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The federal debt does matter

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This year, the federal debt surpassed \$7-trillion - a burden that amounts to \$24,000 for every U.S. resident. Vice President Dick Cheney recently claimed that the deficits which produced this massive debt "don't matter," but a growing chorus of leaders believes that this debt is already harming our economy.

Today, as the House Budget Committee considers the Fiscal Year 2005 Budget Resolution, members of Congress should heed these warnings. Anyone who has run a balance on his credit card knows that a fiscal deficit has consequences. This year, U.S. taxpayers will waste \$156-billion on interest payments on the federal debt.

But for the federal government, deficits have a deeper impact. Federal Reserve Board Chairman Alan Greenspan has said, "History suggests that an abandonment of fiscal discipline will eventually push up interest rates, crowd out capital spending, lower productivity growth and force harder choices upon us in the future."

Historically low interest rates are yielding much of Florida's economic prosperity. Low rates allow companies to borrow the funds necessary for development, and allow Floridians to become first-time homebuyers, go to college with the help of student loans and start family businesses. An increase in interest rates could deal a major setback to our economy. For instance, a 1 percent increase in interest rates would amount to more than a \$1,100 annual increase in mortgage payments for the average Florida homeowner, and that, along with higher credit card interest rates, is enough to tip the scales for many families.

At a recent federal deficit roundtable I hosted, Manny Rivero, executive director of the University of South Florida's Jim Walter Partnership Center, said, "We've been very good at putting folks into a home, but if the economy doesn't stay vibrant and interest rates don't stay low, you see big foreclosure rates coming down the road."

Unfortunately, Congressional Research Service recently reported that "10 major forecasting models all predict that a budget deficit would increase interest rates." Deficits force up interest rates by crowding out private investment. With a deficit of more than \$520-billion, the U.S. government is the 800-pound gorilla of the investing world. Our borrowing leaves limited dollars for private borrowers, and limiting the supply of capital drives up interest rates. Furthermore, if the United States continues to borrow at an unrestrained pace, international investors who have been financing our debt by buying U.S. Treasury bonds may seek other investment options for their money.

If Congress and President Bush fail to get the federal budget under control, Americans will soon face the consequences of fiscal recklessness, and reining in spending will only get more difficult as the baby boom generation retires and begins relying on Social Security and Medicare. The General Accounting

Office has shown that balancing the budget in 2040 could require either cutting total federal spending in half or doubling federal taxes.

As a member of the New Democrat Coalition, I have worked in Congress to promote a fiscally responsible deficit-reduction plan to balance the budget in 10 years, suspend recent tax cuts for the top two tiers of earners, eliminate corporate tax loopholes, prioritize spending and revive budget enforcement mechanisms, such as the Pay-As-You-Go (PAYGO) provisions which Senate Democrats and Republicans passed to force the government to live within its means. I hope budget negotiators in Congress will follow our lead. After all, the road to fiscal responsibility is paved with sacrifice, but the reward - a stronger, healthier economy - is well worth the journey.

-- U.S. Rep. Jim Davis, D-Tampa, represents Florida's 11th Congressional District.

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