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My View: Debt ceiling not our biggest problem

By Bob Fuehr Oct. 15 2013

With all the current debate and anxiety about the federal government shutdown, we haven't had time to prepare ourselves for the next fiscal cliff rapidly approaching — hitting the debt ceiling on Oct. 17. While some people may justifiably feel outrage that we need to raise the debt ceiling again, a simple look at the arithmetic of federal budgeting shows that a debt ceiling increase, while disturbing, is inevitable.

If you pass an annual budget that spends more than you bring in, you need to borrow the difference and that will increase your level of debt. It's not the debt ceiling that's the cause of the problem but the continuing habit of spending beyond our means and the resulting budget deficits. Even the very conservative Cato Institute recognizes that the problem is the amount of money the government is spending and that "deficits and debt ... are symptoms of that problem."

Due to a stronger economy and the effects of sequester, which automatically cut federal spending by \$85 billion, this year's budget deficit will be only \$642 billion — down from the \$1.3 trillion originally forecast. While everyone is congratulating each other for such a dramatic improvement, they seemingly fail to recognize that this \$642 billion will have to be borrowed and inevitably, the debt ceiling increased.

Even the Paul Ryan budget approved by the House in May would not balance the budget until 2023. So even in the most conservative of forecasts, the debt ceiling will need to be repeatedly raised for the next nine years until the underlying budget gets balanced. Under the original Senate proposal, the federal budget never gets into balance, the total debt continues to grow and the debt ceiling will need to be continually raised.

The federal debt is important to all of us because it is slowly sapping the vitality and growth out of our economy. Since 1950, the U.S. economy has grown by an average of 3 percent annually but future projections are just above 2 percent and that may not be attainable. At the same time, the federal deficit as a percentage of the overall economy has surged from 26.2 percent in 1980, to 48.3 percent in 1992, to over 100 percent today. The federal debt is now as large as the total quantity of goods and services produced by the entire country. Another cause for

concern is that 47 percent of the public debt is owned by foreign countries with China holding the most at over \$1.1 trillion.

A recent poll by the Christian Science Monitor shows that only 38 percent of Americans support unilaterally raising the debt ceiling. The number supporting an increase in the debt ceiling rises to 50 percent when it is coupled with a commitment not to increase spending and 56 percent of Americans support President Obama negotiating with Congress on future spending. In response to President Obama's notice in late May that he would not accept any conditions on raising the debt ceiling, the Republican House submitted a list of three alternatives that would raise the debt ceiling for (1) the remainder of President Obama's term, (2) an increase to mid-2015 or (3) a short-term increase to mid-2014. To date, the president has not responded to these ideas but is holding firm to his "no compromise" position.

Congress will reluctantly increase the debt ceiling as it is the only realistic alternative, but it needs to use the opportunity to push President Obama and the Democratic leaders in the Senate to control spending. President Obama cannot continue to recklessly spend money that he doesn't have and put America increasingly in debt.

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