



October 2026

The United States of America in its 250th Year of Existence

Martin Zeman

Summary

As the United States marks the 250th anniversary of the Declaration of Independence in 2026, it is an opportunity to reflect on its position in the global economy. This paper examines America's current economic standing and the factors behind its long-standing dominance, while highlighting growing fiscal risks and increasing competition from China.

Key Takeaways

- The United States continues to maintain its position as the world's leading economic power.
- The country's greatest competitive advantage remains its technological edge.
- Alongside China's rising competitiveness, the growth of public debt represents a key but often overlooked challenge.

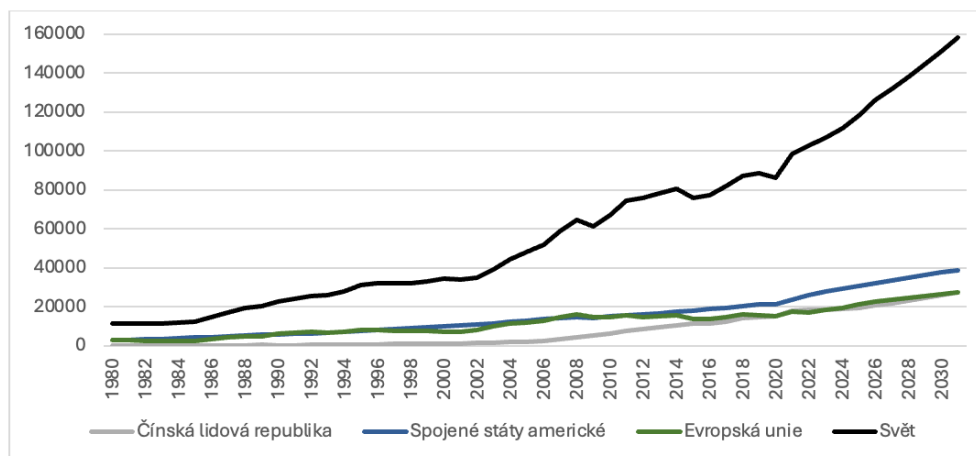
The year 2026 is associated with an important historical anniversary of the United States of America. The country celebrates the 250th anniversary of the adoption of the Declaration of Independence in 1776. The quarter-millennium of the existence of the American state represents an opportunity to evaluate its position in the international system. From the original thirteen colonies, the United States has become the largest economy in the world, the dominant financial power, and one of the main drivers of technological progress. At the same time, however, it is entering the second half of the 2020s in a period of growing competition from China, high public debt, and fundamental technological changes associated with the development of artificial intelligence.

The USA as the largest economy in the world

The United States is the world's main economic powerhouse. According to current projections, the nominal GDP of the United States will reach approximately USD 32.4 trillion in 2026, while China's GDP will be approximately USD 20.9 trillion and the European Union's economy will be approximately USD 23.0 trillion. The United States itself generates about 25.6% of the world's GDP, and its economy will be approximately 55% larger than that of China and more than 40% larger than the economy of the European Union as a whole. Moreover, GDP growth is expected to be 2.3% this year, which continues to be solid by advanced-economy standards.

Notwithstanding the fact that the U.S. share of the world economy has declined in part compared to the second half of the 20th century due to the rapid growth of China and other emerging economies, it has remained remarkably stable over the long term. Since the 1980s, its share of global nominal GDP has largely been in the range of 23 to 29%, and even the rise of China has not led to a major weakening of its relative economic weight. The U.S. alone has maintained about a quarter share of the world economy for more than four decades. (IMF, 2026)

Chart 1: Development in the size of economies (current prices, USD billion)



Source: IMF, 2026

However, the importance of the United States cannot be measured only by the size of the economy. Its main competitive advantage in the global field is high labor productivity, developed capital markets, the quality of institutions, and the ability to attract investment, talented workers, and innovations from all over the world in the long term. The American economy is based on a unique interconnection of top universities, research centers, venture capital, and technology companies, which creates an environment conducive to the emergence of new technologies.

As Mario Draghi (2024) states in his report, approximately 70% of the difference in GDP per capita growth between the European Union and the United States in recent decades can be explained by faster labor productivity growth in the U.S. Thus, the U.S. economy has been able to increase its performance faster than most other advanced economies even in an environment of an aging population and a gradual slowdown in labor force growth. The main source of the growing productivity gap between the United States and the European Union has been primarily the information and communication technology sector, which has benefited from higher investment in innovation, stronger links between research and the private sector, and faster adoption of new technologies. However, if the influence of the ICT sector is excluded from the analysis, it turns out that productivity growth in the United States and the European Union has been relatively similar in other parts of the economy. Thus, the difference in the performance of the two economies is largely due to the ability of the U.S. to create and commercialize technological innovations faster than its European competitors.

Technology Leadership and Artificial Intelligence

It is the ability to create new technologies and then successfully commercialize them that is one of the main differences between economically successful countries and real global leaders. The United States has long excelled in this area. Among the top sixty largest companies in the world by market capitalization, American companies make up about four-fifths of all firms, while companies from the European Union are represented only individually, and Chinese companies are practically non-existent among the absolute world leaders. (stocktitan.net, 2026) Even more important than the sheer size of these companies, however, is their industry focus. While the most valuable American companies are dominated by firms operating in the fields of digital technologies, semiconductors, cloud services, and artificial intelligence, many European economies rely primarily on traditional industries or consumer luxury goods.

The most important technological topic today is artificial intelligence. The development of generative AI has triggered a new wave of investment in data centers, computing power, cloud infrastructure, and semiconductor manufacturing. Companies such as Nvidia, Microsoft, OpenAI, Alphabet, and Meta have become the main players in this transformation and are also among the largest recipients of new investment capital. In many ways, the current development of artificial intelligence can be compared to the advent of the Internet in the 1990s, which fundamentally changed the functioning of the economy and created new industries and business models. The venue for this transformation is the U.S.

However, the importance of artificial intelligence lies primarily in its potential impact on labor productivity. While previous technological revolutions often automated routine manual activities, modern artificial intelligence systems can increase productivity in professions based on working with information, data analysis, programming, or administrative activities. It is the ability to extend technological advances to a wide range of economic activities that is one of the reasons why AI is considered a possible source of further significant growth in the U.S. economy.

At the same time, technological leadership has a significant geopolitical dimension. Both the United States and China consider artificial intelligence, semiconductors, and advanced computing systems to be strategic sectors that will determine the future economic and military power of states. Therefore, the current competition in the field of artificial intelligence is not only the competition of individual companies, but increasingly also part of a broader geopolitical rivalry between the two powers. Although President Trump's economic policies can be opposed in many ways, the focus on the technology sector is one of his most prominent priorities.

However, technological leadership does not arise on its own. The basic prerequisite for innovation is high-quality human capital, and it is in its acquisition and development that the United States has long been one step ahead. It has been able to attract talented professionals from all over the world in the long term. The most important American technology companies, universities, and research centers employ a high proportion of foreign scientists, engineers, and entrepreneurs. According to the QS World University Rankings 2027, approximately a quarter of the top 100 universities in the world are located in the United States. Universities such as MIT, Stanford University, Harvard University, the University of California, Berkeley, and the University of Pennsylvania are among the world's elite and at the same time represent a key source of research, technological innovation, and human capital (QS World University Rankings, 2026). The combination of technology infrastructure, access to capital, and a global talent marketplace creates an innovation ecosystem that is extremely difficult to replicate.

Dollar Dominance

Moreover, the United States has a historical advantage that is little discussed. The United States has the so-called "exorbitant privilege," that is, the ability to finance its consumption, investment, and public debt through a currency used by the entire world. No other currency today has a position comparable to the U.S. dollar in global finance.

The dollar is the dominant reserve currency of the world's central banks, the main currency of most international trade transactions, and the key currency of the world's capital markets. As a result, there has been long-term, high global demand for U.S. Treasury bonds and other dollar assets. In addition, the dollar's position is strengthened by the size of the U.S. economy, trust in U.S. institutions, the rule of law, and the depth and liquidity of U.S. financial markets.

As a result of this dominant position, the federal government can borrow in its own currency and finance large budget deficits on significantly more favorable terms than most other countries. Moreover, U.S. Treasury bonds continue to be considered one of the safest assets in the world.

However, the dollar's importance extends beyond the realm of public finance. Most international trade in oil, natural gas, industrial commodities, and a number of financial products is still denominated in U.S. dollars. At the same time, the dollar's dominance provides the United States with an important geopolitical tool. Control over key elements of the international financial system allows the U.S. government to effectively use financial sanctions as part of foreign policy and to influence the behavior of states, businesses, and financial institutions around the world.

In recent years, there have been debates about the so-called de-dollarization. The BRICS countries and some emerging economies are striving for greater use of national currencies in international trade. China supports the use of the yuan in cross-border transactions, India is expanding trade settlements in rupees, and some Gulf states are looking for alternative payment mechanisms. Although the euro is the world's second most important reserve currency, it still faces the absence of a fully integrated fiscal framework and a common market for government bonds comparable to the U.S. market. The Chinese renminbi, on the other hand, is constrained by capital controls, lower transparency of the financial system, and limited confidence among foreign investors.

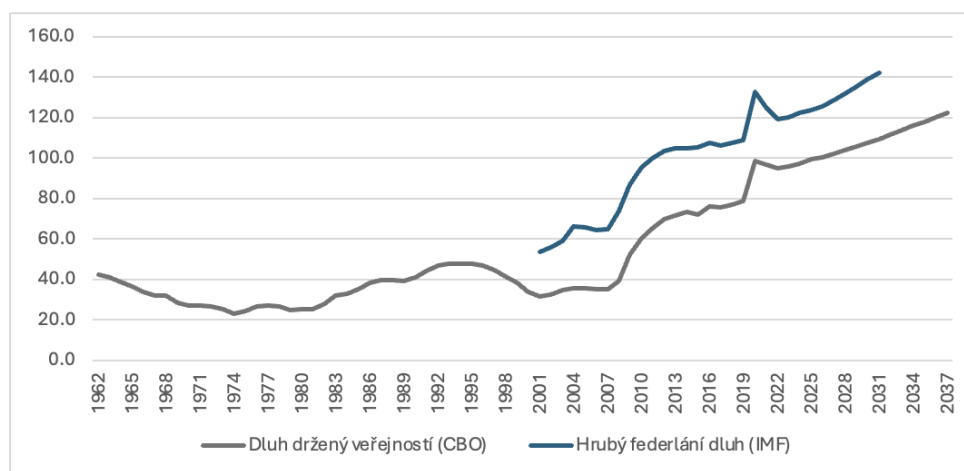
As a result, the dollar's dominance remains one of the fundamental pillars of U.S. economic and geopolitical power. Although its share of global reserves and international transactions can be expected to gradually decline in the long term, the current global financial system is still so intertwined with the U.S. economy and financial markets that no other currency is likely to take on its role anytime soon.

Fiscal Risks

Although the United States continues to benefit from the dollar's dominance, the rate of growth in public debt has become one of the most significant structural problems of the U.S. economy in recent decades, which is hardly discussed in Europe. According to the Congressional Budget Office projections (2026), the federal deficit was originally projected to reach around USD 1.9 trillion, or 5.8% of GDP, in 2026, with federal spending of USD 7.4 trillion and revenues of around USD 5.6 trillion. However, since the release of the baseline forecast, the fiscal outlook has further deteriorated. In August 2026, the Congressional Budget Office (2026) warned that changes in trade and customs policy would lead to an increase in cumulative deficits between 2027 and 2036 by an additional USD 0.9 trillion compared to the February projections. At the same time, new estimates suggest that the deficit for fiscal 2026 could reach a staggering USD 2.1 trillion.

More worrying than the size of the budget deficit itself is the long-term trend that we can observe in the development of debt. According to the Congressional Budget Office's baseline scenario, Debt Held by the Public will rise from around 100% of GDP in 2025 to 120% of GDP in 2036, which would be the highest level in modern U.S. history. However, it should be noted that this indicator does not include all public sector liabilities and is not directly comparable to the international methodology used by the International Monetary Fund (2026). According to the broader General Government Gross Debt indicator, which allows for international comparison, the debt of the United States will reach approximately 125.8% of GDP in 2026.

Figure 2: US debt over time (% of GDP)



Source: CBO, 2026; IMF, 2026

The deterioration of the fiscal situation is not only due to business cycles or emergencies, but above all to long-term structural factors. The greatest pressure, despite gradual migration, is created by the aging of the population and the associated growth in spending on Social Security and Medicare programs. As the number of retirees and health care recipients grows, mandatory federal government spending automatically increases. These programs are among the most politically sensitive parts of the budget, which significantly limits the room for potential savings.

Interest costs for servicing debt are also becoming a significant problem. After a period of exceptionally low interest rates that followed the global financial crisis, the federal government has to refinance an increasing amount of debt at significantly higher interest rates. According to CBO projections, interest expenditure is one of the fastest-growing components of the federal budget.

At the same time, rising debt increases the sensitivity of public finances to future economic shocks. In the event of an economic recession, a more significant slowdown in growth, or a further rise in interest rates, the fiscal space of the federal government could shrink rapidly. In addition, a high degree of political polarization adds to the economic risks. Repeated disputes over the budget, the debt ceiling, or the shape of tax policy show that it will become increasingly difficult to reach a long-term consensus on stabilizing public finances. The Congressional Budget Office now calls the fiscal trajectory unsustainable. Therefore, the future economic position of the U.S. will depend not only on its ability to innovate and maintain technological leadership, but also on its ability to stabilize public finances in an environment of an aging population and rising interest costs.

Competition with China

The most significant geopolitical and economic challenge for the United States is the growing competition of the People's Republic of China. The rivalry between the two powers has long since gone beyond international trade and has turned into a complex rivalry involving the economy, technology, security, finance, and international influence. Especially during the administration of President Donald Trump, this rivalry has been—and is increasingly—defined as a strategic competition for global economic and technological supremacy. Trump has repeatedly presented China as the main economic competitor of the United States, which, in his view, benefits from imbalances in international trade, technology transfers, and extensive state support for domestic industry. In this perspective, China's rise is seen as one of the main strategic challenges for the long-term preservation of America's economic and geopolitical position. At the same time, it should be taken into account that China approaches economic development within a different institutional and cultural framework than Western democracies. Traditionally, China's strategic planning is based on a long-term investment horizon and the gradual implementation of development goals through multi-year and long-term plans.

China has a population of more than 1.4 billion people and has built up the largest industrial base in the world over the past three decades. It has established a dominant position in a number of strategic sectors, including the production of batteries, electric cars, solar panels, and consumer electronics. At the same time, it has become the largest trading partner of dozens of countries around the world.

However, despite its considerable successes, China faces growing structural challenges. The most significant include an aging population, low birth rates, a crisis in the real estate sector, and slowing productivity growth. These factors are gradually raising questions about the long-term sustainability of China's economic model and the potential for future economic growth.

In the future, the field of semiconductors in particular is of strategic importance. Modern chips are essential for the functioning of artificial intelligence, the defense industry, and advanced manufacturing. Therefore, the United States is seeking to limit China's access to state-of-the-art technologies through export restrictions. Taiwan also plays an important role here, with its companies providing a substantial part of the world's production of the most advanced semiconductors. The question of the extent to which the United States is able to achieve technological self-sufficiency in the field of semiconductors in the event of a significant disruption in supplies from Taiwan is increasingly raised. This debate has intensified, especially in connection with geopolitical tensions in the Taiwan Strait and considerations about possible scenarios for future development, which have been repeatedly pointed out by some representatives of the technology sector. The ability to diversify semiconductor production and move part of production to the United States will therefore be one of the key factors determining its technological and economic security in the coming decades.

Conclusion

The year 2026, in which the United States commemorates the 250th anniversary of the adoption of the Declaration of Independence, is a good time to reflect on its position in the global system. In a quarter of a millennium of its existence, the country has transformed itself from a regional power into the world's largest economy, a leader in technological innovation, a steward of the world's dominant currency, and a major player in the international financial system. As the international environment changes and the United States faces increasing competition from China, its position remains extraordinarily strong. But the future of American leadership will be determined not only by the size of the economy or military might, but above all by its ability to maintain a technological lead, transform innovation into productivity growth, and at the same time manage growing fiscal imbalances. Two hundred and fifty years after its founding, the United States is not faced with the question of whether it will remain a global power, but whether it will be able to maintain its dominant position under the conditions of growing geopolitical and technological competition of the 21st century.

From Europe's point of view, the United States remains its key and largely irreplaceable partner. Not only in the economic field, technological innovation, and capital markets, but also in the field of military capacity, cultural influence, and energy self-sufficiency, the European Union does not have a weight comparable to that of the United States. The transatlantic partnership thus remains one of the main pillars of Europe's prosperity, competitiveness, and security under the conditions of growing geopolitical rivalry in the 21st century.

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Author



MARTIN ZEMAN

Analyst

Martin Zeman graduated from the Faculty of Economics and the Faculty of Business Administration at the University of Economics in Prague. He also defended his dissertation at the University of Economics. He specializes in economic policy, fiscal policy and public finance. He is the author of several professional articles, speaks at international conferences and publishes commentaries in the media. For several years, he worked as an advisor to the Minister and in other institutions dealing with public finance.

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Martinská 2, 110 00 Prague 1



+420 602 502 674



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