



Is the Mountain of Government Debt Too High?

Government debt ? the amount of money borrowed by the federal government, state governments, and subdivisions of those two levels of government ? is now greater than the entire economy. This obligation or debt of the government is now a dizzying 122 percent of the Gross Domestic Product of the nation. The only other time that debt has been this high in America's history was at the end of the Second World War, when wartime spending included a huge slice of the entire economy. The post-war boom and the explosion of pent-up consumer demand quickly generated revenues, however, which reduced that public debt substantially.



The debt owed now was not accumulated fighting wars across two oceans, or in building a canal across the Panamanian isthmus, or in protecting the nation against the Soviet Union. This gigantic public debt was incurred during peacetime, when there were no real military threats to the country and in fact, much of the debt came during a time when the economy was growing quickly and energy prices were relatively low. The mountain of debt was built buying votes by making promises that future taxpayers would have to pay, though they cannot vote now.

The money has not even really been spent to stimulate the economy. Since President Obama took office, the wholly discredited Keynesian practice of pump-priming was used to try to spend the country into full employment. Even John Maynard Keynes, author of the failed theory of pump-priming, believed that government should engage in deficit spending only in times of special depression, and that in times of prosperity, government should run at a surplus and pay down the debt.

An increasing number of Americans are taking a sober look at the present plight of their nation and wondering what, if anything, can be done about it. Can state governments which are no longer able to pay their bills declare bankruptcy? If so, does that mean federal judges will some day soon tell state legislators what laws they must enact and what tax measures they must pass? What happens when the taxpayers of those states with bullied legislators pick up the American flag of No taxation without representation! against these judges?

Though some states such as Connecticut and Illinois, with no federal court orders, are raising taxes, the consequences of such a policy are predictable. Businesses will flee and those which cannot will fold up or reduce operations. And some of those enterprises will begin to melt into the growing underground economy. It might be different if anyone truly felt that working harder or tightening belts was for the general welfare, but the favoritism and pandering to preferred groups so obvious in the public employee union protests in Madison, Wisconsin leave no doubt about the ultimate purpose of most government spending. Money appropriated for education, for instance, is used to feather the nest of public school teachers, most of whom live better than the parents of the students they teach. Money for colleges and research is used, among other things, to tweak the debunked "science" of manmade global



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warming and its even more dubious conclusion that we can save the planet.

Aside from raising taxes, what can government do? Once, governments could borrow in a pinch. When government is always in a pinch, however, then those who buy government debt instruments must wonder about what sort of interest rates are needed to make such a purchase a good investment. Interest payments alone are becoming an increasingly large percentage of government debt. At some point, when the interest payments themselves grow large enough, there will not be even a theoretical chance that the debt could be paid off. This is the point some European nations have now reached. Confidence is at the heart of raising money through borrowing, and confidence in the U.S. government is now at an extreme low.

Once the federal government had land and other similar public resources. The American frontier was able to finance some government operations by the sale or development of land. Now, though the resources of the lands are still there, environmentalists and globalist bureaucrats are keeping the use of America's own natural wealth off the table. The oceans are a treasure trove of recoverable oil and mineral wealth. Once the seas were free. Now the entrepreneurial spirit of the country the frontier mentality of self-reliance which created America's wealth, is stifled and throttled. How much money could be raised without raising taxes by selling leases and generating royalty payments from the oil, coal, and natural gas which lies beneath public lands? Developing these native energy resources would produce healthy checks to the public treasury while also stimulating the nation's economic activity and driving down the cost of energy. Yet those Americans who actually produce wealth of this sort oilmen, farmers, and miners have been portrayed as enemies of mankind, and the indoctrination even reaches back now into early childhood cartoon programs such as "Captain Planet."

Most wealth comes from the genius of invention and innovation. Henry Ford, Andrew Carnegie, Thomas Edison, and a hundred other creators of this sort of very real wealth once had the nation buzzing. Though of course not everything has been invented, the incentive system is now inverted. Drug companies who come up with cures for diseases and will make profits face officious government bureaucrats and greedy trial lawyers. How often do television commercials describe some pitiable disease and then provide the answer in terms of giant personal-injury law firms? Americans are becoming more obsessed with rooting out all shades of putative social injustice and corporate liability than with making things people really want.

In theory, government could cut costs, but even the proposal of something as mild as a freeze to Social Security payments creates firestorms of protest. Cut government salaries five percent? Though such a move would reduce costs and also encourage some government workers to retire, there is no evidence of political will for that sort of action. President Obama could do as Presidents Reagan and Truman did form out of the private sector a Hoover Commission to examine duplication, waste, and inefficiency in the federal government but so far the silence in that area is deafening.

Government could also privatize much of its activity. Nowhere in the Constitution is there a mandate for the federal government to be involved in public education. And does the country really need countless publicly-funded colleges? In California, those attending state colleges at reduced tuition rates may be illegal aliens (while students from Oregon and Arizona pay the top rate).

What will happen? Well, in times when government is not trusted, underground economies grow. Moreover, when people do not trust the government in financial matters, then gold and other portable and precious metals (and to a lesser extent gems) become much more valuable. If government really wished to regain the trust of the people, it might seriously consider, in conjunction with an honestly



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balanced budget, the reinstatement of currency backed by species gold and silver. Such a move would reveal, however, just how inflated greenbacks have become. The function of money or, at least, the honorable function of money is as a medium of stable exchange. Almost everyone sees a dramatic loss of faith, a tipping point in a perilous time. Americans cannot buy their way out of this mess with savings bonds.



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