

SNG-Nowlan submission-debt crisis-7-30-11

Debt fracas part of larger dance

By Jim Nowlan

I write a column periodically for the Oriental Morning Post (OMP), a leading Chinese language newspaper based in Shanghai. My editor there has asked for an explanation of the debt ceiling debate and looming crisis in the U.S.

My job is just that, to explain America as best I can to sophisticated college-educated Chinese readers. They are fascinated by America but lack understanding of our democratic institutions. I thought I would try out my thoughts on the debt ceiling here.

Appreciate that the OMP wants 1,200-1,500 words in a column, about twice the length in most U.S. papers such as The Dispatch (Daily Journal, etc.).

By the way, when my columns are translated into Chinese characters, the columns take up about half as much space as they do in English type.

Anyway, some thoughts for the OMP readers:

I called my U.S. congressman today, something I rarely do. I reached his office in the district (in Peoria, in central Illinois, in the Midwest). I told the office that I was calling to register my anger over failure of the U.S. Congress to raise the debt ceiling, and that I would personally blame my congressman, a Republican and a friend, if we default on our debt.

I am a moderate Republican, but I place more (not all) of the blame on the Republicans. They appear unwilling to compromise at this stage of what is a longer battle over the future of restoring balance in our federal budget.

Here is some background.

The U.S. government has been spending much more than it has been generating in revenue throughout the presidencies of Republican George W. Bush (2000-2008) and Democrat Barack Obama. More than 40 cents of every dollar the federal government spends is borrowed, largely from your Chinese government. This insane policy cannot continue.

The problem is that most of the U.S. government spending is for the following: Social Security, Medicare and Medicaid (health care programs for seniors and the low income), defense and interest on the present, growing U.S. debt.

The rest of the spending for all other government programs is basically “chump change” (“small potatoes” or insignificant [I feel a need to explain some of our slang phrases to the Chinese translator at the OMP, though she is very good]).

Rare is the official who must seek re-election who wants to vote to cut spending or benefits for any of these programs, or to raise taxes to continue them at present levels.

So the present battle over raising the debt ceiling is part of the early stages of a longer, critically important political dance over how to bring our federal budget into balance.

The debt ceiling has been raised by Congress about 20 times under both Republican and Democratic presidents, including under conservative hero Ronald Reagan in the 1980s. But it has become a big deal at present because of the entry of the “Tea Party” into American politics.

[The name “Tea Party” is a reference to the American Revolution in the 1770s, when opponents of King George of England, the ruler of the American colonies, threw

large bags of tea off ships in the Boston harbor to protest the high import taxes on the tea. The rallying cry was “no taxation without representation (in England’s Parliament).”]

In 2010, a grass roots movement of anti-tax, anti-government candidates for Congress arose out of frustration with the recession and with federal deficit spending. Sixty of the 240 Republicans in the House now belong to the informal Tea Party caucus, which was created by presidential candidate and U.S. House member Michele Bachman (R-Minnesota). There are 193 Democrats in the House

This informal grouping of arch-conservative Republicans is demanding both significant cuts in federal spending and absolutely no increases of any sort in taxation. Without the votes of the Tea Party caucus, U.S. GOP House Speaker John Boehner (R-Ohio) lacks the votes to pass any legislation.

[Add to the mix the 2012 elections and you have a rich political stew bubbling on the stove. All House members are up for election as is the president (one-third of the U.S. Senate is also, as they are elected every six years while House members are elected every two years).

[Few conservative (Republican) or liberal (Democratic) House members want to go home to voters to say that they compromised on their principles, so compromise is hard to achieve.]

Most thoughtful Americans believe that ultimately both cuts in spending and increases in taxes will be required to balance the federal budget and break the addiction to borrowing. In effect, we have to lower our standard of living a bit to solve this problem.

The future of American economic strength and leadership depend upon our political will and capacity to address this larger budget deficit problem, beginning with the raising of the debt ceiling by August 2 or so. Failure now would be an important symbolic sign of national decline.

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I will have more to say to the Chinese readers, but you get my take on the matter.