

NATIONAL REVIEW

Donald Trump and the National Debt

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Imagine that your family was so deep in debt that your credit-card bills exceed your entire paycheck. Every week you spend more than you take in, with no respite in sight. And you still haven't figured out how you are going to fulfill your promise to send your kids to college. But in today's mail comes one of those credit-card offers with a low introductory rate. Sounds like the perfect time to borrow some more and take that Caribbean vacation you've been dreaming of, right?

Paul Krugman thinks so — and, unfortunately, so does Donald Trump.

No sooner had Krugman published yet another column arguing that “Right now there is an overwhelming case for more government borrowing” than Donald Trump agreed, telling CNBC, “This is the time to borrow.”

Trump, of course, has had his struggles with the national debt before. It was just a couple of months ago that he was arguing that our \$19.4 trillion debt wasn't a problem — “You never have to default because you print the money.” Before that, he was suggesting that borrowing more was fine, since “if the economy crashed, you could make a deal” to pay bondholders less than full value on the debt owed to them.

Now Trump has gone full Krugman, calling for massive new borrowing “while interest rates are low,” in order to finance new spending on infrastructure and other government programs.

There are more than a few problems with this “borrow and spend” approach to government finance. First, our national debt already exceeds 105 percent of GDP. We owe more than the value of all the goods and services produced in this country over the course of a year. That is not only hugely unfair to our children and grandchildren; it is slowing economic growth today. Adding more debt, even at low interest rates, is not going to make that problem go away.

Second, even with low interest rates, a lot of money is being wasted on interest payments. This year, the federal government will pay more than \$250 billion in interest on the debt. That is money that buys nothing, accomplishes nothing. Every trillion that Trump would add in new debt would mean a commensurate increase in interest payments.

Moreover, while interest rates are low now, there is no reason to believe that they will stay this way, especially if our total debt explodes and a President Trump threatens default, undermining the faith of our creditors. If interest rates are one percentage point higher than CBO projections, that could cost an additional \$1.6 trillion through 2026. Assuming he doesn't pay off the debt before then — a pretty safe bet — Trump's new borrowing will eventually come due, and presumably be rolled over into new debt at potentially higher interest rates.

Trump — and Krugman — justify this cost by assuming that government spending on infrastructure and other projects will stimulate the economy, increasing growth and generating more in revenue than we have to pay in interest. But we've seen how inefficient government stimulus spending really is.

Consider the American Recovery and Reinvestment Act (ARRA), President Obama's \$825 billion stimulus bill passed in February 2009 to combat the recession. The CBO estimated that each permanent job created would cost taxpayers as much as \$755,000. Despite five separate stimulus bills under Bush and Obama, we are still in one of the slowest economic recoveries on record.

Maybe under President Trump government will miraculously become better at picking winners than it has been over the previous 240 years of our Republic. Or maybe not. Maybe under President Trump government will miraculously become better at picking winners than it has been over the previous 240 years of our Republic. Or maybe not.

That's not to say that Hillary Clinton would be any better. She would spend as much or even more than Trump. If she didn't increase the debt as much, it would only be because she proposes more than \$1 trillion in new taxes. That would be a disaster all its own.

Donald Trump seems to believe that handling the national debt is no different from taking out a mortgage on one of his casinos: borrow, invest, and, if you lose money, walk away.

Unfortunately, in this case, it would be American workers, taxpayers, and their children who would be left holding the bag.

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