

The Dynamics of an Explosive National Debt¹

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Once again, the National Debt (\$18,217,035,700,000 at the time of the first writing) is in the news. On Oct 29th, 2016, the debt had risen to \$19,803,365,558.755 and still rising.

Once again, we are threatened with a government shut-down. Once again, we are told that there is nothing we can do. Once again, we are being misled. We hesitate to say that we are being lied to because, candidly, we're not sure that the Congress knows the truth either.

In our never-ending quest to support the Informed Electorate, we think that a bit of history might help us understand the mess. For, like the Gordian Knot, we can't untie it if we don't know what it is.

In 1800 and for many years afterwards, the main source of income for the federal government was the revenue derived from tariffs - or a tax on trade. States also paid taxes directly to the federal government in an amount sufficient to support the federal budget. Each state had a vested interest in tariff rates because high taxes could affect the state economy. Each state had Senators who were appointed to go to Washington and keep the federal government from getting out of control. Why? The philosophy of having one government being subordinate to the government of the states is the same philosophy of having one government subordinate to the people. States and people have different interests, so our Constitution gave us Senators and Representatives.

With the passage of the income tax and the adoption of the 17th amendment, the motivation of the Senators changed. They were no longer representatives of the state. The motivation had become one of providing more and more to the people.

Senators were once quite sensitive to tariffs because they directly affected the state that they represented. When tariffs were replaced with income taxes, states no longer had such an intense interest in controlling federal spending. It didn't matter any more. Once Senators became elected not appointed by state legislatures, there was no motivation to control spending.

¹ Originally written as an article for Patriots Ink, inc. Newsletter/blog.

One way to fix the national debt and federal budget would be to replace the income tax with a per-capita tax on individual states. Returning the Senator to his original position would assure a very watchful eye on the budget.

*As an update relevant to 2016, Once again Congress has passed a continuing resolution putting off debate on the debt until after the elections. And once again, we ask, "Who's your Congressman?"