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The U.S. Is Already Facing a Debt Crisis | Opinion

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By Michael Doorley
Founder, U.S. Debt Forum

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The U.S. economy is hooked on debt. It requires lots of it—crisis levels of it—just to maintain the economy.

As a CPA and a well-informed, patriotic American, I was concerned about our rapidly increasing national debt before the pandemic struck. Too many individuals, particularly those inside the Beltway, are constrained in what they say about our debt either because they caused it through their mismanagement, aided and abetted its pernicious growth, or worry about their own employment. They use politically correct terms to describe our massive debt as "a dilemma," "an unsustainable trajectory" or "not a today problem." No elected politician wants the debt to blow up, or have their voters think it will blow up, on his or her watch. Too many of them avoid being honest and transparent. They will continue to kick the can down the road so as not to face reality and suffer the political consequences. As a non-D.C. based, informed and unconstrained American, I call our massive and growing debt what it is—a crisis already at our doorstep.

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To be sure, I certainly agree we need to borrow during the pandemic to keep the economy alive while awaiting a vaccine and nationwide rollout. But we do not need to borrow to support multinational corporations, congressional pet projects and well-connected individuals. The COVID-19 crisis led to our economic crisis, which is now exacerbating our debt crisis. In addition to our massive outstanding debt and escalating annual budget deficits, every major trust fund is racing toward insolvency with tens of trillions of dollars of unfunded future obligations for Social Security and Medicare. Congress is aware, yet it has no plan, or revenue, to remedy the situation.

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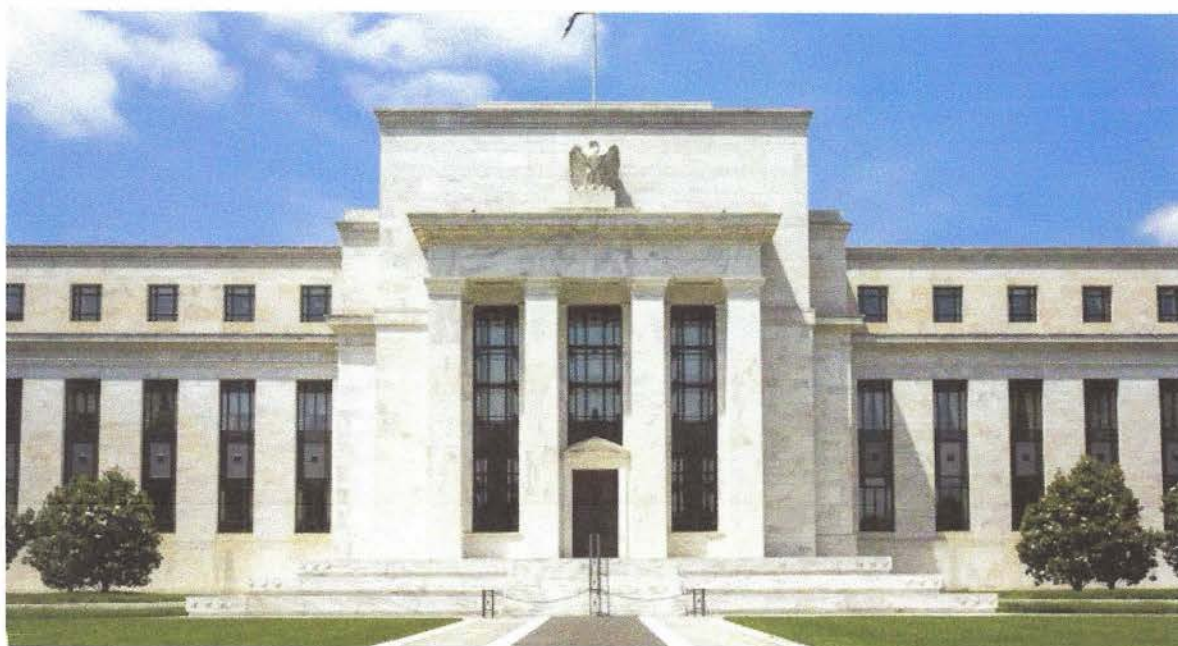
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I will not try to distract you with reams of numbers and economic theories designed to divert your attention to interesting shiny tidbits of data. Rather, I will present my position with a few key numbers and ask you to remain focused on common sense.

GDP did not increase during the year, yet debt increased by over \$4 trillion. For every \$1.00 of GDP, we had \$1.27 of debt. At that time, the Congressional Budget Office projected GDP growth over the next 10 years to slow significantly, and annual budget deficits to rapidly increase by over \$1 trillion annually. COVID-19 related stimulus and other proposed programs such as climate, infrastructure, and so forth will require trillions more of debt. They, and others, publicly called our debt unsustainable while some senior administration officials called it a threat to our economic and/or national security, and President Trump stated we are in a debt crisis in his budget submission to Congress.

Even prior to the pandemic, debt was at an irresponsible and dangerous level. The pandemic is causing additional borrowing at truly epic proportions—likely over \$5 trillion. It has made an already-bad national debt situation worse. And because of mismanagement and multiple uncertainties, there is no end in sight. Almost all of this borrowing is for current consumption, not prudent investment, while providing diminishing returns for GDP growth. Frankly, the U.S. must now borrow at these levels to maintain the economy.

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Federal Reserve building in Washington, D.C. | *Brooks Kraft/Getty Images/Brooks Kraft/Getty Images*

Debt is a stimulus, similar to the stimulant amphetamine. It is like a drug. The U.S. is so addicted to debt that even over the past three years, pre-pandemic, a period Trump called "the greatest economy ever," total outstanding debt increased by over \$3 trillion. The pandemic has added trillions more and growing.

Elected politicians and their economists, whose statements are often incomplete, misleading, or just theories, are attempting to ignore the debt or normalize it in the minds of Americans. They are succeeding: Too many are unwittingly building up a tolerance, even though it is requiring increasingly greater borrowing to reduce unemployment, raise the stock market or just get by and function through a day.

The pandemic forced nationwide closures, social distancing measures and uncertainty, and brought the U.S. economy almost to a halt. To avoid a total economic collapse, the government needed to quickly borrow huge sums of money to keep the economy moving. No unaffiliated, existing borrower(s) individually or collectively had the ability to meet our massive borrowing needs, other than the Federal Reserve. And the Fed could only do it through financial engineering.

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The Fed did some of the same after the 2007-2008 financial crisis with quantitative easing, but not nearly to the same degree or with the same expediency as it did recently. In response to the pandemic, the Fed again created funds, purchased trillions more in debt and verbally committed to an open checkbook to purchase a potentially unlimited amount of more debt—with little or no hope of ever unwinding it all.

When traditional, unaffiliated purchasers cannot, or will not, step up with the needed funds to buy our debt, and the Fed becomes the buyer of last resort and then cannot sell or redeem the debt without causing incalculable economic damage, we are in a debt crisis whether we admit it or not.

The U.S. is in a debt crisis. It is overdosing on debt, and Congress has no plan other than to keep borrowing. It must stop the borrowing and spending binges—or the U.S. house of cards will fall, with adverse political, social and global implications. Common sense tells us that trees do not grow all the way to the sky. It used to be said that dealing with the debt will be our grandchildren's problem. But the problem is our own—and of our own making.

Michael Doorley is founder of the U.S. Debt Forum.

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