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## America's massive debt has come back to bite us



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Politicians once again are debating the debt ceiling.

The reason we teeter at the edge of a \$16.4 trillion-high fiscal cliff is that politicians can't stop spending money that we don't have. Congress has raised the debt ceiling nearly 80 times since 1962. Most recently, the Treasury secretary has suggested doing away with the ceiling entirely.

At present, every American man, woman and child would have to pony up \$52,000 to cover our massive debt. All 313 million of us. Although the government won't send each of us a bill for \$52,000, Americans will pay the debt in five increasingly awful ways.

The first is in a reduction in public services.

Washington currently pays more than \$400 billion a year in interest. Out of every dollar of tax revenue the government collects, 17 cents goes to paying interest on the debt. At the current rate of spending, that figure will rise to 25 cents of every dollar within the next decade. The greater the debt is, the higher the interest payment. The higher the interest payment, the less the government can spend on public services.

The second way Americans pay for the debt is in delayed retirement and lower wages.

As debt grows, the Federal Reserve will come under increasing pressure to keep interest rates low. The government currently pays about 2.6 percent interest on its debt. Just five years ago, it was paying 5 percent. If interest rates returned to 5 percent, the government's annual interest expense would double. So, we pay for debt by enduring artificially low interest rates. Sure, low rates mean

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that our mortgages are cheaper. But, low rates also mean that seniors can't afford to retire because their investment savings earn such low returns. This increases competition for jobs, which lowers wages for younger workers.

The third way Americans pay for the debt is through higher taxes.

The more the government pays in interest, the greater is the deficit. The greater the deficit, the more political pressure there is to raise taxes. The Bush tax cuts, set to expire in January, are a good example. The Urban-Brookings Tax Policy Center estimates that, if the tax cuts expire, almost all middle-class households will see their tax bills increase by more than \$3,000 a year.

Inflation is the fourth way Americans pay for the debt.

The inflation comes when the debt is so large that the government can no longer tax or borrow enough to pay its bills. When this happens the Federal Reserve will print money to pay for government expenses. They call it "quantitative easing" but printing money causes inflation, no matter what it is called. Americans will pay for the debt by paying higher prices for everything they buy.

The last option the government has in its arsenal is cutting promised Social Security and Medicare benefits.

Politicians won't admit that they are renegeing on their promises to senior citizens but they have done so in the past and will do so again. For example, Social Security retirement benefits used to be tax free. In 1983, Congress changed that by requiring many senior citizens to pay income tax on their benefits. In 2000, Congress raised the retirement age for the first time since Social Security was instituted. Politicians described these changes as "tweaks" to ensure Social Security's continued viability.

But for older workers, the government was renegeing on its promises. As the debt grows, expect to see a lot of this sort of sleight-of-hand legislation.

The \$16 trillion debt is as serious as a heart attack. Each of us owes \$52,000. And we will pay. No rhetoric or gimmick will change that. Fewer public services, lower wages, delayed retirement, inflation, taxes, broken promises — this is what we will pay because our government lives beyond our means.

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