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Impact of National Debt

by U.S. Senator Chuck Grassley

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Politicians don’t need to be mind readers these days to keep tabs on the public pulse. While the U.S. economy inches towards recovery, millions of unemployed workers still search for jobs, households cut back on spending, dip into savings or fall deeper into debt and homeowners watch home prices waver. A measurement of consumer confidence sank again in February indicating Americans feel lingering skepticism about the economy.

Washington recently approved raising the debt ceiling to an unprecedented $14.3 trillion. Foreign investors now own nearly half of the publicly held debt. As every small business owner and family farmer knows, financing debt comes with strings attached, including interest and repayment schedules. Under the President’s proposed budget, annual interest payments on the national debt will more than double, from $250 to $516 billion, over the next four years. That will surpass annual spending for non-security, domestic programs such as education, housing, and medical research. The government’s borrowing spree also puts upward pressure on interest rates as Uncle Sam competes with the private sector for available credit.

That’s especially bad news for the primary job-creation machine of the U.S. economy. Small businesses depend on affordable credit to expand and hire new workers. Last year, U.S. banks had the largest lending decline since 1942. The FDIC says 140 banks failed last year with even more projected to be at risk in 2010. With banks and the federal budget clinging to the edge of a cliff, it’s no small wonder consumers have a death grip on their wallets.

America is one generation away from the federal budget being consumed entirely by entitlement programs and interest on the national debt. If Washington continues to ride the rails of business-as-usual, spending on just three entitlement programs alone – Social Security, Medicare and Medicaid – will lay claim to every tax dollar collected.

Budget forecasters have long predicted a fiscal apocalypse heading Washington’s way. Historically, our nation’s public retirement and health care programs have been financed primarily through payroll taxes, with each generation of workers paying for those who preceded them. But the retirement of the baby boom generation will overwhelm the relatively smaller labor force and their taxable wages.

With one party controlling the two elected branches of the federal government, the President and Congress last year tried to redirect one-sixth of the U.S. economy. The proposed reforms would have essentially nationalized health care, creating a massive new taxpayer-subsidized health care entitlement. Rising public discontent helped put the brakes on the overhaul.

Choosing to re-launch another attempt at wholesale changes to the health insurance system, the President unveiled in February a job-killing, anti-investment tax to help pay for the vast new public subsidy. After lamenting a deficit of trust in the State of the Union address in January that primarily focused on creating jobs and growing the economy, so it’s puzzling the White House is leading another charge up the hill to extend the federal government’s reach into America’s health care system and your pocketbook.

Taxpayers already are on the hook for a staggering climb up a sky-high mountain of debt. The slippery slope of borrow-and-spend has led us to this national cliffhanger. Voters now are paying close attention to see whether Washington reins in spending or throws taxpayers under the bus.

As the Ranking Member of the tax-writing Senate Finance Committee, I'll continue my work as a watchdog for taxpayers. Funding new health care entitlement programs with tax hikes that get in the way of job creation and economic growth won't help the next generation scale our legacy of debt or achieve the American Dream.