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# The Biggest

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Trump's riding high, in the first week of his second term—but *not* regarding the biggest problem he faces, inflation and economic instability.

"When bondholders don't see a credible fiscal path to be repaid for current and future government debt," [writes](#) Veronique de Rugy at *Reason*, "they expect that eventually the central bank will create new money to buy those government bonds, leading to higher inflation.

"Recent inflation wasn't just about money supply; it reflected the market's adjustment to unsustainable fiscal policy."

Winning, for Trump, cannot equate to Spending.

While Ms. de Rugy tries to explain this all in terms of a big-picture economic analysis, she does not quite reach back in time far enough. We had stagflation way back when I was young. It was cured then *not* by decreased spending but by Paul

Volcker of the Federal Reserve putting the brakes on money-and-credit expansion. *He* stopped inflation.

A pure recession immediately followed, followed by recovery in the new administration, Ronald Reagan's, who helped reduce the rate of growth of government (and not much else).

Inflation *could*, theoretically, be handled by the Fed alone, now, as then.

Except—the federal government can hardly now afford to service *existing* debt, which would skyrocket with the nitty-gritty of the Fed's cure, higher interest rates.

Today, debt service ([paying just the interest](#)) approaches One Trillion Per Annum.

"A crucial tipping point was reached in 2024 when the interest expense on the federal debt exceeded the defense budget for the first time," Nick Giambruno [summarizes](#) at *The International Man*. "It's on track to exceed Social Security and become the BIGGEST item in the federal budget."

Increasing it yet more would cripple the government.

The only way out, if there is one, is a radical decrease in spending and deficits, as de Rugy advises. Trump's path to success is somehow accomplishing that.

This is Common Sense. I'm Paul Jacob.