expensive as it has been at any time in the last 30 years.

What all this means is that a US crisis is very likely to be associated with a capital outflow, rather than a capital inflow, with the result that the dollar could weaken substantially against other currencies. That will be quite unlike the aftermath of the 2008 crisis, when the dollar strengthened.

That might suit President Trump, who has often expressed a preference for a weaker rather than a stronger exchange rate. As he put it in July 2025, a strong dollar means "you can't sell tractors, you can't sell trucks, you can't sell anything."

A crisis environment might well reinforce that view. Just as Great Britain created the Exchange Equalisation Account in 1932 to keep sterling cheap after it left the gold standard the previous September, it is conceivable that the Trump administration might be more concerned to keep the dollar weak rather than promote its role as a global anchor of stability.

China rising

And what about the rising hegemon, China?

Beijing's latest proposals for global governance, published in June, do indicate a growing willingness to shape international order.

China may be willing but remains unable to act as a financial stabiliser: the renminbi remains a relatively insignificant currency in the international monetary system.

All in all, then, the risk that the world faces in the next financial crisis is a "reverse Kindleberger Trap," where the dominant power is the one that's unwilling to play a responsible crisis-management role; and where the rising power is the one that is unable.

No one should wish to hasten the next financial crisis, given the economic dislocation and immiseration that will inevitably be associated with it. But the prospect of a "reverse Kindleberger Trap" should make us all fear that crisis even more.

The article was first published by Chatham House.

US national debt hit $40 trillion

But it's not an issue in midterms

By James M. Lindsay
Former director for global issues at the US National Security Council

OPINION

GETTY

How much debt is too much debt?

That used to be a question at the forefront of congressional elections. It was only 16 years ago that the so-called Tea Party took the country by storm pledging to tame the federal deficit. With the national debt then standing at $14 trillion, "sequestration" suddenly became Washington's hottest buzz word as President Barack Obama and the Republican-controlled Congress temporarily slowed the growth of discretionary federal spending.

That was then. Today, the sequestration caps are a distant memory and government red ink barely gets a mention in a public debate dominated by gas prices, data centers, artificial intelligence, and claims that the Democratic Party has gone communist.

But the debt and deficit numbers are staggering. Earlier last month, the national debt hit $40 trillion. That amounts to roughly $117,000 for everyone living in the United States. The US debt-to-GDP ratio now stands at 125 percent. To put that number in perspective, the massive federal borrowing needed to finance the US effort in World War II only pushed the debt-to-GDP ratio to 106 percent.

The numbers get worse. The Congressional Budget Office projects that the federal budget deficit for the fiscal year, which ends on September 30, will hit $2.1 trillion. Yes, trillion with a "T". That is a six percent deficit relative to GDP. This is all happening at a time of near-full employment when the government balance sheet should be improving and not deteriorating.

Large and persistent federal government deficits are why the national debt has doubled over the last decade and quadrupled in less than two. Put differently, 50 percent of the US national debt has been accrued since Donald Trump was first elected, and 75 percent of it has been accrued since Barack Obama was first elected.

The harm caused by the government's profligacy is becoming increasingly clear. The US government will spend a hair over $1 trillion this fiscal year paying interest on the debt. That's equal to what the United States will spend on national defense. Money spent paying back what has been borrowed obviously cannot be used to address the problems the country faces today.

The competition for federal dollars will only get worse in the years to come as the cost of servicing the federal debt increases. The Peterson Foundation projects that total interest payments will more than double over the next decade. That prediction could be, if anything, optimistic. Interest rates on long-term US bonds have risen in recent months, suggesting that the growing red ink is making investors nervous. Treasury Secretary Scott Bessent moved earlier last month to dampen long-term interest rates by ramping up the department's bond-buyback program. Interest rates dipped briefly on the news before heading higher again. Bessent's maneuver prompted his former boss and financial legend Stanley Druckenmiller to argue that "a credible fiscal package would do more for the long end of the curve than a buyback program 1,000 times this size."

But a credible fiscal package seems unlikely to emerge anytime soon. Few candidates running for office are talking about the country's debt problem and how they would solve it. Voters do not appear to be demanding answers. Gallup recently found that just two percent of Americans see the national debt and federal deficit as the most important problem facing the country.

Today's zeitgeist is instead to assume that government spending, whether for domestic programs or national defense, can continue to grow. The increasing debt burden either won't matter or that robust economic growth will solve the problem by generating epic government revenues sometime in the future.

Ignoring the country's mounting debt no doubt will be fine — up to the moment it isn't. That moment could come much sooner than we think.

The article was first published by the Council on Foreign Relations.

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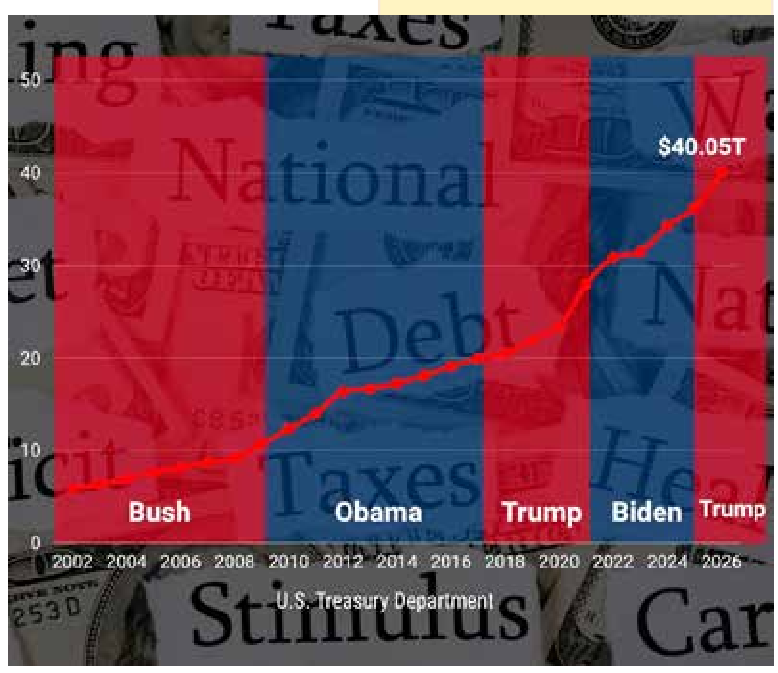
A sign displays the national debt on a bus stop in Foggy Bottom, Washington, DC, on August 20, 2026. Similar signs have been put up across the country by the nonpartisan Peter G. Peterson Foundation.
ANNA MONEYMAKER/GETTY



The chart shows how much the US national debt has increased since 2002.
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