A plot to blow up the Federal Reserve in downtown Manhattan conjured up a host of bad Ron Paul jokes, but Quazi Mohammed Rezwanul Ahsan Nafis, a 21-year-old Bangladeshi studying in Missouri, meant it very seriously. Nafis thought destroying the building would hobble the American economy, and he planted a thousand-pound nitrate bomb at the spot. The bomb was a dud, supplied by an FBI informant; score another for good police work. Nafis was inspired by Osama bin Laden and Anwar al-Awlaki. Both al-Qaeda prophets are (figuratively, at least) molding in their graves, but their souls go marching on, as must our vigilance.

The University of Texas has been the subject of three major racial-discrimination lawsuits—one decades ago for discriminating against blacks, two more recently for discriminating against whites and Asian Americans. The obvious lesson here—that the University of Texas should cease discriminating against people racially—is lost on the fine minds of that institution. The Supreme Court has just heard arguments in Fisher v. University of Texas, in which the university is defending its race-based admissions criteria. There has been some progress:

Crushed by Debt

Americans are accustomed to experiencing solid and steady economic growth. Recessions have been the exception rather than the rule, and growth has been remarkably stable. Even our bad decades have been pretty good. GDP grew at an average annual rate of 3.26 percent in the 1970s, 3.05 percent in the 1980s, and 3.2 percent in the 1990s. Growth was only a smidgen less than that even in the 2000s, at least until the calamitous events of 2008.

President Obama’s fiscal policies, which have pushed our federal debt to World War II levels and are on track to add trillions more debt over the next decade, promise to deliver an economic future that is different from anything in our experience. Exactly how different is made clear by an alarming new study from Stanford University economist Michael Boskin.

Higher national debt restrains growth through three main channels. Interest payments siphon revenues away from productive activities, government borrowing crowds out private investment, and uncertainty damps investment. While economists have known about these channels for some time, Boskin is the first to carefully quantify the negative effects of the current debt explosion on our growth prospects.

To do this, he surveys the economic literature and identifies the consensus estimates of how high the negative effects of debt are on economic growth. He highlights two studies that find strong negative effects. According to one, which was published by economists at the IMF, every 10 percent increase in the ratio of the national debt to GDP reduces future GDP growth by 0.17 percent. The other, a paper co-authored by economists Vincent and Carmen Reinhart and Kenneth Rogoff, finds that the economy loses about 1.2 percentage points of annual growth once debt levels climb above 90 percent. Boskin then asks the simple question: If the U.S. experience is similar to that of other countries with exploding debt, how bad does the growth picture get?

The accompanying chart illustrates Boskin’s key result. The top line is a baseline wherein the U.S. posts annual GDP growth of 2.25 percent, slightly lower than what the administration’s Office of Management and Budget has projected. The dark red line is the growth path we can expect if President Obama’s policies are all enacted and government debt is allowed to grow as projected by the OMB. The pink line is the growth path we can expect if government debt is stabilized in 2016.

The results are stunning. The red line, which describes the future path of the economy if President Obama’s policies are enacted, is fully 30 percent below the baseline by 2050. What is even more disturbing is that Boskin finds economic growth along that path essentially stopping in about 2040. Even if heroic measures are taken and the debt is stabilized in 2016, we can still expect much lower growth over the next few decades as the toll for our heavy spending binge.

The steady march to prosperity we have experienced over the years is no sure thing. Indeed, the surging federal debt may soon produce a generation of Americans who have never experienced even modest economic growth.

—KEVIN A. HASSETT