

Government Debt – The Greatest Threat to National Security

by [Rep. Ron Paul, MD](#)

Once again the federal government has reached its “debt ceiling,” and once again Congress is poised to authorize an increase in government borrowing. Between its ever-growing bureaucracies, expanding entitlements, and overseas military entanglements, the federal government is borrowing roughly one billion dollars *every day* to pay its bills.

Federal law limits the amount of debt the U.S. Treasury may carry, and the current amount – a whopping \$7.4 *trillion* – has been reached once again by a spendthrift federal government. Total federal spending, which now exceeds \$2 trillion annually, once took more than 100 years to double. Today it doubles in less than a decade, and the rate is accelerating. When President Reagan entered office in 1981 facing a federal debt of \$1 trillion that had piled up over the decades, he declared that figure “incomprehensible.” At its present rate of spending, the federal government will soon amass \$1 trillion of new debt in just *one year*.

Government debt carries absolutely no stigma for politicians in Washington. The original idea behind the debt limit law was to shine a light on government spending, by forcing lawmakers to vote publicly for debt increases. Over time, however, the increases have become so commonplace that the media scarcely reports them – and there are no political consequences for those who vote for more red ink. It’s far more risky for politicians to vote against special interest spending

Since 1969, the federal government has spent more than it received in revenues every year. Even supposed single-year surpluses never existed, but were merely an accounting trick based on stealing IOUs from the imaginary Social Security trust fund. Remember that the total federal

debt continued to rise rapidly even during the claimed surplus years. Since Congress is incapable of spending only what the Treasury takes in, it must borrow money. Unlike ordinary debts, however, government debts are not repaid by those who spend the money – they're repaid by you and future generations.

The federal government issues U.S. Treasury bonds to finance its deficit spending. The largest holders of those Treasury notes – our largest creditors – are foreign governments and foreign individuals. Asian central banks and investors in particular, especially China, have been happy to buy U.S. dollars over the past decade. But foreign governments will not prop up our spending habits forever. Already, Asian central banks are favoring Euro-denominated assets over U.S. dollars, reflecting their belief that the American economy is headed for trouble. It's akin to a credit-card company cutting off a borrower who has exceeded his credit limit one too many times.

Debt destroys U.S. sovereignty, because the American economy now depends on the actions of foreign governments. While we brag about our role as world superpower in international affairs, we are in truth the world's greatest debtor. Like all debtors, we are not truly free. China and other foreign government creditors could in essence wage economic war against us simply by dumping their huge holdings of U.S. dollars, driving the value of those dollars sharply downward and severely damaging our economy. Desmond Lachman, an economist at the American Enterprise Institute, states that foreign central banks "Now have considerable ability to disrupt U.S. financial markets by simply deciding to refrain from buying further U.S. government paper." Former Treasury secretary Lawrence Summers warns about "A kind of global balance of financial terror," noting our dependency on "the discretionary acts of what are inevitably political entities in other countries."

Ultimately, debt is slavery. Every dollar the federal government borrows makes us less secure as a nation, by making America beholden to interests outside our borders. So when you hear a politician saying America will do “whatever it takes” to fight terrorism or rebuild Iraq or end poverty or provide health care for all, what they really mean is they are willing to sink America even deeper into debt. We’re told that foreign wars and expanded entitlements will somehow make America more secure, but insolvency is hardly the foundation for security. Only when we stop trying to remake the world in our image, and reject the entitlement state at home, will we begin to create a more secure America that is not a financial slave to foreign creditors.



October 26, 2004

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