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The Debt Bubble Continues To Inflate

Posted By [Conn Carroll](#) On July 23, 2009 @ 11:28 am In [Enterprise and Free Markets](#) | [4 Comments](#)

[Politico](#) ^[1] has picked up on a story [we've been following for some time](#) ^[2]. Eamon Javers reports:

"We're looking at continuous monstrous issuances of federal debt, and it is only a matter of time before appetites are filled up," said Tad DeHaven, a budget analyst at the CATO Institute, a libertarian think tank. "There's a finite amount of debt that the market's willing to purchase."

"The debt bubble continues to inflate," said J.D. Foster, a former official in the Bush administration's Office of Management and Budget who is now a senior fellow at The Heritage Foundation. Foster predicts that the global market's appetite for American and other government debt will erode as governments continue to shovel bonds at less and less willing investors. "Who knows the whims of mass psychology?" said Foster. "You know it's going to happen; you just don't know when."

Even the left is beginning to acknowledge the debt threat:

Although fear of a debt crash is generally most acute on the political right, at least one prominent liberal — former Clinton administration Secretary of Labor Robert Reich — thinks there is a "kernel" of concern that's "plausible."

"At some point, global investors are going to get nervous about U.S. borrowing and demand higher interest rates on their loans to Uncle Sam," he said. "There's no question that large projected deficits will spook global investors, and they will either dump dollars or demand higher interest rates."

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[1] Politico: <http://www.politico.com/news/stories/0709/25232.html>

[2] we've been following for some time: <http://www.heritage.org/Research/Economy/wm2257.cfm>

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