New study shows how the US can avoid a debt disaster

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Credit: University of Texas at San Antonio

A new study by John Merrifield, professor of economics at The University of Texas at San Antonio, describes a way for the United States to curb its spending and stop the growth of the astronomical national debt, which is now close to $20 trillion. According to Merrifield, the country could be headed for disaster if it doesn't start taking its spending problem seriously.

"We need to find a way to have less debt that's politically feasible," Merrifield said. "That's obvious. But how do you make it politically palatable to somehow restrain spending?"

Cutting spending is unpopular on both sides of the aisle for a number of reasons, but the most common excuse is that the government needs to be able to spend without limits in the case of a disaster. To eliminate that excuse, Merrifield and his co-author, Barry W. Poulson, retired professor of economics at the University of Colorado, have adapted Swiss and Swedish spending policies. One of these adaptations includes an emergency fund to cover the recovery costs of a natural disaster or terrorist attack.

"Things happen and we can't foretell reasons to spend, so we need to eliminate the political cover of people who want to keep spending," Merrifield said.

The next step is a cap on spending, which is more difficult to make happen.

"The inherent bias in government is to take a few dollars from a lot of people and focus those dollars on a smaller number of people in order to obtain their votes," he said. "This tempts politicians to spend more and more money."

Essentially, a politician maintains their home support by showing themselves as effective representatives who bring home the bacon for their districts. Cutting spending is unpopular because when a program gets cut, constituents are more likely to feel that pinch rather than notice any small savings come tax season. However, Merrifield insists this is necessary to get the national debt under control.

"We've gotten ourselves into a pretty bad fix," he said. "If we had adopted these measures in 1994, today our national debt would be half of what it is now."

However, if Merrifield and Poulson's measures were adopted tomorrow, the debt would only be reduced by about 10% in 10 years, as a result of 20 years of reckless spending.

"Even if we restrict our rate of growth of spending, it's going to be a lot harder to move forward," Merrifield said. "The longer we wait to do something, the harder it's going to be to make much progress."

He and Poulson are set to meet with representatives from lawmakers and think tanks in Washington, D.C. in mid-November to discuss their findings and possible solutions to the problem.

"It's caught some people's attention," Merrifield said. "Now, the hard part is getting people to vote for it."

Provided by University of Texas at San Antonio

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