

Busting the Budget Surplus / National Debt Myth

On February 25 Hillary Clinton declared: *"It breaks my heart that 10 years ago we had a balanced budget, that we were on the way of paying down the debt of the United States of America."*

It is high time we put an end to the *Budget Surplus/Debt Pay Down* myth of the 1990s. Thanks to Washington doublespeak and a compliant press corps, this myth has been allowed to grow and fester. The truth is we never came close.

To understand the fiscal problems we face, the terminology must be understood. Two terms bandied about are "national deficit" and the "national debt." The "national deficit" is when the government spends more than it takes in for a specific fiscal year. The "national debt" is the accumulation of all the deficits.

There are two parts that make up the national debt: public debt and intra-government debt. The public debt is the debt held by the general public such as savings bonds and treasury notes. Intra-government debt is created when one government agency borrows from another agency, such as the Treasury Department "borrowing" money from the Social Security Trust Fund.

A simple way to understand the situation in which we find ourselves is to imagine a family that has accumulated \$1 million in debt by borrowing and living beyond its ability to repay. They are making the minimum payments on that debt, also known as negative amortization, (?is this the minimum payment) and much of that money was borrowed under adjustable interest rates.

The family finally has a year where they earn as much as they spend. But the debt, thanks to negative amortization continues to grow. In spite of this, the family decides to celebrate by buying a new \$100,000 sports car -- on credit, of course.

This scenario is the same as the 1990s under Bill Clinton. In fact in Clinton's last budget year, fiscal year 2001, the national debt increased by \$133 billion.

What Clinton simply did was to borrow money from the Social Security Trust Fund, and use the money to pay down the public portion of the debt by \$66 billion. But in doing this he increased the debt under intra-governmental holdings by that same amount. Bottom line? The United States taxpayer was still in debt for the same amount plus interest on the IOU due the Social Security Trust Fund.

Washington players (Alan Greenspan, the Clinton's and many Republicans) patted themselves on the back and implied to the American people that the national debt and deficits had disappeared. Incidentally it is Congress which is in control of the purse strings, not the President. The President submits a budget blue print which Congress has the responsibility to review,

approve and fund or reject. Therefore if anyone is to receive credit, however dubious, it should be the Republican-controlled Congress.

With that being said, currently the United States has a national debt of over \$12.5 trillion, of which \$4.8 trillion is being held in and by foreign nations such as China.

Think back to the potential problems our “overspending/under achieving” family faced and imagine the problems they may have had if their debt was held by an adversary instead of a friend.

We, the people, can no longer afford to turn a blind eye to the mess we have allowed the government to make of our national finances. We need to elect officials with the courage and the will to live within our means while gaining back badly needed jobs and industrial growth. This is the only way the United States can hope to remain the economic leader of the world.

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