National Public Debt

And How It Limits the Ability of the United States to Defend Itself

By

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Introduction

I have written two books (Amazon.com) on the subject of the national public debt (that portion of total national debt that represents government securities owned by outsiders, much of it by foreign governments).

My reason for doing so is simple to understand: I seek to persuade influential people, including candidates for the presidency, that the problem of public debt should be at the top of their agendas.

The present level of debt, and the continuing circumstances that create it, are the most dangerously under-reported threats to the security of the nation. *The size of the military forces of the United States, for example, is no longer determined by external threats, but by financial considerations.* "We must have it" has been replaced by, "Can we afford it?"

This is a threatening situation that must be immediately corrected.

Candidates for the presidency

Recognition of this problem has occasionally surfaced in ongoing debates between political candidates for the presidency, which is a good thing. But emphasis has been inadequate, and some responses from these political leaders have been disappointing.

Republicans Rudy Giuliani and John McCain, for example, when they respond to questions about budget control, focus on cutbacks in the government workforce, or the minimization of pork barrel spending, or control over illegal immigration as being the roads to solution.

Wrong!

If all of those things were done, the threat posed by public debt would remain.

With respect to Democratic candidates, the approach is more unified, but even more troubling. Phrasing differs and emphasis varies, but the common line of action that emerges from answers given by the serious candidates, Hillary Clinton, Barack Obama, and John Edwards, is four-fold:

- End the war; bring the troops home.
- Cancel all, or some, Bush tax cuts.

- Increase selective taxes.
- Eliminate waste and fraud (the usual election-year bromide).

And judging by the rhetoric of these Democrats when they respond to other questions, there is little doubt their victory in November would result in new and expanded entitlement programs, and no progress on the need to re-design the largest of them could be reasonably expected.

This is a frightening prospect.

So far, underdog Republican Fred Thompson is the only candidate from either side to correctly and clearly state that the way to fundamentally deal with public debt is to first deal with the monster that feeds it--entitlement programs.

Mitt Romney comes close to saying the same thing, but has not done so as firmly as Thompson. Giuliani and McCain have cost cutting credentials but neither has focused on entitlements; Huckabee, based on his record as governor, is not yet a reliable advocate of entitlement reform.

And as far as Democrats Clinton, Obama and Edwards are concerned, they have yet to recognize the need for entitlement reform, and they will apparently add to, not subtract from, the problem.

The unique expression of the debt problem contained herein is aimed at all presidential contenders in the hope that it will overcome ideological fervor and trigger a desire to overcome it. But facts on the ground make it clear that Democratic candidates have invested so much capital in entitlements that they will find it politically difficult to publicly turn back. And perhaps they will not, until the will of the people, or fiscal collapse, gives them no other option.

Let us hope that patriotism plus intellectual honesty ultimately moves them to find a face-saving way to reach across the aisle and become active participants in a bipartisan attempt to solve one of America's foundation problems--an uncontrolled budget and runaway debt.

There is reason to hope that *some* Republican candidates are tuned in on the central importance of the need to control entitlement programs. And everything possible must be done to move the others to the same conclusion, and to send welcoming signals to any Democrat who shows honest interest in a project designed to re-establish the fiscal integrity of the United States.

On the surface, this plea for unity should not be too difficult to sell. Debt is obviously too high--44 percent of it is owned by foreign governments, not all of them friendly.[1] And interest cost has become a major line item in the budget.

But politics being what it is, only a fool would in confidence predict the bipartisan unity that problem solution requires.

Look at what we've done to ourselves

From 1951 through 1970, Defense was a more expensive line item in the federal budget than Human Resources (the budget home of the Welfare State). *This was a signal that budget priorities within the halls of power continued to recognize that the primary responsibility of any government is national security.*[2]

In 1971, after the social programs of the Great Society matured into a flood of unaffordable costs, priorities changed. Human Resources was 16 percent higher than the cost of Defense (during the Vietnam War and the Cold War). *That has been the case ever since until in 2006, that grotesque cost relationship increased to 220 percent (in a time of war).*[2]

This is a clear signal that in Washington the needs of the Welfare State now supersede the needs of the Defense Department.

The Nature and Scope of the Problem-Executive Summary

My first book on national debt, published in 2000, contains two statements worth repeating:

Costs of the welfare state … have become a national security issue because they abuse the nation's credit and bring to the budget process extreme pressures that cause self-serving politicians to under-fund Defense. [3]

The American experiment will be resolved in the next century. Either it will stamp its emblem of freedom with responsibility on the face of history more firmly than any social system ever devised, or it will join those who have tried and failed, like the Soviet Union, to buy power with benefits or preserve it with force. By acting or failing to act, every living American will have a hand in making that decision. [3]

Public debt in 1996, the last year covered in my first book, was $3.6 trillion; in 2006 it was $4.8 trillion, and it is predicted to be $5.4 trillion in--up 50 percent in about a dozen years. Obviously my first tome was ignored by federal politicians.

A budget surplus has been generated during only one four-year term since the presidency of Harry Truman (1949-52). The exception to this unbroken line of deficits occurred under Bill Clinton (1997-00) under circumstances that are not repeatable (e.g. a huge tax increase and a cutback in the size of the military).

It is axiomatic that no person, or government, can continually spend at a rate higher than available revenue. Eventually, the practice brings undesirable results. Such is the case today in the United States. *Public debt and associated interest costs are so* *huge they limit the nation's ability to maintain the military force it needs in order to confront dangers posed by international enemies and competitors, and to protect the value of the American dollar.*

The costs of Defense and Interest are referred to in the balance of this essay as "primary costs" for good reason: If they are not fully addressed when the need appears, the continued existence of the nation as an independent, international power becomes imperiled.

When Truman left office, public debt was $215 billion, [4] most of it directly related to the cost of World War Two that had to be partly financed by issuing U.S. securities--a sensible use of the nation's borrowing power. It replicated similar actions of past presidents who also had been besieged by unaffordable external events.

Since that time, *despite the fact that the U.S. was able to afford, out of current revenues, most of the increase in primary costs during the Korean, Vietnam and Cold Wars,* [3] debt increased to $4.8 trillion, fundamentally caused by uninterrupted annual deficits. And during this time primary costs were funded by borrowings, instead of by current revenues.

(billions)

	IKE	**JFK/ LBJ**	**RMN/ GRF**	**JEC**	**RWR**	**GHWB**	**WJC**	**GWB**
Year	**1960**	**1968**	**1976**	**1980**	**1988**	**1992**	**2000**	**2006**
Income	92	153	298	517	909	1091	2025	2407
Expense(a)	37	86	255	404	622	884	1272	1908
Net	55	67	43	113	287	207	753	499
Defense	48	81	90	134	290	298	294	522
Interest	7	11	27	53	152	199	223	227
Total Primary Cost	55	92	117	187	442	497	517	747
Deficit/Surplus	0	- 25	- 74	- 74	-155	- 290	236	- 248
% of Primary Cost	0%	27%	63%	40%	35%	58%	46%	33%
% of Expense (a)	0%	29%	29%	18%	25%	33%	19%	13%
Active Military (mil)(b)	2.5	2.9*	2.2*	2.1	2.0*	1.8	1.4	1.4

a) Excluding defense and interest; *estimate
b) Source: Time Almanac 2007, p.379

The above graphic demonstrates that primary costs have been characteristically under-funded through the seven presidential terms that followed the last chief executive to respect heritage, Dwight D. Eisenhower. And it also reports the gradual reduction of the nation's military readiness (from an active force of 2.9 million to 1.4 million) in a world *that has never been* without consequential threats.

In reviewing these numbers, two things should be kept in mind: 1) Democrats have persistently blamed deficits on defense spending; 2) Defense spending, as a share of all spending, has been on a steady decline since Eisenhower.

In other words, the most popular explanation for deficits is self-serving hokum designed to take the observer's eye away from the real cause--the cost of the Welfare State.

In 1960 under Eisenhower, defense spending was 9.3 percent of GDP, and 52.2 percent of total spending; in 2008, it is projected to be 4.2 percent of GDP and 20.7 percent of total spending.

Higher spending was affordable under Eisenhower; lower spending is unaffordable under Bush.

If the proposition is accepted that *the primary role of government is to protect the safety of its citizens, and the value of its currency*, the above schedule makes plain that spending priorities shifted in the 1960s--*expansion of government services became the priority* to such a consistent extent that the nation could no longer afford to pay for its survival expenses, and debt had to be expanded to cover the shortfall.

Such a policy, of course, has a measurable end, not precise but foreseeable in broad terms: The security of the U.S. and its currency is affordable only *for so long as money can be created* through the sale of U.S. securities.

And the ability to do this has a lid: *Buyers must have confidence* in the U.S. economy*, and in the value of the dollar.* When this ceases to be the case, *the America that is, will decline* to some undesirable condition as yet indefinable.

That end is in view, and it will come to be if leaders from both parties fail to join hands in an effort to attack and fix the budget monster that they and their predecessors created and protected for a half century.

[1] U.S. Treasury
[2] Historical Tables, U.S. Government, Office of Management and Budget, January 2007, Table 3.1
[3] The National Debt-From FDR (1941) to Clinton (1996), Robert E. Kelly, 2000, McFarland & Company, Inc., Publishers, North Carolina
[4] Historical Tables, U.S. Government, Office of Management and Budget, January 2007, Table 7.1