

ABOUT THE NATIONAL DEBT[©]

Bankruptcy is stealing. I am in favor of debtors prison. Bankruptcy is a word to make us feel better about condoning theft. Repudiation is a fancy word for bankruptcy. Stealing is immoral. Later I'll mention morality.

Repudiation is not a word used by the political mainstream. Politicians have no problem running deficits, so do not expect they will change their ways. Inflation is a tax on our savings, but the National Debt is a tax on our children.

The national debt is approximately \$23 trillion dollars, and increasing. \$6 trillion (25%) is owed to other government agencies, such as social security; \$7 trillion (30%) is owed to foreign governments, including \$1 trillion owed to China; \$10 trillion (45%) is private, such as mutual funds, individuals, insurance companies, and state pensions. Total \$23 trillion.

There are three possible ways to address the national debt.

1. Pay it off. Will not happen. It is simply too big and there is no political will to do so.
2. Continue borrowing and paying interest indefinitely. This is a **Ponzi scheme** euphemistically known as **Modern Monetary Theory**. Our children did not buy bonds, suck up entitlements, or vote anyone into office, and are now economic hostages to a national debt clock. That is stealing from our children.
3. Repudiation. The **only way** to provide fairness to future generations.

Inflation is a form of repudiation. If the purchasing power of the dollar were halved, businesses would double their prices, wages would be doubled, and the price of goods would double. In effect, no change in purchasing power to those who are earning income. But for those who saved their money, that savings did not double, their interest did not double, and they have half the purchasing power. Inflation is a tax on savings.

Famed economist Murray Rothbard advocated for **outright debt repudiation**. He asked why should the citizens of Russia and other ex-Communist countries be bound by the debts contracted by their former Communist masters, why the Communist government of the Soviet Union should be bound by debts contracted by the Czarist government, why should American citizens of today be bound by debts created by a past ruling elite who contracted these debts at our expense? One of the arguments against paying blacks reparations for past slavery is that we, the living, were not slaveholders. Similarly, we the living did not contract for either the past or the present debts incurred by the politicians and bureaucrats in Washington.

Expert economists generally say that repudiation would be terrible. Would it be? Who gets hurt?

- Investors. Any investment could become worthless. That is a risk of investing. And we cannot, and should not, protect people from bad or risky investments.
- Social Security. No, this would be a good excuse to eliminate Social Security, to phase it out. And any shortfall will come from general taxation.
- Foreign governments. Who cares. They are smarter than the investors. If we do not care about the investors, we should not care about China or Japan.

There is also an argument that if we repudiate we would no longer be the world's reserve currency. I do not know why that would be bad, except to power hungry statist.

Those who advocate for repudiation are not villains who hate grandmothers. The **villains are the politicians who are spending someone else's money**. Repudiation is also one of America's best chances to reestablish a free and healthy economy. And it means weaning people away from their dependence on the state, especially on entitlements.

About morality. **Public debt is not like private debt**. Private debt is a transaction between lender and borrower. Public debt is not.

(a) Is it immoral to borrow and saddle your children with debt?

(b) is it immoral to refuse to pay someone else's debt?

My answers are (a) yes and (b) no.

I do not expect Repudiation or Social Security reform in my lifetime.

There is another advantage:

If the debt is repudiated, we would have a balanced budget, whether Congress liked it or not. *Because no one would ever lend the United States another dime!*