Written by **Dennis Behreandt** on August 5, 2010

Democrats Bite Democrats, Part II

A much more rhetorically subdued but nevertheless devastating implicit criticism of current government spending policies came from an even more unlikely source: the Congressional Budget Office, whose director is a Democrat.

Without naming names or making political charges, the Congressional Budget Office last week issued a report titled "Federal Debt and the Risk of a Fiscal Crisis." The report’s dry, measured words paint a painfully bleak picture of the long-run dangers from the current runaway government deficits.

The CBO report points out that the national debt, which was 36 percent of the Gross Domestic Product three years ago, is now projected to be 62 percent of GDP at the end of fiscal year 2010– and rising in future years.

Tracing the history of the national debt back to the beginning of the country, the CBO finds that the national debt did not exceed 50 percent of GDP, even when the country was fighting the Civil War, the First World War or any other war except World War II. Moreover, a graph in the CBO report shows the national debt going down sharply after World War II, as the nation began paying off its wartime debt when the war was over.

By contrast, our current national debt is still going up and may end up in "unfamiliar territory," according to the CBO, reaching "unsustainable levels." They spell out the economic consequences– and it is not a pretty picture.

Although Barack Obama and members of his administration constantly talk about the so-called "stimulus" spending as creating a demand for goods that is in turn "creating jobs," every dime they spend comes from somewhere else, which means that there is less money to create jobs somewhere else.

There is no reason to believe that all this runaway spending is creating jobs– on net balance. The fact that the unemployment rate remains stuck at nearly 10 percent belies the idea that great numbers of jobs are being created– again, on net balance.

White House press Secretary Robert Gibbs’ recent rant against Rush Limbaugh for criticizing the bailout of General Motors went on and on about how this bailout had saved "a million jobs." But where does Gibbs think the bailout money came from? The Tooth Fairy?

When you take money from the taxpayers and spend it to rescue the jobs of one set of workers– your union political supporters, in this case– what does that do to the demand for the jobs of other workers, whose products taxpayers would have bought with the money you took away from them? There is no net economic gain to the country from this, though there may well be political gains for the administration from having rescued their UAW supporters.

The same principle applies to money that came from selling government bonds, thus adding to the national debt. People who bought those government bonds had other things they could have invested in, if those government bonds had not been issued.

As the Congressional Budget Office puts it, if the national debt continues to grow out of control, a "growing portion of people's savings would go to purchase government debt rather than toward investments in productive capital goods such as factories and computers; that 'crowding out' of investment would lead to lower output and incomes than would otherwise occur."

Just paying the interest on a growing national debt can require higher tax rates, which "would discourage work and saving and further reduce output," according to the CBO.

It would probably do no good to send Robert Gibbs– or Barack Obama, for that matter– a copy of the government's own Congressional Budget Office report. Spending vast sums of money in politically strategic places helps the Obama administration politically, and that is obviously their bottom line.

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