**Why is our huge national debt an issue you and I should be concerned?**

**W**hile it is true that we have had a national debt for a long time, and so far, it has not caused any real problems affecting our average citizens like you and me. But, the world has been changing and so we need to take a more critical look at what a huge national debt that continues to grow might mean to all of us non-millionaires/billionaires. This national debt cannot be ignored assuming our great economy will prevent financial changes that make all of us who are not really wealthy. Here are some facts that we must all consider from “Debt and Inflation Threaten U. S. Security,” WSJ, 23 Feb 2022.

“The national debt this month reached $30 trillion. Not only is this the largest debt in U.S. history in dollar terms, but the ratio of debt to gross domestic product is 119%—the largest it’s ever been. And things are only getting worse. The Congressional Budget Office predicts that the mammoth debt-to-GDP ratio will double over the next three decades. The Highway Trust Fund will likely become insolvent in 2027. Medicare Part A will run out of money in fiscal year 2026 and Social Security will go bust in fiscal 2033. Now Americans are beginning to experience inflation, one of the primary costs of rapidly growing levels of national debt.”

And our debts will continue to grow, we must pressure our Congressmen and Senators to hold the line on spending and balance our national budget. We can no longer continue to spend more than our income from taxes. And there will be additional pressure to fund disasters from climate change and fund our national infrastructure. Damage from bad weather is a spending issue that we cannot ignore, but funding infrastructure does create jobs and income taxes will add badly needed funds for our budget. Additional funding will needed to continue our fight against the Virus (es).

It is not easy to balance our budget, but we must keep America strong. That can’t happen if we continue to spend beyond our budget.

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**SOURCE:**

***The Wall Street Journal | Page A017, Wednesday, 23 February 2022***

**Debt and Inflation Threaten U.S. Security**

**The national debt this month reached $30 trillion. Not only is this the largest debt in U.S. history in dollar terms, but the ratio of debt to gross domestic product is 119%—the largest it’s ever been.** And **things are only getting worse**. The **Congressional Budget Office predicts that the mammoth debt-to-GDP ratio will double over the next three decades.** The **Highway Trust Fund will likely become insolvent in 2027. Medicare Part A will run out of money in fiscal year 2026 and Social Security will go bust in fiscal 2033.** Now **Americans are beginning to experience inflation, one of the primary costs of rapidly growing levels of national debt.** **Every day we hear that supply-chain challenges and the pandemic are to blame, but they aren’t the only culprits**. “Inflation is always and everywhere a monetary phenomenon,” Milton Friedman said. To help finance $5.9 trillion of Covid relief, the Federal Reserve purchased Treasury debt from third parties, typically large banks known as primary dealers, and then with a few keystrokes the Fed simply created a new set of credits on its books for the sellers. Because of the additions of these credits, in two years the Fed’s balance sheet has doubled to almost $9 trillion, creating a risk of significant and sustained inflation.

Some policy makers and economists maintain that sustained harmful inflation can never happen here. They argue that because the dollar is the world’s reserve currency, investors will always want U.S. debt and the Treasury will always be able to roll that debt over as it matures. But “always” is a long time.

**Investors will continue to purchase U.S. Treasury debt as long as they believe they’ll get their money back.** But **what happens if the size of America’s national debt makes bondholders begin to question that proposition?** **What happens if one day bond holders begin to see the Chinese yuan as a safer bet than the dollar? History shows that the outcome will be even higher inflation.**

Some policy makers and economists say the Fed can always use its monetary-policy tools to wrestle inflation back to its 2% target. Maybe, but the Fed isn’t infallible, or we wouldn’t have had 7.5% inflation over the past year. While the Fed can keep much of its printed money out of the real economy by paying interest on the reserves it creates, in a growing economy it will have to pay much higher rates to do so. Such rates could threaten national security. As the Fed begins to normalize monetary policy to fight inflation, rates could easily revert to their postwar average of around 4.5%. The bill for servicing the national debt could rise above $1 trillion a year. Eventually that will crowd out defense spending.

The strength of the American economy was one of the main reasons the U.S. won the Cold War. It supported a defense buildup that the Soviet Union couldn’t match. But today, Russia’s economy supports a debt-to-GDP ratio of only 19%; China’s ratio is 68%.

Those who believe there can never be a debt crisis should look no further than the last financial crisis. For years, policy makers told us that Fannie Mae and Freddie Mac, the largest players in the housing market, would always remain solvent and strong. They were wrong. Fannie and Freddie failed, the housing market crashed, and the economy was brought to its knees. Fannie and Freddie weren’t problems until they were. Just as the national debt may never be a problem until it is.

We’ve had years of denial, delay and neglect in confronting the unsustainable national debt. Today’s high rate of inflation is simply a foreshadowing of what could come if the U.S. is forced to monetize the bulk of its national debt. Reduced economic growth, a diminished national defense, insolvent social safety-net programs and recession loom as well. The 9/11 Commission concluded the national security establishment suffered from a “failure of imagination.” Let’s hope the same doesn’t prove to be true when it comes to fiscal security.

**Mr. Hensarling served as a U.S. representative from Texas (2003-19) and chairman of the House Financial Services Committee (2013-19).**