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## One Big Beautiful Bill: this could end badly

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June 13, 2025

### Trump is putting the funding of the gargantuan US-deficit in jeopardy

President Trump wants to use his thick felt-tip pen to sign his "big, beautiful bill" on budget and tax policy no later than US Independence Day, July 4. The fact that the bill was actually named in such an infantile manner does not bode well. Rather, it signals an immature approach to American fiscal policy. After the Big Beautiful Bill (BBB - no, that's not the new US credit rating!) passed the House of Representatives with a single majority, it is now being debated in the Senate. Trump's Republicans also formally have a majority there. It is to be hoped that a sufficient number of Republican senators will refuse to go along with the BBB irresponsibility and not support the bill in its current form. The good news: the majority in the Senate currently seems rather doubtful. The catfight between Donald Trump and Elon Musk, which was sparked not least by the BBB, has further torpedoed the prospects of undamaged passage in the Senate. That's a good thing!

#### Why the law is so dangerous

I don't know where to start. If the bill actually became law, risks would arise on several fronts. First and foremost, the ailing US public finances would slide even further into a dangerous imbalance. The deficit is already out of control. Despite full employment, the deficit stands at over 6% of GDP. This "beautiful" law will exacerbate this dangerous imbalance through further tax cuts. For this reason, critics interpreted the BBB acronym as the "Budget Busting Bill". The non-partisan [Congressional Budget Office](#) had already estimated prior to the bill that the US national debt would rise to 170% of GDP over the next three decades, up from the current 120%. With the BBB, things are likely to get even worse.

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The Senate  
must stop the  
budget splurge

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Trump will let  
the dead propel  
out of control

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Treasury Secretary Scott Bessent's lofty [thesis](#) that the tax cuts would boost the economy to such an extent that the deficit would even fall in the end is obviously wishful thinking. This libertarian wishful thinking, known among economists as the Laffer Curve, has been floating around since Ronald Reagan's massive tax cuts. It has never worked. Most recently, this beautiful dream was shattered for Liz Truss in London. The risk of reaching a debt tipping point, where investors go on a buyers' strike, is growing. A crisis in the previously "safe haven" of US treasuries would shake the entire global financial system in its foundations. A financial crisis might be difficult to avoid.

**Section 899: just when you thought it couldn't get any worse**

To secure the financing of its budget the US government depends on foreign investors to continue to buy treasuries. This is due to the low American savings rate and high refinancing requirements (see illustrations). Foreign investors have already become nervous following Trump's "Liberation Day". And now the BBB is also kicking foreign investors gleefully in the shins! Under Section 899 of the Act, special taxes can be levied on foreign investors' interest income (and dividends) whose countries of origin pursue economic policies that the US government dislikes according to criteria that are not further defined.

It is clear to me that we Europeans would be affected by these punitive taxes. After all, the President [believes](#) that the EU was only founded to take advantage of the U.S. If you're looking for an author for a manual to scare away your own creditors, look no further than the White House. Trump has taken a chainsaw to the branch on which the financing of the gigantic US deficits is hanging. Not so beautiful. And not very smart.

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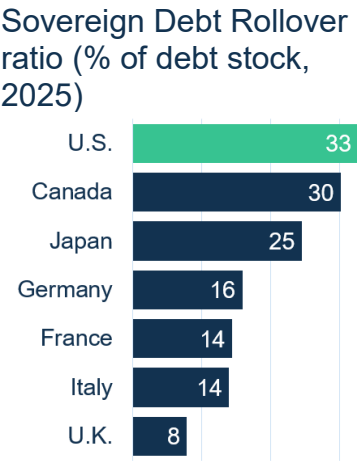
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