

Crackpot Republicans Fight the Debt Limit

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What's All the Fuss?

The debt ceiling is the legal limit on what the government can borrow. Every year Congress raises the limit to cover spending above what taxes bring in. Perhaps this might not be necessary if the rich and corporations paid their fair share, or often any taxes at all, but with the Republican [attack on IRS funding](#), we may never know. (Here is a [list](#) of 50 corporations that paid no tax in 2020.)

To the extent that there is a Republican argument for not raising the debt limit, it goes something like this:

- Thrift is good. Debt is bad.
- There is a set amount of money, and the more the government gets, the less there is for everyone else, you, and the wealthy job creators.
- Every family has to live within its income. People who don't are probably degenerates.
- Government spending is just a trick to take your money and give it to you know who. The rest goes to a National Science Foundation study of [satellite cow images](#).
- The tax-and-spend Democrats are creating oceans of red ink. Your children and grandchildren will have to pay.

The Real Scoop

The Republican debt ceiling tantrum isn't really about debt, spending or interest payments. It is simply a continuation of their strategy of creating chaos, making people lose confidence in democracy and setting the stage for the next fascist coup.

Here is the story behind the debt and the federal budget. Ever since President Nixon took the country [off the gold standard](#) in 1971,¹ there has been something a bit odd about money. Namely, in effect, they just print it. You and I do have to live within our means, but national governments are different, they can create money.

The Republican ruckus over how much the government can borrow is really an attempt to limit what the government can spend, which is

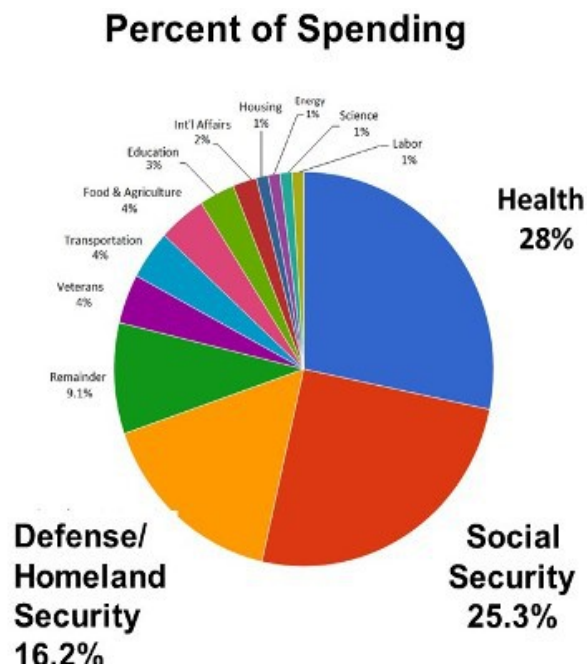
¹ Nixon actually completed the process of ending the use of gold that had been started by Roosevelt in 1933.

at root, about how much it can create. We'll get to that in a moment, but first, why do they seem to care? What is it about federal spending that Republicans hate so much that they are willing to wreck the credit of the US to block raising the debt ceiling?

Why Republicans Hate Federal Spending

When Republicans are out of the White House, their view of government is to [starve the beast and drown it in the bathtub.](#)

The chart on the right shows that it would be accurate for us to call the government a big social insurance company with an army. The large budget items are Social Security and Health.² The category labeled Remainder (green) is almost all interest paid on the national debt.



Borrowing to Pay the Bills and Keep the Faith

Printing money is actually a very good thing that every country does to keep its economy moving upward. For reasons too deep to go into here, it seems that the shadow of the gold standard hangs over us all, and people need to believe that money has some intrinsic value beyond what it will buy. For that reason, instead of just printing it, the government borrows. If it didn't do it that way, half the country would want lots of money printed for everyone, while the other half would denounce it as a conspiracy, burn their cash and try make a living by taking in each other's wash. Well, maybe not quite, but

² Chart source <https://www.politifact.com/factchecks/2015/aug/17/facebook-posts/pie-chart-federal-spending-circulating-internet-mi/>

essentially, borrowing is less alarming than printing and accomplishes the same thing.

Government borrowing works like this. The Treasury prints bonds that it sells on the open market. When the time comes to redeem the bonds or pay interest on them, it sells more bonds and so on. People here and the world over are delighted with this arrangement because, unless Republicans wreck the deal, US bonds are considered the safest investment there is. Japan and China are the biggest foreign buyers of US debt, but the Federal Reserve holds more.

Who Loaned Us All That Money?

Where it really gets interesting is when we look at who owns the federal debt. To whom is all that cash owed? The chart on the right shows that over one third of the

debt is money that the government literally owes to itself. The US Government category includes bonds bought by Social Security as an investment of its reserve cash. It also includes a variety of other pension and general funds such as Railway Retirement, the Highway Trust Fund, the Civil Service Retirement Fund, military retirement and many others. The US investors category includes private pension funds, city and state governments and banks among others. You can see all of that broken out [here](#).

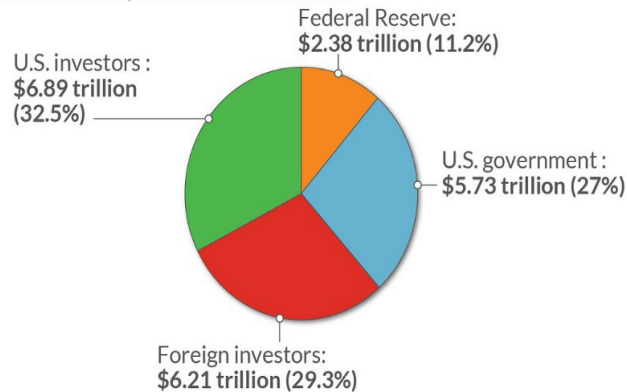
But, how come the government owes \$2.38 trillion to the Federal Reserve Bank (the “Fed”)? It’s part of the printing/borrowing arrangement. The US Treasury sells bonds to the Fed. The Fed pays for them by creating money that goes into the Treasury’s account. The Treasury then pays the Fed interest on the bonds, which the Fed gives back to the Treasury. See?

Said [The NY Times](#),

“The Fed, the one entity in the world with the power to create dollars out of thin air, has every intention of doing so at whatever magnitude is necessary to try to reduce the

Who owns the U.S. national debt

U.S. debt stood at \$21.21 trillion at end of June



Source: U.S. Treasury

severity and limit the duration of the coronavirus economic crisis.”

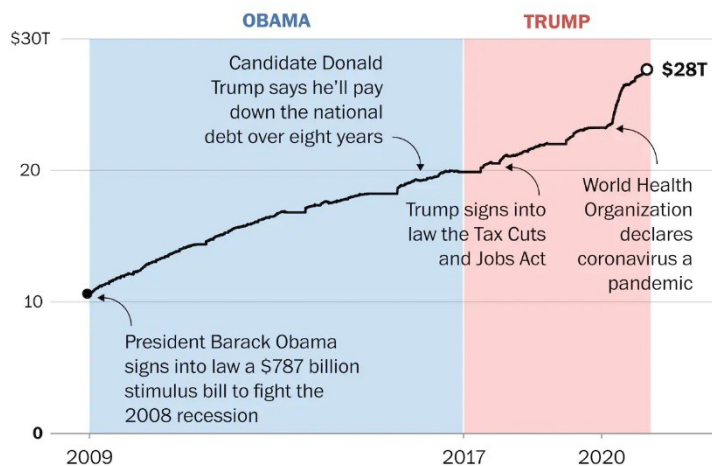
For example, through a slight-of-hand method they call Quantitative Easing, starting with the 2008 fiscal crisis, the Fed has loaned banks [\\$8.5 trillion dollars](#) that it simply created.

Hypocrites and Liars

Republican will make a big issue about how much the US owes and pays in debt service, but roughly two thirds of interest on the debt goes right back to US agencies, private pension funds, mutual funds and state and local governments, which helps all of us. The hypocrisy of it is that Republicans had no problem passing a two-year bi-partisan [debt limit suspension](#) for President Trump, who then ran the national debt up to new heights.

Borrowing increased under Trump despite promise to pay down national debt

Daily total national debt from 2009 to present, in trillions of dollars.



Source: Treasury Department

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This wasn't quite as bad as it sounds, because much of Trump's additional spending was necessary bipartisan Covid relief money. But giving [tax breaks to the rich](#) at the same time was inexcusable.

"Don't Try to Appease Economic Terrorists"

This good advice headlined a [recent Times column](#) by economist Paul Krugman. He added that "Democrats should do whatever it takes to bypass the debt ceiling." Why? Because "today's G.O.P. doesn't even seem to have a coherent set of demands; a significant number of caucus members may well want a crisis, preferring to 'watch the world burn' under a Democratic administration," Krugman said.

This is just more two-faced posturing by a party that has run amok and is a danger to us all.