

# Threshold Features in the Historical Evolution of the U.S. Economy, or Whether Parallels between the 1930s-1940s Period and the Present Time Are Appropriate?

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## **Abstract**

Using historical analogies, this paper analyses the situation of the American economy and society in the early 2020s. The situation is characterized by an unprecedented combination of the deepest economic crisis since the end of the Second World War, caused by the coronavirus pandemic, and severe domestic political turmoil. The crisis has led to a discussion in American society about whether the country is likely to slide into a Civil War. The situation in the United States in the third decade of the 21st century is analyzed in terms of American society approaching a threshold period in its historical and economic evolution, which may mark a radical transformation in the functioning of all public spheres, from the technical and economic to the spiritual and value spheres. The “threshold” patterns and peculiarities of the development of the American economy and society are based on the jump-like nature of their future functioning, which can “throw” the

United States into a fundamentally different qualitative dimension. In the past, the U.S. already crossed a similar kind of threshold between 1929 and 1945, which has also been analyzed in detail in order to establish an empirical analogue for understanding the peculiarities of crossing the “second” threshold.

## **Introduction: Qualitative Leaps in the Development of Economic Systems**

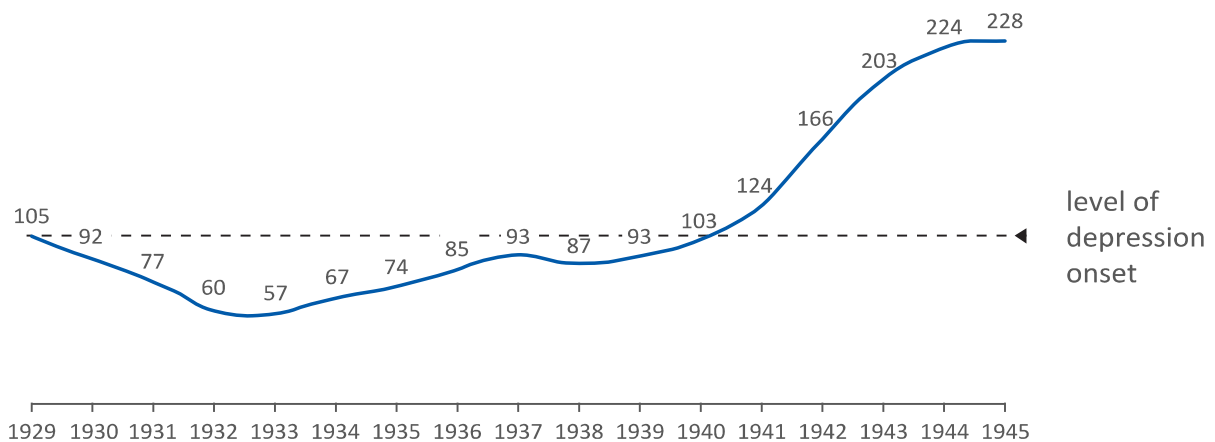
Two basic patterns can be identified in the broad historical evolution of the U.S. economic system, and indeed of any major highly developed economy in the world. In the first model, the progressive development of the economic system is relatively slow during a long period of comparatively stable economic growth rates, which predetermines a smooth increase in the “angle” of the trajectory of transition from the past mode to a new scientific and technological structure. Within the framework of the second model, the progressive development of the economic system occurs in an abrupt manner, predetermining a steep trajectory of transition from one state of the socioeconomic system to another. In turn, the steep trajectory of transition from the initial state of the socioeconomic system to a qualitatively different state actually implies a relatively rapid transition to a different spatial and temporal dimension in historical terms, which implies deep qualitative transformations of virtually all parameters of the socioeconomic and political system.

Modern modeling of the jump-like form of transition from the current to the qualitatively new state of the social and economic system is implicitly based on our proposed idea of the existence of a threshold on the trajectory of historical development of the social system, which acts as a kind of barrier on the path of its progressive development.

We define the threshold in social development as a two-stage transition from an initial state of the social system to a fundamentally new dimension, characterized by a qualitative transformation of most parameters of socioeconomic and political development. The first phase of the threshold state of a social system is characterized as a period of simultaneous growth of stagnation phenomena in its development: a slowdown in economic growth and scientific and technological progress, even up to the onset of a long-term economic crisis and economic depression, a sharp aggravation of political contradictions, sometimes up to the emergence of serious civil unrest, a fundamental shift in the system of social value orientation, which creates a sense of the coming radical transformation of the entire world.

The second phase can be characterized as the transition of society, in a comparatively short period of time, to a qualitatively new state, the end of which marks the emergence of a system of fundamentally new sustainable factors of progressive social development, based on a qualitatively new scientific and technological structure and a new system of spatial and temporal coordinates. Overcoming the stagnation phase usually occurs suddenly, after which the socioeconomic system enters a fundamentally new trajectory of its development in the broad sense of the word.

As a special illustration of the threshold patterns of social development, an interpretative model of the peculiarities and specifics of the development of the United States between 1929 and 1945 is presented, which is interpreted as the period when American society crossed the threshold of its civilizational development. The historical development of the United States in the period from 1929 to 1945 can be presented in the form of two interdependent phases: 1) the period of the Great Depression from 1929 to 1939, and 2) the period of preparation for and participation in the Second World War from 1939 to 1945. During the Great Depression period from 1929 to 1939, U.S. GDP, measured in current prices, fell by about 45.0% from \$105 billion to \$57.2 billion during the economic crisis of 1929–1933, and then began a slow recovery, not reaching the 1929 level until 1940, when it equaled \$103.0 billion. After the outbreak of the Second World War in September 1939, the United States began to increase its military expenditure, thus starting the process of gradual transformation of the civilian economy into a military one, and the entry of the United States into the war in December 1941 and the establishment of a fully-fledged military economy eventually led to the fact that in 1945, i.e. at the end of the Second World War, the U.S. GDP reached a record high of \$228.0 billion, an unprecedented increase of 2.2 times compared to 1940 (Bureau of Economic Analysis. Table 1.1.5). The model of the development of the U.S. economy in the period 1929–1945 is shown in Figure 1 (p. 29).



**Figure 1.** Model of the U.S. economy between 1929 and 1945 (GDP change in billions of dollars).

Source: Bureau of Economic Analysis. Table 1.1.5.

The figure gives a clear picture of the characteristics and shape of the threshold that the U.S. crossed between 1929 and 1945. The Great Depression and the stagnation in the dynamics of GDP change clearly indicate the presence of a powerful barrier to the progressive development of the economic system of American society, the first phase. And GDP growth in the period between 1940 and 1945 is a clear illustration of the practical possibility for the economy to make a “leap” within a relatively short historical period, of course, with a radical change in external and internal conditions, which

for the United States was the Second World War—the second phase. At the same time, the American experience of crossing the threshold in the period 1929–1945 illustrates a number of fundamentally important features and characteristics of the threshold condition, where an almost “alchemical” metamorphosis of quantitative parameters into their fundamentally different qualitative state takes place, which the 1930s, the “New Deal” and the exit to a new type of development, which in Marxist theory was called “state-monopoly capitalism,” and to which many books of all directions are devoted.

The treatment of the peculiarities of U.S. social development in the period 1929–1945 developed in this article from the standpoint of our threshold theory is fundamentally new in the socioeconomic literature. Modern American macroeconomic theories use the concept of an “economic threshold” in a very fragmentary form. Well-known American economists, under the influence of the global financial and economic crisis of 2007–2009, openly spoke about the fact that the upward or downward trajectories of economic development directly depend on and are determined by the existence of thresholds (barriers) that predetermine the degree of effectiveness of the globalized integration of individual countries, and this in turn directly affects the rate of economic growth.

According to the American economists A. Kose, E. Prasad, and E. Taylor, “the main difficulty in the area of global financial integration lies in the fact that there appear to be certain ‘thresholds’ of financial and institutional development that an economy must reach before it can reap all the indirect benefits and reduce the risks of liberalizing its capital account. From this perspective, it becomes clear why developed countries, which tend to have better institutions, more stable macroeconomic policies and more developed financial markets than developing countries, are the main beneficiaries of financial globalization” (Kose et.al. 2009: 2). The financial thresholds crossed by the developed countries, especially the U.S., separate them in many ways from the mass of developing countries.

This conclusion, in turn, builds on the earlier work of this author’s team, which concluded that initial thresholds need to be created for financial globalization to be successful and, in particular, identified the “relative importance of different thresholds” for a country’s subsequent economic development (Kose et. al. 2010: 4345). From a broader perspective, we can conclude that overcoming the economic threshold is the most important initial condition for the sustainability of the subsequent trajectory of economic development and the degree of its steepness. The differences in the degree of success of financial globalization recorded in the 21st century with respect to countries with different levels of socioeconomic development indicate that developed countries (and this situation applies primarily to the United States) have already successfully crossed this threshold at the previous stages of the historical development of their economic systems, which effectively determines their dominant positions in the modern global economy.

### **F.D. Roosevelt’s Economic Policy: From Doctor “New Deal” to Doctor “Win-the-War”**

In late December 1943, during a press conference, President F.D. Roosevelt expressed his policy stance regarding the fundamental change in the direction of his administration’s



social and economic policy after the outbreak of the Second World War. F.D. Roosevelt made it unequivocally clear that the practice and ideology of the “New Deal,” the proclamation of which had been the decisive factor in his victory in the presidential elections of 1932 and 1936, was finished, and that it would be replaced by the practice and ideology of the “Win-the-War” doctrine, which would probably determine the future socioeconomic and political development of the United States after the end of the Second World War.

Resorting to his favorite method of diagnosing the socioeconomic problems of American society from a medical point of view, the 32nd President of the United States compared America in 1932–1933 to a “sick patient” suffering from “grave internal disorders.” At that time, America needed a doctor, and he came in the form of the Dr. New Deal. He was a therapeutic doctor who “cured” American society for a long 6–7 years, but after a course of treatment, “the diseases were cured” (The American Presidency Project 1943). However, in December 1941, when Japan attacked the American naval base at Pearl Harbor (Hawaii) and the U.S. declared war on December 8, Roosevelt continued, “Patient America” had a very serious accident—he “broke his hip, broke his leg in two or three places, broke a wrist and an arm, and some ribs. And then he began to ‘come to’; and he has been in charge of a partner of the old doctor. Old Dr. New Deal didn’t know ‘nothing’ about legs and arms. He knew a great deal about internal medicine, but nothing about surgery. So he got his partner, who was an orthopedic surgeon, Dr. Win-the-War, to take care of this fellow who had been in this bad accident. And the result is that the patient is back on his feet. He has given up his crutches. He isn’t wholly well yet, and he won’t be until he wins the war” (The American Presidency Project 1943).

In the course of his speech, F. Roosevelt focused on two fundamental points. First, he stressed that the first priority was “plan for, and help to bring about, an expanded economy which will result in more security, in more employment, in more recreation, in more education, in more health, in better housing for all of our citizens, so that the conditions of 1932 and the beginning of 1933 won’t come back again.” Secondly, the New Deal was “a program to meet the problems of 1933. Now, in time, there will have to be a new program, whoever runs the Government. We are not talking in terms of 1933’s program. We have done nearly all of that, but that doesn’t avoid or make impossible or unneedful another program, when the time comes” (The American Presidency Project 1943).

By the end of the 1930s, it became clear that the New Deal reforms were unable to ensure the progressive development of the American economy; indeed, they became the main obstacle to progressive economic growth. In May 1937, the economy fell into a recession that lasted a year, with the low point of the downturn being recorded in June 1938. [NBER]. The American press of the time immediately dubbed it the “Roosevelt recession” and it was the third deepest economic crisis in the first four decades of the twentieth century. Real GDP fell by 11.0%, unemployment rose to 19.0%, and industrial production fell by 32% (Irwin 2011). Modern interpretations of the causes of the 1937–1938 recession, which ascribe it to a kind of historical mystery, link it not so much to restrictive fiscal and monetary policies as to the fact that in the United States during this period, from late 1937 to mid-1938—the inflow of gold from Europe was completely

halted, and only resumed in the autumn of 1938 after the accession of the Sudetenland of Czechoslovakia to Germany (Irwin 2011).

The New Deal's reform agenda was finally put to rest in the mid-term elections of autumn 1938, which resulted in the defeat of the Democratic Party, which lost eight seats in the Senate and a record 72 seats in the House of Representatives, although it retained control of both houses of the U.S. Congress. As a direct consequence of the results of the 1938 midterm elections, in 1939, "for the first time during his presidency, Roosevelt did not send a single new reform bill to Congress" (Busch 2006).

The fundamental cause of the "halt" in reformist efforts under the New Deal lies in its general thrust. The stagnating American economy of the 1930s did not provide F. Roosevelt and his supporters of socioeconomic reforms with any other forms of expansion of social programs and the state's presence in the economy than the extensive use of a mechanism of redistribution of national income—from the wealthiest strata of American society, of course, to the benefit of the "poor and downtrodden." The first step in this direction was taken in August 1935 with the adoption of the Social Security Act, which was partly financed by a special tax on the rich, set at 75% of the income of taxpayers with an annual income of over \$5 million (Leuchtenburg 1963: 154). In fact, the recession of 1937–1938 was perceived in F. Roosevelt's entourage as "revenge and a warning from Wall Street" with regard to further possible policies of "socialization" of American society.

At the end of the 1930s, F. Roosevelt and his administration found themselves at a historical crossroads: the continuation of the reform initiatives of the New Deal objectively led to a "class struggle" in American society, and the shift from domestic to foreign policy meant the gradual involvement of the United States in the Second World War. In the figurative terminology of F. Roosevelt himself, Dr. "Win-the-War" firmly replaced Dr. "New Deal": the question was whether F. Roosevelt would win the war that was taking place inside or outside the United States. In the early 1940s, F. Roosevelt made a clear and irrevocable choice in favor of gradually dragging the U.S. into another global military conflict, believing, not without reason, that in this war the U.S. had a strategic advantage in exploiting and building up its "arsenals of democracy."

The second phase began in FY1940 with an increase in U.S. military expenditures from \$1.4 billion to \$1.8 billion (in current prices) compared to FY1939, an increase of about 30.0%, followed by a 3.6-fold increase in FY1941 compared to FY1940, reaching \$6.4 billion. The United States' entry into the war in December 1941 led to a dramatic increase in military spending, which peaked in fiscal 1945 at nearly \$83.0 billion (U.S. expenditures...). In relative terms, U.S. military spending did not exceed 2.0% of GDP in the late 1930s, but reached 37.0% of GDP by the end of the Second World War. In the priorities of the federal government, military spending rose from 18.0% in FY1940 to 90.0% in FY1945 (Budget of the U.S. Government. Historical Tables. Table 6.1). The build-up of U.S. military power began long before the official entry of the U.S. into the Second World War and took place in several directions. On 16 May 1940, in his speech to Congress on the need for a sharp increase in defense spending, F. Roosevelt shocked American lawmakers with a plan to create a powerful air force by increasing the annual production of aircraft to 50 thousand units (The American Presidency Project 1940). After the fall of France and the defeat of the Franco-British forces at Dunkirk, the United States began to mobilize the U.S.

armed forces (peacetime conscription), which increased from 190,000 soldiers in 1939 to 269,000 in 1940. By the end of the Second World War, the number of American troops had risen to 8.3 million (The National WWI Museum. Research Starters...).

On 11 March 1941, F. Roosevelt signed the Lend-Lease Act, which gave the government the right to “furnish or lease to any country any military equipment essential to the vital defense interests of the United States.” In effect, the Lend-Lease Act, which at the time extended its acceptance to Great Britain, signified the de facto entry of the United States into the Second World War, while formally maintaining its status as a neutral power (National Archives).

And finally, on 9 October 1941, F. Roosevelt instructed V. Bush, the director of the Office of Scientific Research and Development, created by presidential decree at the end of June 1941, to begin work on the development of the atomic bomb as part of a top-secret scientific and technological project called the Manhattan Project, despite the fact that at that time “the United States was still technically a neutral nation in October 1941, yet Roosevelt became the first national leader to commit his nation to the effort to achieve a nuclear device. In so doing, he also decisively changed the nature of the relationship between American government and American science, a cultural change that has persisted to the present day.” (The National WWII Museum. FDR Approves ...).

The dramatic “transformation” of New Deal strategy and tactics, from the “socioeconomic Keynesianism” of the 1930s to the far-reaching “war Keynesianism” of the first half of the 1940s, is well illustrated by a 1943 cartoon widely circulated in the United States. The socioeconomic reforms of the New Deal were depicted as a spent horse being put out to pasture, while the war economy was portrayed as a powerful vehicle for America’s progressive development.

The wartime transformation of the American economy onto a fundamentally new scientific and technical footing enabled the U.S. to produce almost 300,000 aircraft, over 1,500 warships and submarines, 88,000 tanks, 634,000 jeeps, almost 6,000 naval vessels, 6.5 million rifles and other types of small arms in the period 1940–1945 (Statesman & Commander in Chief ...). The U.S. military economy contributed most directly to the transition of the U.S. economy to a new technological form, based on the fact that modern science became a real productive force. As the domestic researchers Prof. Leonid Grigoryev and Prof. Alexander Astapovich have rightly pointed out, “Roosevelt was apparently the first to massively introduce intellectuals into the management of the country, and they not only lasted his two presidential terms, but also created a precedent that was often used in other countries and cases” (Grigoryev, Astapovich: 117).

In July 1945, V. Bush formulated this thesis in a report addressed to the President of the United States, “Science The Endless Frontier” (Bush 1945). On 16 July 1945, the United States carried out the world’s first successful atomic bomb test in the Alamogordo desert (New Mexico), thus marking the final phase of the crossing of the economic threshold. The creation of fundamentally “esoteric” types of technology based on the mastery of unprecedented types of energy, which is more in the realm of science fiction, should also be seen as an inherent property of threshold principles in the development of science and technology, in which a qualitative leap in scientific and technological progress is a symmetrical function of the economic leap.

## The 2020s: Stagflation Is the First Threshold Phase for the American Society

We suggest that at the beginning of the third decade of the 21st century, the United States entered a relatively long period of economic stagnation, a combination of external shocks and internal structural imbalances, forming the first phase of the “threshold.” The coronavirus pandemic that struck the U.S. in early 2020 quickly caused real GDP, measured at constant 2017 prices, to fall by 4.6% as early as the first quarter, but the real shock to the U.S. economy came in the second quarter, when the U.S. officially quarantined the economy, resulting in a 29.9% decline in real GDP (Bureau of Economic Analysis. Table 1.1.1.), the deepest quarterly decline in 70 years since the Great Depression (Economic Report of the President 2022: 100).

And despite the fact that real GDP grew by an unprecedented 35.3% in the third quarter, the overall decline in GDP in 2020 was a record 2.8%, the largest decline in real GDP since 1946, when it was 11.6% (Bureau of Economic Analysis. Table 1.1.1.).

The specter of the Great Depression, combined with the forthcoming presidential election that Republican President D. Trump was determined to win “at any cost,” led the Federal Government, by then under the J. Biden Democratic Administration, to allocate an unprecedented amount of budgetary resources in 2020 and early 2021 to overcome the economic crisis caused by the coronavirus pandemic. The total amount of funding amounted to \$5.4 trillion. The list of laws enacted, their characteristics and the amounts appropriated are shown in the table below.

**Table 1.** Fiscal measures taken by the U.S. Federal Government to deal with the economic crisis in 2020–2021

Legislation adopted	General description of economic support measures	Amount of funds allocated, in billions USD.
Coronavirus Pandemic Supplemental Appropriations Act, 6 March 2020	Funding for antiviral vaccine development and testing	8.3
Families First Coronavirus Response Act, 18 March 2020	Funding for medical and food assistance programs for American families	192.0
Coronavirus Aid, Relief, and Economic Security Act (CARES Act), 27 March 2020	Financial compensation for income losses to families, the unemployed, and small and medium-sized businesses caused by the coronavirus pandemic	1756.0
Paycheck Protection Program and Health Care Enhancement Act, 24 April 2020	Additional funding for the Coronavirus Aid, Relief, and Economic Security Act	484.0
President D. Trump’s Executive Orders	Additional payments to the unemployed, student loan debtors, renters and homeowners	174.0
Consolidated Appropriations Act, 27 December 2020	Assistance to the unemployed, funding for antiviral vaccine programs, support for transportation and the recreational services industry	915.0
American Rescue Plan Act of 2021, 27 March 2021. (J. Biden Administration)	Financial support for homeowners, the unemployed, local and state governments, businesses and the health care system	1821.0
<b>Total</b>		<b>5350.3</b>

Source: Moody’s Analytics: 5.



However, the immense budgetary injections into the economy, aimed at keeping it afloat and perhaps even bringing it to a relatively rapid recovery on a sustainable economic growth trajectory, have resulted in the U.S. economy breaching the 2.0% annual rate of inflation, as measured by the Consumer Price Index (CPI), set by the Federal Reserve Board in January 2012, in March 2021. (Board of Governors of the Federal Reserve System 2020). Over the next 15 months, inflation in the U.S. continued to accelerate, reaching a peak of 9.1% (annualized) in June 2022—the highest rate since the early 1980s (Monthly 12-month inflation rate ...). The main reason for the inflationary “overheating” of the American economy was (and still is) the fact that the overwhelming majority of the total \$5.4 trillion in fiscal support for the economy has gone to fuel the current consumption of the American population. Having realized in early 2022 that inflationary processes were almost completely out of the monetary regulator’s control, the Fed began to aggressively raise the federal funds rate, which was increased from an initial 0–0.25% to 5.25–5.50% between March 2022 and July 2023 (Board of Governors of the Federal Reserve System. Policy Tools. Open Market Operations).

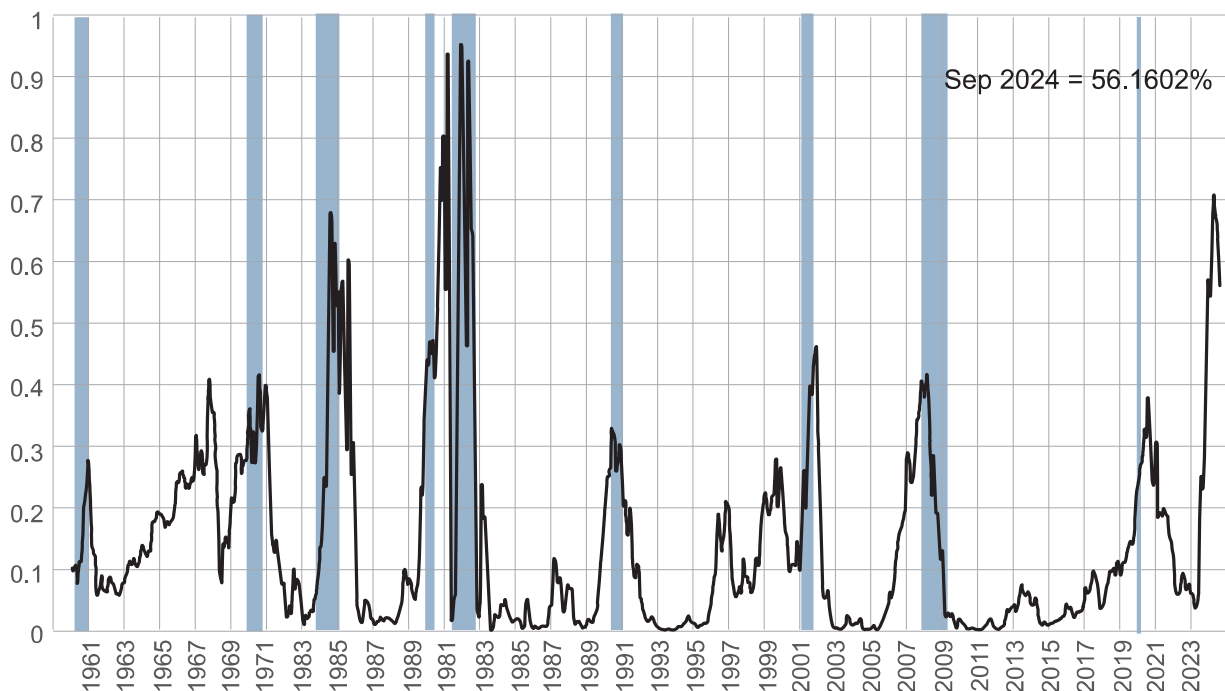
The impact of the Fed’s strong interventionist policy on the economy was immediate: in the first and second quarters of 2022, real GDP fell by 1.6% and 0.6%, respectively (Bureau of Economic Analysis. Table 1.1.1). It has become clear that the Fed, in its policy of containing inflation, is balancing between a soft and a hard “landing” for the U.S. economy, i.e. choosing between a mild and short recession and a major economic crisis (Verbrugge, Saeed 2023: 30-31), which is directly related to and stems from the basic policy stance of the current leadership of the Fed on the need to return to the annual inflation target of 2.0% (Board of Governors of the Federal Reserve System 2023: 40). The low growth rates in the U.S. in 2022–2023 take place against the backdrop of the Fed’s maneuvering between reducing inflation and avoiding a recession.

In this context, U.S. analysts point out that the socioeconomic conditions in the U.S. economy are radically different from those of the second decade of the current century and that the most optimal inflation target is currently 3.0% (Verbrugge, Zaman 2023: 7). By the late summer of 2023, inflation in the U.S. has fallen to 3.7%, but nevertheless the Fed, based on the difference between the price quotations of long-term and short-term U.S. Treasury securities, forecast the probability of a recession in the U.S. in the period to September 2024 at almost 57.0%, the highest level since the early 1980s. The Fed’s forecast of the probability of a U.S. recession in the period to September 2024 is shown in Figure 2 (p. 36).

Inflation in the current U.S. economy plays an important role in the first phase of the threshold, which hinders further progressive development of the U.S. economy and determines the stagnant nature of its current state. It is also fueled in no small part by the sharp increase in the monetary base of the U.S. economy in 2020, which in terms of aggregate M2 was \$20.9 trillion in August 2023 (Board of Governors of the Federal Reserve System. September 26, 2023. Table 1), i.e., comparable to the size of GDP, as well as the Fed’s balance sheet, which was \$4.7 trillion in March 2020, but quickly almost doubled by the end of 2020, reaching \$8.1 trillion by late September 2023. (Board of Governors of the Federal Reserve System. September 28, 2023). In this context, it can be said that the U.S. is currently essentially deprived of the usual monetary policy levers developed since

the Second World War, as evidenced by the Fed’s policy of raising interest rates against a background of clearly manifest recessionary phenomena, as was the case in the first half of 2022.

In relative terms, the fiscal injections of \$5.4 trillion in fiscal years 2020–2022, reaching 23.4% of GDP, contributed to the increase in the Federal Government’s gross debt pyramid (Economic Report of the President 2022: 50), which exceeded the \$33.5 trillion mark in early October 2023 (U.S. Department of Treasury). The rapidly growing pyramid of the Federal Government’s gross debt is a clear symbol of a powerful barrier to the further development of the U.S. economy. The economic crisis of 2020 and the subsequent measures taken by the J. Biden Administration to overcome it have irreversibly unbalanced the U.S. federal financial system, with chronic and ever-increasing federal budget deficits of at least \$1.5 trillion per year becoming its “new normal.” According to CBO projections through FY2033, budget deficits will rise to \$2.0 trillion in FY2030 and nearly \$3.0 trillion in FY2033 (CBO. June 2023: 5).



**Figure 2.** U.S. Federal Reserve’s forward-looking estimate of the probability of a recession in the U.S. economy in the period up to September 2024, in %

Source: Probability of U.S. Recession...

Such a trajectory of progressive growth in budget deficits also implies that at the onset of the next economic shock, the federal financial system will impose an even greater additional budgetary burden on the U.S. economy, which will determine both the tendency to move to sustainably higher and higher absolute and relative levels of budget deficits and the growth of the federal gross debt pyramid, which in turn will imply an increasing slowdown in economic growth rates up to the level of the federal budget

deficit. Specifically, the CBO has estimated that the U.S. economy is already experiencing annual losses of between \$500.0 billion and \$600.0 billion in produced GDP (CBO. June 2023: 5). However, under all variations in the size of the budget deficits over the 10-year medium term, the federal government's gross debt would grow faster than the economy and could exceed \$52.0 trillion in absolute terms by fiscal year 2033 (CBO. May 2023: 7). As a result, the Federal Government's gross debt-to-GDP ratio could rise from its current level of 123.7% (as of FY2023) to 133.3% in FY2033 [Calculated from: (CBO. June 2023: 2,5)].

An increase in the debt burden on the economy clearly means slower economic growth because of 1) the crowding out of private sector investment by government borrowing, 2) higher interest rates to increase the attractiveness of government securities, 3) higher taxes needed to partially offset the increase in budget deficits and the proportional increase in the gross debt pyramid, and 4) higher inflation (Salmon 2021: 489-490). However, the most important factor in the depressive effect of the government debt pyramid on economic development is the existence of "thresholds" in the ratio of gross debt to GDP, beyond which GDP growth slows down sharply (non-linearly). Currently, such a threshold is considered to be a gross debt-to-GDP ratio of 100%, beyond which "the negative impact of a debt-burdened economy on its economic growth potential increases sharply," which can result in economic losses measured in trillions of dollars (De Rugy, Salmon 2020: 9-10).

The rapid growth of the federal debt pyramid is leading to a sharp increase in debt service costs (net expenditure paid), which is drastically reducing the ability of the United States to invest in the real sector of the American economy. In fact, the federal government's debt service has already reached a level comparable to direct military spending. The Congressional Budget Office (CBO) estimates that the cost of servicing the federal debt will reach a record \$655 billion (2.6% of GDP) in the current fiscal year 2023. 655 billion (2.6% of GDP) in the current fiscal year (FY) 2023, will exceed \$900.0 billion in FY 2027, and could reach an unprecedented \$1.4 trillion (3.9% of GDP) in FY 2033 [Calculated from: (CBO. The 2023 Long-Term...: 7)].

Crises in the system of federal finances significantly increase the risks of a series of short recessions or even a deep financial and economic crisis, which objectively leads to a slowdown in economic growth. According to the author's calculations, the average annual growth rate of the U.S. economy (in constant 2017 prices) was 1.94% between 2000 and 2009, and 2.24% between 2010 and 2019. 2.24% [Calculated from: (Bureau of Economic Analysis. Table 1.1.1)]. The improvement in real GDP growth in the second decade of this century can be explained by the fact that it was the period of the longest U.S. economic recovery since the end of World War II, lasting 128 months, while in the first decade of the 21st century the U.S. experienced two economic recessions, resulting in a recovery phase of only 72 months (CBPP. Chart Book 2023).

In the first three years of the third decade, between 2020 and 2022, the real GDP growth rate falls to 1.67% [Calculated from: (Bureau of Economic Analysis. Table 1.1.1)]. The Conference Board, a consulting firm, forecasts that U.S. real GDP growth will increase to 2.2% in 2023 before declining to 0.8% in 2024 (The Conference Board... 2023). The Fed also forecasts that real GDP growth will be 1.8% in the third decade of this century (Board of Governors..., Summary of Economic Projections: 2).

We can therefore conclude that the increase in the debt burden on the U.S. economy in the early 2020s has already translated into a noticeable slowdown in economic growth. The growth of the debt burden on the economy, as the U.S. experience in 2020–2023 shows, introduces serious distortions into the usual phases of the economic cycle, which objectively increases the probability that the U.S. economy can “slip from a late rise through a full set of phases of the cycle into a new investment slump with high inflation and anti-inflationary measures” of the Federal Reserve System (Grigoryev 2023: 26). These disruptions of the usual phases of the economic cycle are the surest symptoms of the reproduction of the threshold situation that developed in the U.S. economy at the turn of the 1930s and 1940s. Another important threshold symptom was the dilemma of facing either “domestic American terrorism” or geopolitical opponents in the form of Russia and China.

### **U.S. Strategic Choices: “Domestic Terrorists” v. External Geopolitical Adversaries**

The events of January 6, 2021, known in the annals of American history as the Storming of the Capitol, profoundly changed the domestic political situation in the United States. Just as in the 1860s American society was divided between the North and the South, with the latter forming a union of thirteen rebellious states known as the Confederacy in 1861–1865, so today the United States is divided into “red” (pro-Republican) and “blue” (pro-Democratic) states. It is telling that the possibility of a new U.S. Civil War is still being seriously discussed in the U.S. today, even in an influential academic journal such as *Science*, published by the American Association for the Advancement of Science. The publication was based on the occasional opinion polls published, according to which more than 40.0% of respondents believed that a second U.S. Civil War was likely to occur after or on the eve of the 2024 presidential election. In this case, the American scientists were inclined to see the main factor of its origin in the sharply increased level of firearms sales in America, as a result of which the number of gun homicides in the U.S. in the period between 2010 and 2020 rose by 43.0% (Ortega 2022: 357).

Today, as in the 19th century, the most important ideological factor in the political polarization of American society is the stereotypes that exist in the consciousness of the white majority, according to whom “about two out of five adults agree with the postulate of the white nationalist “theory of mass replacement” or with the idea that white voters born in the United States are being replaced by immigrants in order to gain electoral advantage” (Ortega 2022: 357).

In purely economic terms, the domestic political situation in the United States can be made explosive by the plans, officially approved by the U.S. Democratic Party, to pay historical reparations to the African-American population for 90 years of slavery and the subsequent 100 years of segregation and denial of rights. The total amount of these reparations is estimated at between \$12.0 and \$13.0 trillion (in 2018 dollars) (Jarvis 2021: 4), and it is clear that we are talking about a fundamental transformation of the economic mechanism of the American economy, in which the main priority will be the redistribution of income and accumulated wealth, rather than their expanded production.



The most alarming aspect of the current “threshold” situation in the United States, notwithstanding nuclear weapons, which would potentially rule out the use of the theaters of world wars to solve the entire spectrum of acute domestic problems, is that the American ruling circles are not faced with the problem of the strategy and tactics of “great power rivalry” and the rearrangement of the pieces on the “great geopolitical chessboard,” but with the dilemma of choosing only between forms of warfare - extroverted (with the outside world) or introverted (within the country). Awareness of this dilemma can be clearly “read” in the Biden Administration’s plans to sharply increase direct U.S. military spending, which is expected to rise to an average annual level of \$900.0 billion in the foreseeable future (Budget of the U.S. Government. Fiscal Year 2024: 138), which is the highest level in the history of the United States since the Second World War.

We consider it quite obvious that it is impossible to achieve an optimal solution of the ratio of priorities between the internal “rear” and the external “front” in the conditions of growing financial and economic constraints for the progressive development of the American society, so the crisis and contradictions of the political system of the American society will only grow, which objectively requires the arrival of a strong national leader, which in his time was F.D. Roosevelt, who managed to lead America through two phases of the threshold in 1939–1945.

### **Conclusion: Are New Revolutionary Technologies on the Horizon?**

The “threshold” in social and economic development implies, as an obligatory element, the development of breakthrough technologies, including the mastery of new forms of energy and technology that can fundamentally alter the geopolitical balance of power. After 1945, this was the mastery of atomic energy and the creation of nuclear weapons. There is evidence that attempts to develop such breakthrough technologies are still being made. In particular, American physicists are currently actively developing theories and looking for ways to experimentally use gravitational waves to master cosmic energy sources, which can be applied to the creation of new types of flying (antigravity) technologies (Baker Jr., Baker 2016). Taking into account these and other studies by American astrophysicists, it cannot be excluded that, as in 1942, the United States is currently organizing a top-secret research project, for example, on mastering space energy and creating new types of propulsion technologies.

Indirect evidence for the legitimacy of such historical analogies is provided by the organization within the Federal Government in 2021 of an interagency group for the study of unusual aerial phenomena, the results of whose work were transmitted to the U.S. Congress and the American public in January 2023 in a report by the U.S. Director of National Intelligence. This report stressed that it could be considered an established fact that these aircraft “appear to exhibit unusual flight characteristics or trajectories” (Office of the Director of National Intelligence 2022: 5), beyond the reach of even the most advanced examples of modern Earth technology. The successful implementation of such a “Manhattan Project” in the 21st century may be required to finally assert the U.S. claim to planetary dominance.

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