

# National Debt

## Editorial

*Hamilton wished the General Government should have power to make laws binding the States in all cases whatsoever. Our country has thought otherwise. My whole correspondence, while in France, and every word, letter and act on the subject, since my return, prove that no man is more ardently intent to see the public debt soon and sacredly paid off than I am. —Jefferson to George Washington, Sep. 9, 1792*

*I am for a government rigorously frugal and simple, applying all possible savings of the public revenue to the discharge of the national debt; and not for a multiplication of officers and salaries merely to make partisans, and for increasing, by every device, the public debt, on the principle of its being a public blessing. —Jefferson to Elbridge Gerry, Jan. 26, 1799*

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**T**he national debt as of Jan. 16, 2000 was \$5,763 trillion, or \$20,998.46 for every citizen. The debt has increased by an average of \$436 million per day since Jan. 29, 1999. Since President Clinton has taken office, the national debt has increased at an average rate of \$7,247.48 per second, \$626.2 million per day, and \$1 billion every 38 hours and 20 minutes. During Mr. Clinton's tenure that debt has increased by \$1,587 trillion. There has been an increase of currency in circulation of 88.2%, or \$100.2 million per day, or \$1 billion every ten days. Mr. Clinton is not alone responsible for this, for he must share the honor/blame with Congress. Mr. Clinton is, however, the world's most profligate spender, probably the greatest spender in the history of the world.

Interest on the public debt in 1999 was \$353.5 billion, \$364.8 billion in 1998, \$335.8 billion in 1997, and \$343.9 billion in 1996. The country was shocked when President Johnson's total budget for the federal government was \$90 billion, peanuts today. Of the total public debt, 34 percent is held by foreigners, as against 4.7 percent in 1965—a sobering thought if our present prosperity turns sour. The only optimistic thought on that question is that other countries are as bad as or worse than we are so that there are few to no safe havens for the protection of individual assets.

The national debt is held in various Trust Funds: Social Security, Civil Service Retirement, Military Retirement, Unemployment Insurance, and the Highway and Airport and Airway Trust Funds. We should note, however, that these trust funds are nonexistent; they are accounting entries in the books. Mr. Clinton acknowledged this when he suggested putting Social Security receipts into stocks and

bonds. This suggestion was rejected because it meant that politicians would take over the governing of corporate America, bringing us close to Communism and ensuring enormous waste and inefficiency, but it illustrates that something other than a bookkeeping entry is needed if we are going to preserve the trust funds.

The federal government is a cash and carry organization whose only assets are military bases and federal lands, battleships, submarines, Coast Guard equipment and boats, torpedoes, airplanes of many kinds, tanks, miscellaneous machinery, and odds and ends here and there. In proportion to income and expenditures, the assets of the federal government are less than the mom and pop store down the road that sells gasoline and a few groceries. To the government assets we must add, of course, the power to tax, enforceable by the courts and, ultimately, the army.

The Social Security Trust Fund is supposed to be "off-budget," meaning that the income for that account will not be spent for current expenses as is the income from all of the other trust funds.

That is hocus-pocus. If the Social Security Fund is nonexistent, only a book-keeping entry; there is no way to save it. The yearly expenses of the federal government, if they do not take from the Social Security Fund, will increase the national debt by the amount of the expenses not spent from Social Security income. The National Debt increases or decreases according to the income and expenses of the government, and there is no hiding from this simple fact. Governments can have miraculous bookkeeping but the hard facts remain. I am amused by the angelic postures of many of our presidential candidates who talk glibly of what they are going to do to improve the country. The Democratic candidates talk of increasing health coverage by increasing the expenses of the federal government. While medical needs are of great importance, candidates would be more credible if they talked of expenses against the backdrop of the present debt.

The government is in surplus at the moment, and no one knows just why that is so. I suspect the incredible technological inventions of the past decade or so have increased efficiency and reduced expenses, increasing the wealth of many corporations, their taxes, and the income of the employed. While the global economy may be disputed in many ways, for as long as the United States retains sufficient manufactures, the cheaper price of some imported goods gives consumers increased cash. Against this surplus because of the present health of the economy, Mr. Clinton has proposed paring the national debt. He is to be commended for this, and the more so if he is serious. Annual interest on our debt is around half a trillion dollars a year! He will have to do more than pay off a billion or two.

Present plans are to repay around \$30 billion in the current year with the hope that the debt could be paid in around thirty years. According to my arithmetic, \$30 billion for thirty years is less than one trillion dollars, not counting interest. We shall have to be more serious than that if our debt is more than \$5 trillion. Interest on the public debt in fiscal year 1999 was \$353.5 billion, so a \$30 billion payment is a triviality. I have heard it said that we shall grow out of our Social Security debt as the Baby Boomers come into retirement, but I am not convinced of that. When the Baby Boomers start drawing Social Security, they'll create an earthquake. I

have heard it said that the national debt is not serious because we owe it to ourselves. Around 34 percent the national debt is an obligation to foreigners, so that claim is false. Of the amount that we owe ourselves, if that is not honored, the loss will be for everyone with government bonds and other government securities, which include savings accounts, pension funds, and mutual funds invested in government securities. Individual and corporate funds will be wiped out to the extent they are invested in the federal government. With the failure of any item associated with government finances, a domino effect will bring ruin to many other items. In other words, if you thought you had security, you thought wrong. The debt is owed to all citizens of the country, and everyone will be impoverished by the amount of any inability of the government to pay its bills. The government can cut expenses, which would help, and it can raise taxes, but every time it raises taxes it causes impoverishment. The debt is ours and to say it doesn't matter because we owe to ourselves is nonsense. Either we pay our bills or we go broke, as individuals or as a government.

The present surplus is because we are spending money given for other purposes, such as Social Security. When that surplus from Social Security vanishes, that is, when the Baby Boomers retire, there will be no surplus. In any case, to assume the economy will continue to have a surplus, even with Social Security, bases our hopes on what may be no more than a dream. Entitlements comprise almost half of all federal spending: Social Security, Medicare, Medicaid—and the cost of Medicare is doubling every ten years. Interest on the national debt takes up half of what's left of the federal budget so we have to make cuts in one quarter of the present budget if we are going to pay our debts. We have said we shall not cut entitlements, so we shall have to default on paying our bills. At that time, entitlements will have to go.

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Some comments from the Concord Coalition: 1) The existence of a ten-year \$1 trillion surplus, over and above Social Security, depends on a series of policy decisions that few in Washington believe will be made, and many are actively opposing. It must therefore be asked: if the policies on which the surplus projections are based are unlikely to come about, how likely is it that the surpluses will come about, or that they will be as large as projected?

2) The Congressional Budget Office assumes that the caps in effect through 2002 will be honored, which means that its baseline surplus projection presupposes inflation-adjusted cuts in discretionary spending totaling eight percent over the next three years. Although this reflects current law, the cuts have yet to be enacted, and congressional appropriators of both parties insist that it will be impossible to pass the thirteen regular appropriations bills if the caps are honored.

3) No one in Washington proposes that the entire surplus be used for debt reduction.

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According to Walter Williams, we cannot lay the entire blame, not even an important share of it, at the feet of Congress. The American people are to blame for our fiscal mess. We elect congressmen who will use the power of their office to take some other American's earning to subsidize our children's education, our farms and businesses, our retirement and medical needs, and a plethora of other desires. Any congressman who'd respect, heed, and obey the letter and spirit of the Constitution would NOT get our vote.

Some years ago, when I was pastor at a church, I attended a conference when a young lady from Iceland remarked, "In Iceland, a home would not be a home without an old person in it." I said to our congregation, "In this church, there is only one home with an old person living with the family." The old fashioned habit, if it returned, would go a long way to solve many of the problems of the aged.

Present prosperity is due to technological invention, inexpensive products from global trade, and living from the income of the future. I would be pleased if our presidential candidates expressed themselves in the context of our obligations.

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A comment on the proposed budget of Mr. Clinton: Contrary to what is said by Mr. Clinton and almost all politicians, there was no surplus in 1999. The U.S. government was in deficit by \$1 billion. The surplus was from Social Security payments of \$124 billion. This money cannot be saved and must be spent. Mr. Clinton's proposed additional spending will come from Social Security payments, will increase entitlements, and take us further into debt. Present rhetoric is offered for political purposes. If we must spend the surplus provided by Social Security, since we cannot save it, the better path of wisdom would be seriousness in the repayment of the national debt, a reduction of taxes, and privatization of social security. These actions would increase the wealth of the country and help with the future demands of the Baby Boomers when they retire. If need demands it, we could reenter into debt to meet commitments to the Baby Boomers. We shall escape from financial irresponsibility as we lessen the federal government of much of its financial overextension and restore the welfare of the people to states. The lust for power is less harmful at the state than the federal level. The federal government has proved its incompetence.   Ω