Written by William P. Hoar on January 7, 2019
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Correction Please

Yesterday's Deficits Become Today's Debt. It Gets Worse Tomorrow.

Item: *In early December, activists gathered outside the office of House Democrat leader Nancy Pelosi (California) in Washington; they were "demanding a Green New Deal to put millions of people to work making a climate-safe economy," according to Common Dreams, a "progressive" news website. The site noted on December 5 that the activists were joined by "newly-elected [New York] Congressional representative and overnight media star Alexandria Ocasio-Cortez," who had "a resolution in hand to establish a Select Committee for a Green New Deal."*

The resolution calls for "a jobs guarantee program to assure a living wage job to every person who wants one."

As Common Dreams put it, the "federal jobs guarantee (JG) is a concept also known as 'jobs for all' and the federal government as 'employer of last resort.' It envisions a federal program somewhat like the New Deal's Works Progress Administration (WPA) that would provide funds for non-profit organizations, local governments, and other agencies serving the public to employ anyone who wants a job at a wage roughly comparable to the demands of the Fight for $15 campaign. According to columnist Jonathan Chait, the jobs guarantee plan 'has materialized almost out of nowhere and ascended nearly to the status of Democratic Party doctrine.'"

Item: *New Jersey Democrat Senator Cory Booker, reported* The Hill *(Washington, D.C.) for October 22, "is introducing a bill to give every U.S. child an interest-bearing savings account at birth in an attempt to reverse rising economic inequality. The bill from Booker, who is seen as a likely 2020 presidential candidate, would create interest-bearing accounts funded by the federal government for each child born in the U.S."*

"The accounts would be administered by the Treasury Department and start with a $1,000 principal balance granted by the federal government. The government would then deposit up to $2,000 a year into each child's account depending on total family income until the recipient turns 18."

The Booker bill "is the latest sweeping policy proposal from a 2020 hopeful meant to bolster the economic stability of working- and middle-class Americans. Several of Booker's potential Democratic primary rivals, including Sens. Kirsten Gillibrand (N.Y.) and Kamala Harris (Calif.), have rolled out bills to bolster the supply of affordable housing and increase low-income household wealth."

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Item: *The Daily Beast for December 5 reported: "Since the 2016 presidential campaign, Donald Trump's aides and advisers have tried to convince him of the importance of tackling the national debt. Sources close to the president say he has repeatedly shrugged it off, implying that he doesn't have to worry about the money owed to America's creditors — currently about $21 trillion — because he won't be around to shoulder the blame when it becomes even more untenable."*

Item: *"Democrats," reported* Investor's Business Daily *for December 1, "have loosely embraced a strain of left-wing economic thinking known as Modern Monetary Theory, which sees a national debt spiral as a veritable stairway to heaven."*

Correction: One may pretend otherwise, but the ultimate target to fund more spending binges is the pockets of middle-class taxpayers. There are political points to be gained when wealth is redistributed to certain favored groups, but there are not enough "rich" people to fleece to cover all the projected pickpocketing.

As it is, the top-earning 20 percent of American taxpayers pay 69 percent of all federal taxes, including 88 percent of all income taxes. The bottom 40 percent of earners collectively pay no income tax and less than five percent of all federal taxes.

And, no, we can't spend ourselves to nirvana.

Yet, if you need another excuse to keep splurging without compunction — something that is divorced from productivity, malinvestment, real assets, goods and services, and hyperinflation, among other vital points — it may help to have Modern Monetary Theory (MMT) as a pseudo-academic façade. Still, it is a weak, deceptive reed upon which to lean. It portrays a fantasyland where government deficits are nothing to worry about because a sovereign nation can simply issue as much of its own fiat currency as it wants. Zimbabweans who experienced hyperinflation of around 500 billion percent probably wouldn't be the best defenders of MMT. (And, this being the real world, we can't simply issue all the space needed to address the theory's intricacies more completely.)

Nonetheless, MMT undergirds the "jobs for all," "Medicare for all," and other recent expansive and expensive proposals, as has been explained by New York-based *Vice* magazine and Bloomberg.com, among others. Supporters of the theory include a number in Congress (including Alexandria Ocasio-Cortez) and multiple presidential hopefuls, such as Senators Cory Booker of New Jersey, Kirsten Gillibrand of New York, and Elizabeth Warren of Massachusetts.

Advocates assert "that there's more room for deficit spending than is widely believed." (Bloomberg, May 18). Here is how the theory's "original prophet" Warren Mosler sees the economy (as noted by *Vice* on February 28, 2018): Mosler's "understanding of money provided him with an insight: Any government that prints its own currency can't go bankrupt." That provides a valuable clue about why so many left-wing Democrats are devotees: Their viewpoint hinges on having a bottomless banker in a virtual national "Monopoly" game.

What true believers don't dwell on, besides the likelihood of hyperinflation and the impoverishment of most Americans, is, say, what "single-payer" programs also bring — namely, delays and long waiting lists. Take a look at Canada, for example. Last year, reviews Dr. Scott Atlas of Stanford's Hoover Institution, the median wait time

between seeing a general practitioner and following up with a specialist was 10.2 weeks, while the wait between seeing a doctor and beginning treatment was about five months. According to a Fraser Institute study, the average Canadian waits three months to see an ophthalmologist, four months for an orthopedist and five months for a neurosurgeon.

In single-payer systems, even patients referred for “urgent treatment” often wait months. More than 19% of patients in Britain’s NHS wait two months or longer to begin their first urgent cancer treatment, while 17% wait more than four months for brain surgery. In Canada the median wait for neurosurgery after seeing a doctor is about eight months. Canadians with heart disease wait three months for their first treatment.

Getting such poor, sluggish treatment also comes with an enormous bill. In California alone, as Dr. Atlas has pointed out, single-payer healthcare would cost an estimated $400 billion annually, which is about double that state’s yearly budget.

“Medicare for all” is popular, say political pollsters, until details — that is, facts — enter the picture.

Concerns about the National Debt — the net accumulation of the federal government’s annual budget deficits — are not fictions when you have to foot the bill. Here’s a summary of where we are headed, from the Peter G. Peterson Foundation: The budget deficit, according to the Congressional Budget Office (CBO), is projected to rise from $779 billion in 2018 to $1.5 trillion by 2028. This would result in a cumulative deficit of $12.4 trillion over the 2019-2028 period.

Interest payments are part of the federal budget, and they are growing rapidly — from $315 billion this year to $914 billion by 2028. Over the next decade, the interest will total nearly $7 trillion.

By 2026, the interest payments on the debt will become the third-largest category of the budget. Even the left-wing *New York Time*s has expressed qualms about this direction, noting (on September 25) that interest payments “will make up 13 percent of the federal budget a decade from now, surpassing spending on Medicaid and defense.” The *Times* also observed that those in Congress seem to have different attitudes toward deficits depending on which party is in power.

No media accounts, either from administration-friendly or unfriendly sources, lead one to trust that Donald Trump is fixated on the National Debt. In both his business career and election campaign, he called himself the “king of debt,” though his business tactics are not necessarily relevant here. What he does in office does matter. Is the president serious when saying (or at least as he has been quoted as saying) that he’s not worried about the National Debt blowing up because, by then, he will not be in office? Perhaps. No doubt other leaders may have felt the same way, but found it politic not to say so.

Earlier this year, Mick Mulvaney, the director of the Office of Management and Budget, publicly acknowledged that Trump “has — for now — given up on balancing the budget over the next decade.” Trump also vowed during his presidential campaign that he wouldn’t touch Medicare, Social Security, and Medicaid — the main drivers of growing spending and the National Debt.

The Democrats currently seeking the White House apparently think America is the land of the spree. They are once more trying to bribe the electorate with its own money. Some of these programs, as has been the case for decades, are supposedly aimed at fighting “poverty.”

Now Senator Booker has dreamed up another “anti-poverty” program destined to become an expensive boondoggle. It has been described as giving “savings” bonds to those with no savings. (If you might prefer to save for your own family, that’s tough, because Booker knows better who should get these "baby bonds.")

The left-wing publication *Slate* puts it this way: "Booker's Big New Policy Idea Isn't Reparations, but It's the Closest a Presidential Candidate Is Going to Get." Each recipient is expected to end up with $46,000 by the time he or she becomes an adult, supposedly for "certain 'wealth-building' purposes, such as buying a home, paying for college tuition, or retirement savings."

Some other prominent "progressives" apparently favor giving money "to families upfront when they're raising children, such as a child allowance or the tax credits" proposed by California Senator Kamala Harris, said *Slate*.

The wealth transfer from American citizens is also going to non-Americans. According to census statistics cited by *Investor's Business Daily*, "noncitizens are almost twice as likely to get welfare benefits, and more than three times as likely to be uninsured." The latter reference is to those lacking health insurance, which means that many of those recipients "will end up in hospital emergency rooms when they need health care. The law requires ERs to provide care regardless of ability to pay or citizenship status. Hospitals pass the costs of unpaid ER bills on to everyone else."

Overall, more than "63% of noncitizen-headed households got some form of welfare benefit in 2014 [the most recent year for which data are available], compared with 35% for citizens," noted a report cited by *IBD*.

It is excessive spending — mostly for such benefit and subsidy programs — that has gotten us into such trouble. And even our very progressive taxation system isn't enough to cover that spending, so we borrow more trouble. We are finding, again, that when government spending is financed by borrowing, the damage done by increased taxation is pushed down the road and compounded with additional interest costs.

Trimming around the edges is better than doing nothing, but even if (as the president has suggested) all federal departmental budgets (less the DoD) were actually cut by five percent, this would just save around $70 billion for 2019. This is about seven percent of the projected $1 trillion deficit.

And without that trimming, and also assuming no passage of the Democrats' multiple catastrophic plans, the following is what we can anticipate (as summarized by Laurence Vance in "Future of Freedom"): The current federal budget "is well over $4 trillion a year, the budget deficit is approaching $1 trillion a year, and the national debt is more than $21 trillion. Even worse, the Congressional Budget Office (CBO) projects federal spending to grow by $329 billion" between fiscal year 2018 and fiscal 2019 (which began on October 1, 2018).

The CBO foresees that the nation's deficit will soar from 3.8 percent of GDP in 2018 to 7.1 percent in 2028 and 10.5 percent in 2038. By 2028, just 10 years away, the projection for total federal debt is beyond $30 trillion.

Both parties, on occasion, do talk about what should be done. But when the verbiage clears, it is apparent that neither party is yet serious about addressing the spending problem.

In the long run, the real need is to limit federal spending to what is authorized by the Constitution. Yet, when we are already in a hole, at the very least we shouldn't be digging the hole deeper — which is the direction we are being shoved by leading "progressives" and others in Washington.

— William P. Hoar

Photo: AP Images