



Written by [Veronique de Rugy](#) on January 27, 2017

## The Greatest Debt Producer That God Ever Created?

Libertarians and conservatives are skeptical of the government's ability to do anything well. But there's one thing the government excels at producing: debt. Granted, this isn't a good thing, but we must nevertheless recognize the government's skill at it. And just when you think it can't outdo itself, our government surprises you with an extra production of debt and deficit, just like that.



Case in point: the new Congressional Budget Office's budget and economic outlook for 2017 to 2027. The main conclusion is that the government continues to spend more money — faster and above and beyond the revenue it collects. In other words, our debt is growing big-time.

Obviously, we can't indefinitely spend 21 percent of our gross domestic product while collecting 17.8 percent in revenue. But it's particularly worrisome because we're already starting from a point of high deficit and debt levels. According to the CBO, under the current law, deficit spending will be \$559 billion in 2017, but it will reach the trillion-dollar mark in 2023 and go on to total \$1.4 trillion in 2027. As a share of the economy, the deficit will go from 2.9 percent in 2017 to 5 percent in 2027.

Think about that for a second. Assuming there are no recessions in the next decade, the CBO projects that within five years, we will return to the deficit levels we had during the Great Recession. At least back then, we knew that things were going to improve at some point. And they did, albeit very slowly. But it won't be the case this time. If anything, it could get worse if the economy were to slow down even further.

Do you know what else grows along with deficits? Debt and the interest we pay as a price for borrowing money from domestic and foreign investors. The debt as a share of the economy will go from 77.5 percent in 2017 to 88.9 percent in 2027, while our interest payments will balloon to \$768 billion in 10 years, up from \$270 billion this year.

As always, the culprit behind these deficit and debt explosions is growing spending on Social Security, Medicare, Medicaid and interest on our debt. These programs have long been and remain the driver of our future debt. The CBO reports that they will consume \$5 trillion of our \$6.5 trillion 2027 budget.

Not to worry, you say; the Trump administration has promised to repeal the Affordable Care Act. It's true that the CBO budget doesn't take under consideration the promises made by the new president, including the one about getting rid of his predecessor's health care law. Unfortunately, we will have to wait and see what the new president and Congress actually end up doing on that front.

While it's clear that we are heading toward some partial repeal of the law, the rumors about what they are planning to replace it with aren't too reassuring. First, even though they've had seven years to do it, the Republicans still haven't coalesced around a replacement plan. Some would like to keep a few



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expensive features of the ACA, such as the ones benefiting dependents who are younger than 26 and people with pre-existing conditions. President Trump has made some off-the-cuff remarks about insuring every American, too. In other words, the replacement plan may end up being a drain on the budget just like the ACA.

We were told last week that the president would propose some big spending cuts. Call me a cynic, but I'll believe it when I see them implemented. For one thing, as mentioned earlier, President Trump has repeatedly said he won't touch Social Security or Medicare — the two programs the CBO says will be responsible for most of the spending growth in the next decade if nothing changes. Trump also made clear that he wants massive infrastructure spending and more spending on defense — and he talked about expensive paid family leave, as well as large child tax credits, on the campaign trail. If you add to that potential trade wars and increased levels of cronyism, we could see even more government spending than we have projected now.

To be fair, Trump wants to see fundamental tax reforms and deregulation implemented. However, it's hard to see how these policies, no matter how great they are, could generate enough growth — and hence revenue — to compensate for all that new and old spending. That is why, in four years, Trump may be able to truthfully call himself, not Barack Obama, the biggest debt creator of all time.

*Veronique de Rugy is a senior research fellow at the Mercatus Center at George Mason University. To find out more about Veronique de Rugy and read features by other Creators Syndicate writers and cartoonists, visit the Creators Syndicate webpage at [www.creators.com](http://www.creators.com).*

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