



Free Congress Foundation Commentary

Independence Day – 1776, An Historical Declaration and Physical Fight; 2009 – Recession and Remedial Flight

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Depending upon concurrent conditions a successful political declaration may require military persistence and ultimate victory, as in 1776 and the crucial years thereafter, or upon a sound or greatly improving economy, as is not apparent 233 years later.

About a month has passed since Federal Reserve Chairman Ben S. Bernanke first warned that our escalating national debt seriously is threatening our recovery from the recession. Few, if any, recognized economists publicly disagreed - perhaps unusual for economists, who often have conflicting theories and prognostications. (Economics may not be termed the “dismal science” without some causation.) Bernanke, a Massachusetts Institute of Technology doctorate in economics, has both theoretical and practical experience in economics. Even were he not educated, gifted and experienced, a layman’s reaction to reality also would suggest the same hypothesis.

Dr. Bernanke has warned that out-of-control deficits are a major factor in increasing interest rates on mortgages and United States Treasury bonds and in causing other hindrances to recovery from the recession. The national debt, after all, is the American people’s collective debt. Projections are that it will reach 57% of gross domestic product (“GDP”) by the conclusion of Fiscal Year 2009, on September 30, 2009. That is well above the already excessive 40% of the previous forty-year average. As if those statistics were not sufficient to strike fear in any observant mind, the objective and generally reliable, bipartisan Congressional Budget Office has

projected national debt at 82% of GDP by 2019 if Barack H. Obama Administration expenditures continue at their present rate.

China, the world's most populated sovereignty, has money to invest because it has a massive international trade surplus in dollars. China has invested - perhaps just parked - much of that money in the United States. Secretary of the Treasury Timothy F. Geithner and others, visiting China and otherwise, have urged China to continue so to invest. Nobody seems able to predict what China will do. Those economists who have opined seem unanimous that our huge American portion of the rather worldwide recession would be aggravated if Chinese money went elsewhere.

Chairman Bernanke has said we must materially reduce Federal Government expenditures or increase Federal taxes. Those of us who have observed "Washington" for most of a lifetime understand the practical politics - to wit, no tax increase. Whether that option would be economically curative is irrelevant. It's a political no-go (although some Obama liberals seem to be tinkering with the thought). Congress and the 111th Congress must reduce expenditures. The economy cannot afford an unprecedented \$1.8 trillion, or any lesser staggering sum, of debt. The drastic reductions in Federal Government disbursements, expenditures and sheer size will not come, if at all, in time to celebrate Independence Day two days hence. However, the planning must begin this month, with a view toward substantial reductions no later than Fiscal Year 2010, which begins October 1, 2009.

The eloquent and inspirational language of the Declaration of Independence in 2009 requires basic economic solidity.

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