



China Slows U.S. Debt Purchases

Chinese officials have once again publicly stated their intention to buy less U.S. Treasury debt, according to the December 18 Shanghai Daily newspaper. "The U.S. current account deficit is falling as residents' savings increase, so its trade turnover is falling, which means the US is supplying fewer dollars to the rest of the world," Zhu Min, deputy governor of the People's Bank of China, said. "The world does not have so much money to buy more U.S. Treasuries."



Zhu said that China — whose U.S. Treasury assets now total more than \$800 billion — cannot possibly double its ownership of U.S. Treasuries over the next 10 years. "The United States cannot force foreign governments to increase their holdings of Treasuries," Zhu [said](#). "Double the holdings? It is definitely impossible."

Zhu's announcement comes in the wake of news that the Obama-era spree has exceeded the statutory debt limit set by Congress. "The ceiling was set at \$12.104 trillion dollars," CBSnews.com [reported](#) December 16. "The latest posting by Treasury shows the National Debt at nearly \$12.135 trillion."

Not to worry, the Obama administration [told CBSnews.com](#). "A senior Treasury official told CBS News that the department has some 'extraordinary accounting tools' it can use to give the government breathing room in the range of \$150-billion when the debt exceeds the debt ceiling." The \$150 billion "tool" would amount to about \$500 in additional debt for every man, woman, and child in America but would only gain the Obama administration an additional six weeks of deficit spending.

"Extraordinary accounting tools" sounds like simple and illegal budget fraud, which may be precisely the kind of fiscal irresponsibility the Chinese are concerned about.

President Obama [told](#) an audience December 21 that "in the long run, we can't continue to spend as if deficits don't have consequences; as if waste doesn't matter; as if the hard-earned tax dollars of the American people can be treated like Monopoly money." It's a theme Obama has occasionally revisited in his public speeches since supporting the \$787 billion stimulus bill that increased the wildly irresponsible Bush-era deficit. But Obama's actions have spoken louder than his public words, as he has continued to find and promote new ways to spend more money and increase the federal deficit.

Secretary of State Hillary Clinton had made an [entirely new commitment](#) on behalf of the Obama government at the Copenhagen global climate summit last week to contribute to a \$100 billion per year fund to pay poor countries because United States industry emits so many hydrocarbons.

President Obama's December 21 remarks [touted](#) a claim that he had saved \$17 billion in waste this



Written by [Thomas R. Eddlem](#) on December 21, 2009

year, but that's only about one percent of the current annual deficit. The reality is that the federal budget will not be balanced by eliminating waste.

President Obama also claims that healthcare reform will cut the deficit over the next decades, [claiming](#) December 21 that:

The Congressional Budget Office now reports that this bill will reduce our deficit by \$132 billion over the first decade, and by as much as \$1.3 trillion in the decade after that. So I just want to be clear, for all those who are continually carping about how this is somehow a big spending government bill, this cuts our deficit by \$132 billion the first 10 years, and by over a trillion in the second. That argument that opponents are making against this bill does not hold water.

But none of that "savings" will reduce the dollar level of the federal deficit, because the Congressional Budget Office figures are all based upon comparison with current law and projecting it out indefinitely. In short, the CBO is talking about saving dollars we never had and never will have.

Even President Obama has acknowledged that the current curve of federal healthcare spending would ["basically break the federal budget."](#) A difference of an average of \$13 billion per year for the next 10 years compared to current projections won't make a substantial dent in a structural deficit of more than \$1 trillion per year.

There is indeed much money that *could* be saved with reform of Medicare and other government-run health care programs, as these programs tend to multiply waste over time without periodic reform (and even with reform, most of the time). President Obama's plan is to spend all of this "savings" (of money we don't have) in addition to most of the money from tax increases for the healthcare package. But President Obama is holding Medicare reform political hostage in an effort to win passage of his healthcare program to add tens of millions of persons to federal healthcare rolls. In short, there is no doubt that the Obama healthcare plans in Congress would increase federal spending and guarantee huge deficits into the indefinite future.

In the meantime, the federal government's deficits are spiraling and the number of people and nations willing to take on more of our massive annual debt is shrinking.



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