

Defaulting On The National Debt Could Instigate More Job Losses

Posted by Matt Durgala

Faced with a national debt approaching \$14 trillion, and the self-imposed congressional debt cap at \$14.3 trillion, the United States is facing something that it has never faced before: Default. Defaulting could result in, according to Treasury Secretary Timothy Geithner, a long-lasting tax on all American businesses as well as individual tax payers, which would lead to American job losses that total in the millions. He indicates that even a very limited or short-term default would effectively cause catastrophic economic consequences that could possibly last for decades.

Concerning the debt dispute, Tad DeHaven, Cato Institute budget expert, sees Congress caught between long-term disaster and short-term stability. He indicates that if the US continues to raise debt limits, there will be a crisis anyway.

Republicans, the new House majority, are faced with the very difficult decision. If they decide to vote to increase the national debt cap, they then risk anger and rejection from tea party activists. Voting against the increase, though, will place the US economy in greater peril.

Senator Jim DeMint (R-SC) is angling for a Balanced Budget Amendment in which budget cuts will be required in hopes of balancing the budget. He says the debate shouldn't be about increasing the deficit cap but how much to spend and how much to cut. He indicates, though, that with all the problems going on, they haven't even gone to the other side of the ledger yet.

DeHaven feels that there is a much larger issue at stake. A national conversation concerning the role of the government will be required to be brought to light through this debt debate.