

Beyond Hypocrisy -- Republicans Trash US Credit

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Once again, the Republicans have shown themselves willing to do untold damage to the country in order to discredit President Biden and bring the Fascist Trump back to power. Now they are refusing to raise the debt ceiling so that the National Debt can be refinanced. It is likely that some sort of deal will have been reached in the Senate by the time you read this, because the only thing Republicans hate more than Biden is a stock market crash, of which there were indications in recent days.

The Republicans' actions are so far beyond hypocrisy that there are no words to describe them, at least none that are printable, and even then. They were quite happy to let President Trump run up as much debt as he wanted. Here is how [Propublica](#) described it.

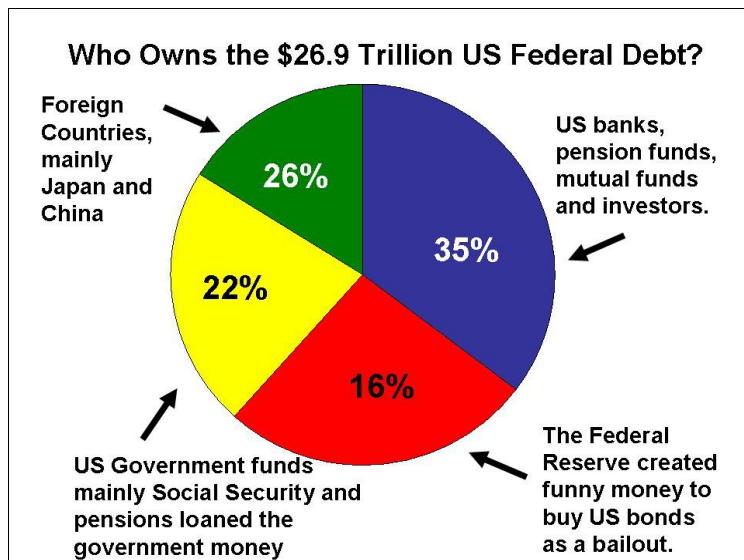
"The national debt has risen by almost \$7.8 trillion during Trump's time in office. That's nearly twice as much as what Americans owe on student loans, car loans, credit cards and every other type of debt other than mortgages, combined, according to [data](#) from the Federal Reserve Bank of New York."



In a nutshell, the government borrows money by selling bonds which come due on specific dates and pay specific rates of interest. Because bonds are constantly coming due, the government is constantly selling new bonds to raise the money to pay off the old ones. It isn't a great system, but it works and will have to do until there is a major change in the tax structure, or an acceptance of the idea that in a healthy economy, the government can print money as needed. We'll come back to that idea shortly.

Most everyone knows that the government sells bonds, but less understood is who buys them and who will be hurt if the debt ceiling isn't raised so that the outstanding bonds can't be redeemed.

This chart, based on data from the [Just Facts](#) web site, shows the major categories of federal debt holders as of 2020. The overall amount of the federal debt shown on the chart is actually higher today, around \$29 trillion, but the breakdown is basically the same. The blue area (35%) is all US-based companies, mainly mutual funds (13% of the total debt) and banks (5%).



The red area (16%) is most interesting because it represents money that was essentially just printed. With a few key strokes, the Federal Reserve Bank (Fed) created this \$4.432 trillion, with which bought

it government bonds. It is on the books as a debt, but it is really free money and there would be no consequence if it was not repaid.

For the sake of consistency with the rest of the data, the figure of \$4.432 trillion is used in the chart, but a new Federal Reserve [report](#) (09/30/2021) shows that its holding of government bonds is now \$5.419 trillion, a little more than half of the total assets the Fed holds, which includes the corporate bonds and mortgage-backed securities it bought to bail out the banks and other companies. The point is that while the Republicans and a few right-wing Democrats are tearing the Senate apart over one or two trillion dollars for Biden's programs, the Fed is printing much larger sums, a method that could also be applied here.

The yellow area (22%) is money that the government borrowed from other federal agencies and is essentially money it owes to itself, but it really has to pay itself back. The largest bond holder in this set is Social Security (11% of total debt). As part of the plan to pay for the

retirement of the Baby Boomers, this agency has been accumulating a surplus which it has loaned at interest to the federal government. When the right-wingers who want to privatize Social Security claim that its reserve fund is “stuffed with worthless IOUs,” these bonds are what they are referring to. Of course, US bonds are not worthless, but now the Senate Republicans are attempting to devalue them. If the Fed can buy bonds from AT&T, Apple and Verizon, perhaps it can help out Social Security in a similar way if needed.

The green area (26%) represents bonds held by foreign countries. Japan leads with 5% and China is close behind with 4%. Because these and many other countries sell more goods in the US than we buy from them, US dollars pile up in their banks. Some of that cash gets invested in US bonds. Those countries will be very unhappy not to get their money back. Financially, it would be the same as having given us the products for free.

The fact is that Trump was right to raise the national debt in order to meet the reduced revenue and increased expenses of the COVID crisis. He was totally wrong to lower taxes on the rich at the same time. President Biden is right to raise the debt to pay for the infrastructure program. Borrowing can be necessary to meet emergencies and wise as an investment in the future.