



Written by [Bob Adelman](#) on April 8, 2020

Government's Coronavirus Stimulus Program Will Massively Increase National Debt

The Congressional Budget Office (CBO) [projected](#) that the federal government would run a deficit this fiscal year of more than \$1 trillion, or about five percent of the country's gross domestic output of goods and services.

William Foster, the lead U.S. analyst at Moody's, the credit rating agency, says the deficit, thanks to the [CARES](#) (Coronavirus Aid, Relief, and Economic Security) Act, will instead likely approach 10 percent of GDP, while Fitch Ratings is predicting it will be closer to 13 percent. Either way, they both predict that the deficit this year will exceed the previous post-World War II record for the deficit, set in 2009, when it was 9.8 percent of GDP.



The CARES Act is injecting an expected \$2 trillion of new money into the economy in order "to provide emergency assistance and health care response for individuals, families, and businesses affected by the 2020 coronavirus pandemic," according to the act's complete title. Other credit facilities, by loosening credit requirements, are expected to add up to another \$4 trillion, with talks currently underway for CARES 2.0 to add even more new money to the economy.

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None of this was taken into account by Truth in Lending, the non-partisan think tank that promotes "transparent government financial information," when it published [its latest report](#) on the nation's current financial condition on April 7. Instead of repeating the canard that the national debt is only around \$23 trillion, it reported that the federal government actually owes more than \$113 trillion when "off-budget" items such as Social Security and Medicare are added back in.

For this, the think tank gave the federal government a financial grade of "F."

David Stockman, President Ronald Reagan's director of the Office of Management and Budget from 1981-1985, called the move to flood the economy with new money the "greatest folly":

[CARES] is the greatest folly ever to beset our [country and] is now racing full speed ahead.

Instead of belt-tightening, work-arounds, payment deferrals and negotiated price and wage adjustments for a few months ... current and future taxpayers are being saddled with trillions of unnecessary obligations, which will prove to be the final straw on the debt-ridden camel's back....

Because the ship-of-fools in the Eccles Building [the Fed headquarters] have led Washington and Wall Street alike to believe in what amounts to the greatest lie in financial history: that we can



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borrow and print our way back to prosperity!

One of those riding in Stockman's ship of fools is Neil Irwin. Trained in Keynesian economics at Columbia University and previously a columnist and reporter at the *Washington Post*, Irwin declared that that printing and borrowing was "a good thing." He wrote, "The only thing worse for the public debt outlook would be if it didn't [borrow]."

He added, "The very large deficits on the way in 2020 are more likely to leave the United States in a better fiscal situation for the years ahead than an alternative in which the government is more tightfisted but fails to prevent the widespread collapse of American businesses or help workers in desperate financial straits."

He claims that the borrowing won't cost much, as interest rates, thanks to the Fed, are way below normal. Besides, said Irwin, "this spending is meant to last only as long as needed.... It should be a one-time increase to public debt rather than an increase to permanent deficits."

In addition, writes Irwin, the government's budget can't be compared to a household budget, because "the government never need pay down its debt ... the debt can remain on the books indefinitely."

With this as the financial mindset ruling Washington and the Fed, one can expect few conversations about how such folly ends. For those ready to see how it ended in Zimbabwe, Philip Haslam's *When Money Destroys Nations: How Hyperinflation Ruined Zimbabwe, How Ordinary People Survived, and Warnings for Nations that Print Money* gives abundant evidence as to where Stockman's ship of fools is taking us.



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