



debt

Dire Debt Projections

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President Obama is releasing his budget this week and it's expected that he will ask to increase spending by \$74 billion, a seven percent spending hike. But a new report from the Congressional Budget Office (CBO) suggests that the nation can't afford it.

The national debt recently reached \$18 trillion, more than 100 percent of our country's Gross Domestic Product, that is, a year's worth of goods produced and services provided in a country. And though the deficit (the yearly debt) has moderated at around \$500 billion per year – down from four straight years of \$1 trillion – the CBO expects it to double again in the near future.

Some commentators say that big deficits and debts don't matter, that they're just a minor trade-off for the goodies that the govern-

ment provides. Chances are, we have a friend or family member who makes a similar argument about his or her personal finances. Unfortunately, the CBO begs to differ.

It says that "such high and rising debt relative to the size of the economy would dampen economic growth and thus reduce people's income compared with what it would be otherwise." In other words, piling more debt onto the same economy means our hard-earned money doesn't go as far.

This is because the interest payments on such debt would crowd out tax dollars that could otherwise be more productively invested or returned to the taxpayer to be invested and grown. As the debt increases, the nation becomes more risky to borrowers, pushing up our interest rate and making

the price of our homes, cars, and anything else we buy on credit more expensive. And you thought your mortgage payment was expensive now!

If these interest rates continue to rise, we risk a day of reckoning known as an interest rate death spiral, where the money we owe in interest becomes greater than our entire debt payment including principal. Anyone who's struggled with debt knows how devastating and hopeless this position can be. But our political leaders somehow think we are immune from such consequences, ignoring the experts at the CBO and risking our families' futures to keep the funds flowing to a federal government whose size and scope our ancestors wouldn't even be able to recognize.