

Funding the Future

We're entering a very dangerous period: make no mistake..

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The FT headline (in an email) [Martin's Wolf's article today](#) using these words:

These are dangerous times. The US and eurozone may be on the verge of making among the biggest financial mistakes in world history, writes Martin Wolf.

He's right. As [the New York Times reports](#):

From the White House and Congress to financial centers, pessimism spread on Tuesday about the prospects of a debt-limit deal between President Obama and Republicans, prompting the Senate Republican leader to propose a "last-choice option" that piqued the administration's interest but angered conservatives in his own party.

The leader, Senator Mitch McConnell of Kentucky, said a bipartisan budget-cutting deal is probably out of reach, making it unlikely that Republicans would approve an increase in the government's debt limit by Aug. 2.

The result of that failure would be that the US would default on its debt - the biggest in the world. There would also be a massive internal economic crisis. Old age pensioners would not, for example, get their pensions.

And what's the argument about? Well, how to deal with the deficit (if that it it needs to be tackled). The Republicans are refusing point blank to consider the possibility that a shortfall in income should be made good by more taxes.

Then consider what Wolf has to say on this (apologies to FT for a long quote, but this is extremely serious stuff):

The astonishing feature of the federal fiscal position is that revenues are forecast to be a mere 14.4 per cent of GDP in 2011, far below their postwar average of close to 18 per cent. Individual income tax is forecast to be a mere 6.3 per cent of GDP in 2011. This non-American cannot understand what the fuss is about: in 1988, at the end of Ronald Reagan's term, receipts were 18.2 per cent of GDP. Tax revenue has to rise substantially if the deficit is to close.

It is not that tackling the US fiscal position is urgent. At a time of private sector deleveraging, it is helpful. The US is able to borrow on easy terms, with yields on 10-year bonds close to 3 per cent, as the few non-hysterics predicted. The fiscal challenge is long term, not immediate. A decision not to allow the government to borrow to finance the programmes Congress has already mandated would be insane. As the fiscal expert, Bruce Bartlett, has argued, the law requiring Congressional approval of extra debt might even be unconstitutional.

Yet, astonishingly, many of the [Republicans opposed to raising the US debt ceiling](#) do not merely wish to curb federal spending: they enthusiastically desire a default. Either they have no idea how profound would be the shock to their country's economy and society of a repudiation of debt legally contracted by their state, or they fall into the category of utopian revolutionaries, heedless of all consequences.

In other words, first of all there's no crisis. But then noting the crisis has been precipitated by a demand for lower tax he notes there is simply no tax crisis either: taxes are at a low point and yet still the Republicans demand no more taxes.

The largest state on earth is being pushed towards economic melt down by fanatics: fanatics who will preserve the right of the rich to keep their income and make the rest suffer come what may.

Make no mistake that they are serious.

Make no mistake that they are fanatics as well.

Make no mistake that they are indifferent to the outcome: they don't care about the suffering this will cause. They are ideologues devoid of empathy, driven by greed, motivated by hatred for those poorer than themselves and so contemptuous of government they will destroy their state rather than pay for it.

This is extremely dangerous indeed. This is not just economic meltdown we're facing: this is a crisis for the world of epic proportions. This is a crisis for sanity, for decency, for morality, for ethics, for the poor, for democracy, for stability, for the hopes and aspirations of billions - all of them to be sacrificed for the madness of the far right. The likes of Murdoch who has of course done much to promote this madness.

We're entering a very dangerous period. Make no mistake about it.