Up, Up and Away! The U.S. Debt

The runaway momentum of federal expenditures is threatening this country's very independence

Condensed from New Times

A. Gallatin

Our leading politicians and economists have mesmerized all of us into believing that our escalating national debt may be safely ignored. As a result, "balanced budget" is a watchword reserved solely for election years. Besides, one might ask, what's wrong with a federal deficit—it's the American way, isn't it? Haven't we always had one?

Well, no. In 1800, the federal budget outlay was $11 million, the tax burden was $2 per individual, and the national debt, after a long and laborious Revolutionary War, was $83 million. The federal budget was in surplus.

By 1900, the national budget had soared to $521 million, the per-capita tax burden to $7, the total national debt to $1.3 billion. The budget that year was again in surplus.

Jump forward now to the current fiscal year that ends this month. The budget outlay will be approximately $409.2 billion, the per-capita tax burden about $1900. The national debt is headed toward $725 billion. And the budget will be in deficit at least *$50 billion.*

It took, in other words, almost a century and a half, from 1800 to 1945, for the national government to reach its first $250 billion of debt. In the three decades from 1950 to 1980, the United States Treasury will almost certainly triple the level of debt reached in the previous 150 years.

"A. Gallatin" is a pseudonym: Abraham Alfonse (Albert) Gallatin was the second U. S. Secretary of the Treasury.

Understand, to begin with, that the rising level of Treasury debt represents only the accumulated cash deficit of the government in Washington. It has nothing to do with the debt of the state governments and the municipal governments, or of the various government agencies within them, such as sewer authorities and school districts. In a word, the federal budget deficit is simply what the politicians in Washington spend over and above the taxes and other income they collect from us in cash.

Washington has spent more than it taxes in every year but one since

1965. In the span of four years, from 1975 to 1978, the federal government will increase its debt more than in the 29-year period 1945 to 1974. And keep in mind that those were the years of the Korean war, the Vietnam catastrophe and the big-spending of the New Frontier and the Great Society.

Politicians today (as well as some fashionable university and government economists) seem to regard the national debt as a national good. In their computer models, they have reduced the federal budget and the federal debt to abstractions that are manipulated without regard to the people who are paying the bills.

Who does pay the service bill on our colossal national debt? Who is paying the interest on the promissory notes that our government issues to its bankers? Who will repay this debt when the notes and bonds mature?

The answer is the American taxpayer—and the sums involved have become colossal. Consider the following facts: The interest charge on the national debt in 1968 was $15.4 billion. In January 1977, the annual interest charge on the national debt had risen to $42.3 billion. The interest alone on the federal debt is now almost 40 percent the size of our entire national-defense budget: that is to say, 40 percent of all the money spent on the Western world's largest military establishment.

It is bad enough that middle-class American taxpayers are working to pay interest to rich American taxpayers, who own most of the national debt in the form of Treasury bonds, government securities and the like. But that is not the worst of it. Take a look at a few not very well-known statistics:

In less than four decades, foreign ownership of the U. S. government debt has risen from a mere $200 million in December 1939 to over *$100 billion* as of December 1976. About one sixth of our entire national debt is now held by *non-Americans.* Eighty percent of this debt is readily marketable whenever these foreign governments and individuals choose to cash in their bonds and securities.

It was precisely this process of increasing foreign indebtedness that accompanied the drawn-out disintegration of the British Empire. Indeed, it was less than a year ago that the International Monetary Fund once again rescued the faltering British pound with a $3.9-billion line of credit.

But more important than the pound's decreasing value was the cause of its decline: A prime reason was that foreigners decided to sell on the market their huge holdings of British government debt securities and sterling cash balances for dollars, marks, yen and Swiss francs. British budgetary deficits contributed to this loss of confidence. As a result, the once-glorious British Empire was prostrate before her former vassals, including the Middle Eastern oil bankers, now the owners of much of the English national debt.

The inescapable point is, of

course, that America, too, is quietly losing her independence to unnamed foreign bankers. Not only are we transferring hard-earned taxes of our working people to foreigners as interest and principal payments on that part of the national debt that the foreigners own; more important, we are transferring an ever-larger part of the total debt itself to these foreign creditors. We are mortgaging the Republic to strangers and governments over whom we have no control, and whose loyalty, when it counts, we can never be sure of.

If an individual becomes increasingly beholden to his creditors because his debts are rising faster than his income, he loses his capacity to act without consulting his bankers. If a national government spends more than it taxes (and if it borrows the shortfall from its own rich citizens and rich foreigners), not only does that nation impoverish its working people by taxing them to pay the interest, but such a nation will ultimately forfeit its sovereignty.

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