



Written by [William P. Hoar](#) on January 20, 2020

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Correction, Please!

Endless Deficits, Growing Debt

Item: *The House of Representatives, according to the Washington Post (December 18), approved the previous day a \$1.4 trillion spending package that would stave off a looming shutdown and fund the federal government through September, acting in a burst of bipartisanship just a day before Democrats plan to impeach President Trump....The package passed in two pieces, one focused on GOP national security priorities including the Pentagon, the other on domestic agencies dear to Democrats such as the Department of Health and Human Services....*



The year-end legislative frenzy ... showed how far both parties have moved since last year, when a spending fight led to a 35-day government shutdown. This time, both parties reverted to a hallowed congressional tradition of embracing an enormous year-end spending bill. Each side made concessions to secure long-sought funding.

The measure “would also add almost \$50 billion in new spending even though the House and Republicans called for major budget reductions earlier in the year.”

Item: *The words “deficit” and “debt” did not appear in the CNN story on December 11 about the passage of a \$738 billion legislative package billed as a defense measure. The lede emphasized that the House had passed “an annual defense authorization bill” that featured “a provision that provides all federal workers with 12 weeks of paid parental leave for the first time in American history.”*

The leftist news site continued: “The paid parental leave provision was added after a significant push from Democrats, who during the course of the negotiation saw an opening with President Donald Trump’s desire to see the establishment of [the] Space Force as a branch of the US military.”

Democrats, said CNN, “celebrated the paid leave provision in the must-pass legislation, although the bill on the whole was met with dismay from some progressive members who felt they lost on many of their other legislative priorities after negotiations with the Republican-held Senate.”

Item: *The December 5 print edition of the New York Times featured an article with this headline: “Biden Says He’ll Raise Taxes, but Less Than His Rivals.” According to the Times, “Mr. Biden would raise a much smaller amount of tax revenue from the wealthiest Americans and businesses than his rivals Senators Bernie Sanders of Vermont and Elizabeth Warren of Massachusetts, who have each proposed wealth taxes on the assets of billionaires and some multimillionaires, along with corporate tax increases.”*



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Correction: It has been said that a compromise is a deal in which both sides get what neither of them wanted. That's one way to look at it. But in Washington, vaunted "bipartisan" compromises mean that the targets continue to get pushed further in the leftist/statist direction. Worse, the money is being borrowed from tomorrow to make today's poor agreements, often with "Christmas-tree" packages for all sides — that is, except for the taxpayers footing the bill.

Even when the progressive Democrat wing wins portions of a "compromise" — say, obtaining paid parental leave for federal workers from a defense appropriation bill — it is not satisfied. The progressives will resurrect their demands later.

Not mentioned is the fact that average federal workers already get 80 percent more in compensation (pay, pensions, health coverage, and other benefits) than do workers in the private sector. It is, of course, the latter folks who will subsidize federal government workers already treated royally; total average federal compensation (according to data from the U.S. Bureau of Economic Analysis) is \$135,971 annually.

Meanwhile, doing its best to promote the long-term big-government agenda, the mainstream media are trying to deceive Middle America by painting Democratic presidential candidate Joe Biden as some type of "moderate." Just look, we are told, Biden isn't pushing those vast expensive programs as is, for example, avowed socialist Bernie Sanders. It doesn't take much to be less radical than Bernie. One NPR account calculates that Sanders' "taxation-and-spending plans ... would together add \$18 trillion to the national debt over a decade."

Fellow candidate Elizabeth Warren's various plans also come with a horrendous price tag. If imposed, according to a nonpartisan analysis, they would nearly double the spending in today's federal budget, which is already about a trillion dollars in the hole.

Good Old Uncle Joe Biden is being widely termed a centrist despite the fact that his current proposed tax increases (others may be forthcoming) are more than double those sought by big spender Hillary Clinton in her unsuccessful campaign in 2016. If we follow the Biden path, one gathers, we still get killed with taxes, but the bleeding would take a bit longer.

Little wonder Washington's budgets are covered with red ink. Though the Left would have us believe otherwise, our deficits are not driven by cutting our taxes too much, but rather by overspending. Indeed, as noted by Antony Davies and James Harrigan in an article for the Foundation for Economic Education, the "federal government has *cut* federal spending (cut spending as opposed to cutting the *growth* in spending) only once since 1900 — and that was at the close of World War I." That hasn't stopped politicians, both Democrats and Republicans, from pretending they would be frugal once in office: Even candidate Barack Obama campaigned for a "net spending cut." What was delivered under his watch was decidedly different: record deficits of more than a trillion dollars annually.

The federal government continues to spend more than it collects in tax revenue. That leads to our swelling budget deficits each year. The monstrous National Debt (\$23.13 trillion as we write) is the net accumulation of the federal government's annual budget deficits. That represents more than \$70,000 per citizen and \$187,000 per taxpayer. The federal debt-to-GDP ratio is 106.7 percent, up from 55.22 percent in 2000. By current projections, by 2025, the cost of servicing the National Debt will exceed the cost of defense spending. Predictable progressives, naturally, moan about the military costs.

But isn't the American economy expanding? Yes, it is. And it could be better. During the last year, the



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federal government's tax collections increased by (in round numbers) four percent, as noted by the Congressional Budget Office (CBO). However, federal spending increased at twice that rate, by eight percent. If the economy goes south, you can expect deficits to grow even larger. As it is, the CBO projects that federal budget deficits will average \$1.2 trillion for the next decade.

Another consideration: What happens if foreign holders of the debt demand higher interest payments? We are putting ourselves in the potential cross hairs of a fiscal crisis. This is not a theoretical possibility. Valerie Ramey, a professor of economics at the University of California, San Diego, warned in a late August article in the *Wall Street Journal*:

History is replete with episodes in which governments responded to low interest rates by spending freely and accumulating massive debt, only to find that their behavior led to a crisis of investor confidence and skyrocketing interest rates.

The Greek government was paying interest rates of between 3% and 5% on its debt during the 2000s, until investors lost confidence and forced interest rates up to 25% by 2012. The subsequent budget austerity measures helped to push the Greek economy into a depression from which it still hasn't recovered.

Can't happen here? Don't be so sure. According to CBO projections, by 2029, the National Debt will exceed \$34 trillion. By 2049, the CBO estimates the debt could be more than twice the size of the nation's economy.

Foreign investors, mostly governments, already hold more than 40 percent of the total U.S. debt. By far "the two largest holders of Treasuries are China and Japan," according a report published in the fall by the Council on Foreign Relations. That report also pointed out that for "most of the last decade, China has been the largest creditor of the United States." The account pointed with alarm to the relative size of the U.S. debt — among the highest in the developed world, behind only (among major industrialized nations) Portugal, Italy, Greece, and Japan. These are not economies we should wish to emulate.

It's not just the direct expense of the payments on the interest of the debt that is a concern. This also "crowds out" monies that could be spent better elsewhere (or kept for use by taxpayers). Traditional economists (not progressive ones who preach bizarre Modern Monetary Theory) generally see long-term heavy debt payments as a drag on the economy, with the potential to reduce wages and to make governments less flexible when responding to an economic slowdown.

Worse, our deficits and debt totals are growing. As has been pointed out by Pierre Yared, a professor at Columbia Business School, even

without new spending programs, the CBO projects that interest expenses will grow 9.3% annually over the next decade, almost 2.5 times GDP growth. In 2029 the U.S. will spend 20% more on debt service than defense.

This could have international ramifications. Holders of such U.S. debt expect to be paid back. This includes the Chinese government, as Professor Yared has said.

The accumulation of debt, as mentioned in the late October CFR "backgrounder" by James McBride and Andrew Chatzky, could make the United States "vulnerable to foreign governments, especially China, that hold large chunks of U.S. debt and could potentially use the threat of a sell-off as leverage."

Little wonder that Admiral Michael Mullen, the former chairman of the Joint Chiefs of Staff (JSC), said



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he considered that the “most significant threat to our national security is our debt.” Senator Rand Paul (R-Ky.) recalled the admiral’s admonition not long ago while the senator was explaining why he was voting against the bloated defense appropriations bill. The comments by the JSC chairman came in 2010. At that time, said the senator,

our debt was about \$13 trillion. It’s over \$23 trillion now. We just keep borrowing, and there is no end in sight.

Under our new budget deal, we will be borrowing \$2.75 billion every day next year, nearly \$2 million every minute....

The dirty little secret is that there is actually too much compromise in Washington. Republicans want more military money and Democrats want more welfare money. Every time they compromise, Congress chooses to spend and borrow more.

Sadly, we are escalating our rash spending and borrowing practices. Brian Riedl of the Manhattan Institute writes that the cost to pay the interest on the national debt “is projected to become the largest federal expenditure within a few decades, consuming one-third of all federal taxes.” And that assumes continued low interest rates. “Every percentage point they rise adds another \$13 trillion in budget interest costs over the next three decades.”

Of course, the Left has its answer: More taxes — on the rich of course. However, that’s the wrong way to go. Adam Michel, who focuses on tax policy and the federal budget as a senior policy analyst at the Heritage Foundation, is correct in insisting that

simply raising taxes won’t fix the deficit. Spending growth continues to accelerate faster than the U.S. economy every year into the future.

The problems of deficit and debt are driven by too much spending, not too little tax collection.

In an era of trillion-dollar deficits and \$23 trillion in accumulated debt, it is even more imperative to keep taxes low.

The White House and some in Congress have been somewhat better on taxation than others in recent years, but that is assuredly not the case when it comes to spending. On the other hand, their even more liberal opponents promise to unleash torrents of both new spending and taxing. This comes at a time when current taxation does not come close to covering all of the reckless and (often unconstitutional) spending.

Left-wing Democrats (if you want to believe their words when it came to impeaching President Trump) have developed new respect for our Founding Fathers. Even diehard liberals seemed to be turning into originalists. Well, it would be refreshing (and astounding) if they did decide to follow the counsel of the Founders — such as Thomas Jefferson, who said: “We must not let our rulers load us with perpetual debt.” Or perhaps the guidance of the Father of the Constitution, James Madison, who declared: “I go on the principle that a public debt is a public curse, and in a Republican Government a greater curse than any other.”

We will be waiting, one suspects, for a long time before we see that political conversion in Washington. In the meantime, we have a rendezvous with debt.

— William P. Hoar



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