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The Debt Generation and...Fireworks? Sort of...

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Man, I *loooove* me some fireworks. The bright flashes, the intense color, the wave of energy expanding across the room—

Oh, you thought I meant that stuff they light off at the Fourth of July. No, I was referring to the fireworks that occur in a debate. And what a debate we're going to have!

The sparks started flying when Matt Yglesias, poster boy for the Center for Authoritarian Propaganda American Progress [tweeted](#) "David Boaz is dumb." (Hmm, I wonder what he had to say about naughty rhetoric back in January...) Boaz then retorted that Yglesias had [completely missed the point](#), which I guess is not surprising. Yglesias then decided to tackle Daniel J. Mitchell's [take on Paul Krugman's](#)...well, I'm not really sure what you could call it. Lunacy? Let's be nice and just call it "absurdity." Anyways, Yglesias [basically stated that](#) "money doesn't matter" and that the broken window fallacy itself is broken. A very succinct summary of modern progressive thought, I would imagine.

So why do I bring this all up?

Because tomorrow, Cato On Campus is hosting (at the Cato Institute, natch) a debate titled: "[US Debt and the Millennials: Is Washington Creating a Lost Generation?](#)" Attending will be Megan McArdle of *The Atlantic*, Matt Mitchell of Mercatus, and Matt Yglesias of Center for American Progress. Three guesses as to who will be moderating. Yes, Dan Mitchell of Cato.

Now, I'm not going because these two guys will be in the same room (in fact, if it follows Cato procedure, I don't think Dan Mitchell will be doing much direct debating with Yglesias at all. That is, *assuming* procedure...) I will actually be attending because I am truly interested in the problem my generation is facing, which is the over \$14.3 trillion of debt that our government has accumulated, and likely will exponentially increase over the next twenty years (as we pay off our wars and our entitlement programs), and that we're expected to pay off—*when we have no assets to call our own*.

I'm going to be blunt: this terrifies me. I am deeply worried what will happen to my generation when the bill comes due. Are we going to drastically jack up tax rates in order to cover the payments? (Except, that's impossible; even if you taxed people like Warren Buffett at 100%, you'd never be able to pay off the debt within a reasonable time frame.) Are we going to end up axing all entitlement programs and beget generational tensions that we are unprepared for? How do we make up for this?

Naturally, big government programs have put us in this mess, especially the recent bouts of "stimulus" that the Republicans and Democrats alike have foisted on us. As my favorite economist, Mike "Mish" Shedlock [wrote back in 2009](#):

No Amount of Stimulus Will Work

The problem with Keynesian clowns is they never look ahead to when the stimulus stops. By definition "stimulus must end" and as soon as it does, unless the stimulus created lasting new jobs, there will be nothing to show for it other than debt.

And interest must be paid on that debt. And that interest has to come to come from somewhere, either more taxes, or printing money and cheapening the dollar. That means there is a price to

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pay down the road for stimulus today. Keynesian clowns act as if there is no price down the road.

Since you cannot spend what you don't have (without long-term negative consequences), the key to a solid recovery comes from a buildup in savings, lower taxes, and letting consumers keep more of their money (as opposed to government deciding how and when it should be spent).

In short, no amount of artificial stimulus can possibly work because government cannot allocate capital in an efficient manner (repairing roads that do not need to be repaired is proof enough). This is something that academic wonks trapped in their ivory towers apparently will never understand.

Creating a better business climate, with less government waste, will work. However, the right plan will take time and patience, traits that Government bureaucrats and academic wonks both lack. Unfortunately, but not unexpectedly, we are moving in exactly the wrong direction as noted in Obama's "Cap and Trade" Energy Plan Will Cost Jobs.

There is a price to be paid for reckless expansion of credit and we are paying the price now. All artificial stimulus does is prolong the agony. The greater the stimulus, the greater the period of future agony, just as happened in Japan. Ironically Keynesian and Monetarist clowns shouted for more stimulus all the way, and they are doing so again now.

The problem behind the 2007 financial crisis was debt. The subprime loans and other housing securities put on the public by the Community Reinvestment Act were toxic, and once their toxicity (in the form of debtors who couldn't pay) was revealed, the system collapsed from within. And what has the stimulus program done? Created more debt, the exact problem that caused all the pain.

Unfortunately, my generation—the ones who are going to have to cough up the chump change—doesn't seem to be thinking about this. Our nation as a whole refuses to seriously think about reforming entitlement programs, scaling back unnecessary and wasteful defense programs, and cutting discretionary spending to levels that are actually tolerable (nevermind the more fundamental philosophical arguments that are the bedrock of libertarianism.) I am heartened by recent polls that show that Americans are growing extremely distrustful of government managing the economy, as well as managing other countries internal affairs, but I don't think we're just there yet. Hopefully, Cato On Campus' events will assist in educating our generation and getting us to that point.

But no, I'm not going to see fireworks. Well, at least not *primarily*...

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