

Is This \$18 Trillion Ticking Time Bomb About to Explode?

Sorry, but this one you can't blame on either party. Yes, President Obama has made the problem much, much worse, but the scary truth is the national debt keeps rising inexorably no matter who or which party is in office. That's the new law of American politics.

When I first arrived in Washington in the early 1980s the debt was roughly \$2 trillion. This week, 30 years and five presidents later, the debt exceeded for the first time \$18 trillion. We have been in the red in all but four of the last 40 years.

That's \$18,000,000,000,000. We all know that \$18 million is a lot of money. This is \$18 million times another million. The number is so gigantic we won't or can't try to fathom it.

Why worry? We owe it to ourselves, we're told. The mighty American economy is big enough to absorb it. This country was built on debt. There is no better time to borrow than when interest rates are at a 40-year low.

There's some truth in all of these claims. Sure, we have a near \$18 trillion economy, but the problem is the debt is outgrowing the economy.

In just the last seven years—the last under George W. Bush and the first six under Obama—the debt has increased by roughly \$7.4 trillion. That's 10 times the entire debt incurred in our first 200 years as a nation.

My view is that government debt isn't always inherently evil. The wisdom of borrowing depends on what you use the money for.

- We borrowed trillions (in today's dollars) to win World

War II. Surely it was worth it.

- We borrowed another \$1.8 trillion during the Reagan years to finance winning the Cold War and rebuild the private economy with growth hormone tax cuts. That has clearly benefitted future generations, so they should bear some of the cost.

But what we have bought with most our debt of the last two decades has been a bigger, more expansive welfare state. Almost half of all American households, according to the U.S. Census Bureau, get a government check or direct benefit from government today. More than one-third of households get some kind of unearned welfare.

Obama called his spend-and-borrow policies a “stimulus.” Really?

What do we have to show for Obama’s debts? Solyndra. Forty-six million on food stamps. The Obamacare debacle. Etc. Etc.

This is one of the first times in American history (the post-Vietnam War era is the other) that we have opened up the flood gates on borrowing even at a time when we’ve severely slashed the military budget.

Here is the biggest worry about an \$18 trillion debt. What happens if/when interest rates start to drift back upward?

Answer: This is the economic equivalent of the nuclear option.

Each one percentage point rise in rates causes the U.S. deficit to rise by more than \$1 trillion over 10 years. So a 300 basis point rise in rates—nothing more than a return to normalcy—would mean about \$5 trillion in federal deficits.

If that happens, the debt-servicing costs grow astronomically and interest payments would become the biggest expense item in the budget. We start to pay more and more taxes just to finance past borrowing.

This is what happened in Detroit; look at how that turned out.

Maybe this debt bubble won't burst. Let's pray that it doesn't. If it does, the 2008-09 real-estate crash could look like a picnic by comparison.

The politicians think they are pulling a fast one here, but the vast majority of Americans feel in their gut that the economy is headed in the wrong direction in no small part because of this debt time bomb.

It explains why Obama's policies were so thoroughly routed during November's midterm elections. A great nation doesn't ring up unpaid bills month after month, year after year, decade after decade. The basic common sense of Americans tells them that you don't borrow your way to prosperity.

Oh, and we're still borrowing half a trillion a year so the debt will likely hit \$20 trillion sometime before 2018. Have a nice day.

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