



## **Borrowing our Children's Future**

by Doug Stout

We all know that the way to get ahead in life is not to accumulate debt. We make exceptions when we are making an investment in our future. We borrow to buy our first house, because it is such a big investment that it would take us many years of saving our money to be able to buy it for cash. In the meantime, we would still have to be paying for a place to live, and we would not be building up any equity in a home with the money we were spending.

We also borrow money to further our educations. We invest in our own futures by borrowing money now with the very good prospect that the future returns from our career earnings will eventually far exceed the amount of the money we borrowed and the interest on the debt. Even then sometimes, for some people, this does not turn out to be a good investment.

However, we all understand that you do not get rich by borrowing money. The people who loan the money are the people who may get rich through the process. Being in debt is a position of weakness. It limits your ability to live life the way you want to do so. It limits your options in life and career. It puts severe restrictions on your future economic flexibility, and it is a burden which you must carry with you. It is to be done, by responsible people, only when the advantages outweigh the disadvantages. It is a serious obligation and one which should never be taken lightly. We lecture our children on the subject of building up unnecessary debt, or at least we know we should. Even if sometimes our weakness for wanting something now, outweighs our good sense. But even in those cases, responsible parents caution their children to “learn from my mistakes,” or at worst, “do as I say, not as I do.” We all know it is not a path to wealth and prosperity.

So why then, do we accept extreme government borrowing so easily? Why do we continually choose government leaders who make very little pretense that they are going to keep government “living within its means?” I think it is because government finances are sometimes beyond the scope of both our understanding and beyond the scope of what we believe we can really influence. The sums are sometimes beyond the comprehension of even our most educated and interested citizens. Even our elected officials will sometimes get confused and talk about billions as though they were millions...and the idea of a trillion is just not something we can relate to in any meaningful way. We have lives to live and trying to balance our checkbooks and maybe figure out the return on our mutual fund, or just making sure we keep current on our bills and insurance payments and mortgages is the extent of our involvement with high finance.

I don't expect that the general public's priorities will change anytime soon. We live in a society that tends to live for today...and worry about tomorrow when it gets here, an era of instant gratification. It will take a national figure with the credibility and a knack for public communication to convince the American people of the deep hole we are digging for ourselves which threatens to destroy our economic vitality permanently and to usher in an era of dramatically lower standards of living for our children and for their children. If not altered, continuing on this path will mean an America that is impoverished to a level we can't currently even envision.

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In Iowa, we have always known the value of hard work and thrift. We have always had at least the rhetorical view from our statewide leaders that they were important values to cherish, that we must “pay as we go” in life and in our government. There have been times when our leaders did not live up to their own rhetorical guidelines as they actually put together state budgets. However, this time is different.

Our Governor Chet Culver (D), the leader of state government, has changed the rules. When he gave his state of the state address earlier this year he actually said: “This is the first time in our state’s history that we have earned an AAA credit rating and I intend to use it!”<sup>1</sup> With our State Legislators as his accomplices, he set out to achieve just that. Our Governor proudly declared that his “signature” request, in other words his highest priority, the most important goal of Administration, was to borrow \$765 million dollars (\$765,000,000) and put the state in debt.<sup>2</sup> It is estimated that the amount we as taxpayers will have to pay back is actually over \$1.7 billion dollars (\$1,700,000,000)<sup>3</sup> when the interest on the borrowing is included. We have roughly 3 million Iowans, including our children, so every man, woman, and child in Iowa will owe \$567 just from this bond issue. A family of 4 will owe \$2267, just for the Governor’s “signature proposal,” which the Legislature adopted at his request. An Iowa Poll published by *The Des Moines Register* in April showed that 71% of Iowans opposed the state bonding plan.<sup>4</sup>

You also need to realize that the Legislature passed the largest budget in Iowa history, even without including the bonding proposal. The budget is \$6.3 billion dollars this year.<sup>5</sup> Supporters argue that the bonding proposal went to good purposes and list where the money is going. You should not be misled by this argument. Money is interchangeable. The priorities listed in the bonding proposal could have been funded within the \$6.3 billion dollars of state funding; of course it would have meant not spending money on something else. It is the Governor and the Legislature’s job to set priorities on how the \$6.3 billion should be spent. Job creation, flood relief, and education should probably be high on the list, whatever they decided was at the bottom of the list should not have been funded if we can’t pay for it now.

How sad it is that the highest priority of the Governor is to ask the Legislature to take money from our children, so that we don’t have to make the sacrifices today to pay our bills as we go. What does it say about our priorities as a state? What does it say about Iowans? The dream of every American used to be to leave our country and our state in a better condition than we found it for the benefit of those that come after us. At what point did we become a state where our Governor’s highest priority is to ask our children to sacrifice their standard of living, rather than asking Iowans and their elected representatives to make the hard choices that come with their positions of responsibility? At what point did the arrow turn from living our lives with less... to sacrifice for our children...to asking them to pay back our bills and sacrifice for us?

(Endnotes)

<sup>1</sup> Governor Chet Culver, Transcript of 2009 Condition of the State Speech, *Iowa Public Television*, January 13, 2009, [http://www.iptv.org/video/detail.cfm/3233/cos\\_20090107\\_condition\\_state\\_2009](http://www.iptv.org/video/detail.cfm/3233/cos_20090107_condition_state_2009) (January 26, 2009).

<sup>2</sup> O.Kay Henderson, “Governor gets ‘signature’ request: money for ‘I-Jobs,’” *Radio Iowa*, April 25, 2009, <http://www.radioiowa.com/gestalt/go.cfm?objectid=DFA9E9D5-5056-B82A-3740DDA91> (April 26, 2009).

<sup>3</sup> Lynn Campbell and Andrew Duffelmeyer, “Legislature wraps up voting on \$765 million bonding plan,” *IowaPolitics.com*, April 26, 2009, <http://iowapolitics.com/index.iml?Article=156681> (April 27, 2009).

<sup>4</sup> Thomas Beaumont, “Most Iowans have doubts about federal stimulus plan,” *The Des Moines Register*, April 12, 2009 <<http://www.desmoinesregister.com/apps/pbcs.dll/article?AID=2009904120388>, (April 14, 2009).

<sup>5</sup> Craig Robinson, “Thieves in the Night,” *The Iowa Republican*, April 27, 2009, <http://theiowarepublican.com/home/2009/04/27/thieves-in-the-night/> (April 27, 2009).

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