

Opinion: A Federal Shutdown Is An Annoyance — Interest On \$22 Trillion In Debt Is A Problem

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January 25, 2019

President Trump's decision to shut down the government because Congress was supposedly spending \$5.7 billion too little, rather than too much, was hardly a traditional budget priority for conservatives or libertarians. But the overheated partisan feud distracted attention from a much larger issue that made the shutdown possible — namely, that Congress has still not enacted a budget. And the budget the president proposed is too fat.

When fiscal year 2019 began on Oct. 1, Congress had enacted only seven of the required twelve appropriations, and even departments among the seven did not have full-year appropriations. From Sept. 18 to Dec. 19, Congress only passed short-term bills to fund neglected agencies for a month or two. President Trump finally refused to sign another temporary patch through February 8th unless it included \$5.7 billion to extend and improve the southern border barriers (far less than the \$18 billion Trump had first requested). But even if Congress added that \$5.7 billion to the last temporary patch, it still would still have left the government with no budget after February 8th.

Even if the president's \$5.7 billion mission was accepted, that would soon leave 99.999 percent of the U.S. budget in limbo. The remaining \$4.4 trillion in the budget is the elephant in this room and that big animal needs a diet. Federal spending rose by a relatively modest 3.1 percent a year from 1993 to 2000, and the economy and American citizens seemed content. Federal spending then increased by 6.6 percent from 2001 to 2006, and by 8.5 percent a year from 2007 to 2010.

Far from being a "stimulus," as advertised, runaway spending from 2001 to 2010 was at the expense of the private sector, which performed poorly. Rising federal purchases absorbed resources that would otherwise have been available to expand private enterprises. Rising transfer payments discouraged people from participating in the labor force.

With spending rising much faster than the economy, federal spending jumped from 17.6 percent of GDP in 2001 to a record 24.4 percent in 2009 and 23. percent in 2010-11. Sequester limits temporarily brought spending down to a still-high level of 20.3 percent of GDP by 2014 though spending rose to 21 percent of GDP last year.

In just five years, 2007 to 2012, national debt held by the public (rather than by Social Security and other trust funds) doubled from 35.2 percent in 2007 to 70.4 percent of GDP by 2012. The debt/GDP ratio has again been creeping up since 2015 — to 76.5 percent in 2017, 78.8 percent in 2018, and reaching 81.9 percent by 2022.

Allowing the national debt to rise so much faster than the economy that supports it means a growing share of the federal budget (if we had a federal budget) will be devoted to paying interest to Treasury bondholders, many of whom are foreign.

The burden of government is measured by what it spends, not how it pays for it. Within limits, national debt can be rolled over indefinitely, selling new bonds to repay old, so long as the interest rate is below the growth of nominal GDP (real growth plus inflation).

However, a national debt approaching \$22 trillion has to be serviced. Net interest paid out on the public debt increased 19.4 percent between the last quarters of 2017 and 2018, according to the Congressional Budget Office, and exceeded the cost of Medicaid. The Trump administration projects interest expense rising from 1.4 percent of GDP in 2017 (\$263 billion) to 2.4 percent in 2023 (\$619 billion).

Over the years, Congress has carelessly delegated sweeping discretionary authority to presidents to impose tariffs, stop immigrants or start wars without congressional legislation or approval. Presidential authority to shut down the government, by contrast, is ceded only by congressional inaction — by failure to enact a budget before the current fiscal year began. The absence of any budget to put some bounds on federal spending is a much more troublesome issue than a temporary partial government shutdown, annoying as that surely is.

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