 30-Year Mortgage rate, 1990-2024






Creighton's Leading Economic Indicators,  
First Fed. Rate Hike – April 2025 (50.0 = Growth Neutral)



## INDICATORS TO WATCH:

- \*EMPLOYMENT REPORT (JUNE 6)
- \*FEDERAL RESERVE ACTIONS ON BALANCE SHEET  
RAISES OR REDUCES THE 30-YEAR MORTGAGE
- \*FOMC MEETING (JUNE 17/18)
- \*CASE-SHILLER PRICE INDEX (MAY 27)
- \*10-YEAR U.S. TREASURY YIELD & HIGH YIELD CORP.  
([HTTPS://FINANCE.YAHOO.COM/](https://finance.yahoo.com/))
- \*ISM & CREIGHTON SURVEYS (FIRST BUSINESS DAY OF  
MONTH, (JUNE 2); RURAL SURVEY (MAY 15)
- \*STATEMENTS BY MEMBERS OF THE FOMC
- \*BRICS MEETINGS IN RIO JULY 6/7



Questions?  
Newsletter? (“Free and Well  
Worth the Price”)

Send me an email:  
[ernieg@creighton.edu](mailto:ernieg@creighton.edu)

## WHAT TO CUT

### NOW

- \*SOCIAL SECURITY-RAISE THE RETIREMENT AGE AND REDUCE THE YEARLY INFLATION ADJUSTMENT
- \*CLOSE VA HOSPITALS—GIVE VETERANS A VOUCHER FOR CARE
- \*MEDICAID---IMPLEMENT WORK REQUIREMENTS FOR ABLE-BODIED
- \*UNIVERSITIES---REDUCE FEDERAL STUDENT AID & OTHER FINANCIAL SUPPORT; TAX ENDOWMENTS; REMOVE TAX EXEMPT STATUS FOR BONDS (TREATED AS MUNICIPAL BONDS);
- \*EDUCATION DEPARTMENT—CLOSE IT AND SHIFT PROGRAMS TO STATES
- \*ELIMINATE CHIPS ACT
- \*CLOSE BASES OVERSEAS
- \*SLASH USAID
- \*MOVE AGENCIES OUT OF DC (E.G. U.S. DEPT. OF AGRICULTURE)
- \*TAX CARRIED INTEREST
- \*NO STOCK BUYBACKS OR TAX THEM

### LATER IF NOT NOW!!!

- \*INCREASE THE MONEY SUPPLY—HIGHER INFLATION
- \*HIGHER INTEREST RATES
- \*U.S. DOLLAR LOSSES ITS RESERVE STATUS ---REPLACED BY BRICS
- \*DISCOUNT TREASURY BOND INTEREST (I.E. A PARTIAL DEFAULT)