

## GOVERNMENT DEBT

THE COMING ECONOMIC EARTHQUAKE by Larry Burkett (1994)

*A NATIONAL BEST-SELLER*

At the writing of this book, the “official” national debt was around \$7 trillion while the unofficial (more realistic) debt was in excess of \$10 trillion. Today, the official debt is reaching \$12 trillion, while the unofficial is, well...way out there...

A trillion is an unthinkable number; a number that has been compared with some physical length or height of T-bills or federal notes stacked so miles high. So as to try to grasp the general size, these and other comparison have been used; one being the cost per citizen (of the debt) which I believe is not at over \$300,000.

What to do? How does the federal government stop this crisis before it's too...? Some have suggested that they balance the budget or even cut spending so as to yield a budget surplus. But this common sense suggestion has evidently not been well received or considered practical for federal spending. Instead, the government continues to spend beyond the means – throwing such requests seemingly to the wind.

From what I've read recently, the debt can be managed in three ways:

1. Lower spending
2. Print more money...with the consequence being more inflation or the devaluing of the currency
3. Borrow more money from nations (China, Japan) that have the state wealth to lend...and have done so such they are primary creditors for our country
4. Raise taxes to increase federal revenue

Since lowering spending is not evidently an option, the other three will have to occur. The last one, raising revenue through taxes, is an ill-advised option in an economic downturn; a kind of bludgeoning of a bleeding being that reduces the hurting to something short of death.

Printing more money means more devaluing of the dollar. From the early 1900's to the present, the note has gone from \$1.00 to \$0.03, or has lost \$0.97 of its original value. I don't think this is a good example of a solid or sure currency, but I'm only a commoner and not an economist or politician. Inflation is a “hidden tax” because it lowers spending power and degrades the middle-class. Inflation is the result of a fiat system that enables a government to print money or notes without any solid or substantial form of wealth; thus, lending to the ebb and flow and cyclic nature of interest rates and the health of the economy, according to my reading.

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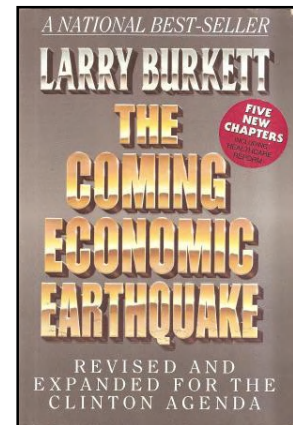
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Borrowing more money is the last of the three and, quite frankly, may be reaching *critical mass* whereby our country has exhausted its line of credit and the creditors are saying, “No more”. When such borrowing or debt liability occurs, the debtor is enslaved by the creditor and, in the course of international diplomacy, will lose its power or influence. Even now, the U.S. must deal with the Chinese over the Iranian nuclear arms affair with consideration to its debtor status and the tenuous condition of the dollar as the world reserve currency. Borrowing is not a good idea and, as it seems, as been done to death by a country that has enjoyed superior world standards of living. Sooner or later, our nation will have to *pay the piper*....

Several alternatives are mentioned by Larry Burkett; alternatives or methods that involve the internal management of money or budgets. These methods have included:

- Siphon monies out of the Social Security trust fund – which is basically *robbing Peter to pay Paul*
- Transfer budget overruns to the next year so as to merely defer or postpone the problem of debt spending
- Calculate or project more revenue from future years than is feasible, so as reduce the projected or forecasted shortfall by wishful thinking...
- Ignore any mandate or directive to balance the budget by shifting more money to “off-budget” spending; again, wishful or delusional thinking, not to mention a violation or breach of directive



Larry continues this chapter and subject with possible alternatives to the debt status of 1994. Unfortunately, his ideas – or those he presents – have not taken root so as to mitigate the problems of overspending.