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Sovereign Danger

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Runaway Debt: Watching Greece and now Portugal verge on financial default due to fiscal profligacy should send a chill up every American's spine. This is our fate, too, if we don't change course -- and soon.

The failure of Western nations to control their spending has now become a crisis -- not of any particular nation, but of all.

Portugal on Tuesday became only the latest of the so-called PIIGS -- Portugal, Italy, Ireland, Greece and Spain -- to be hit by speculation that it might soon fail. Greece is already technically in default on its debts, and has had to make humiliating requests for aid from the EU, U.S. and IMF.

In this environment, the euro sank and European stock markets took hits Wednesday after Fitch Ratings downgraded Portugal's long-term credit rating from AA to AA-, adding to the euro zone's fast-expanding list of economic woes.

European nations will soon find that no one wants to hold a Euro-bond. It's just too risky. Faced with its failure to handle the crisis, the EU has opted to ask the International Monetary Fund -- the global lender of last resort for deadbeats -- to come in and help.

Why is this happening? Simply, neither financial markets nor European citizens are convinced any longer that the EU can live by the very rules that made its common currency and economic policy existence possible. That rule, basically, is this: No EU nation can run a deficit of more than 3% of GDP annually, and none can exceed public debt of 60% of GDP annually.

The PIIGS are by far the worst when it comes to this critical measure of budget discipline. Portugal, for instance, has a deficit of 9.3% of GDP, and debt of over 80%. But it's not alone. No major nation in the EU meets the criteria for membership today. Investors don't want their bonds.

What's this got to do with the U.S.? Plenty. Right now, we wouldn't qualify for EU membership either. And just because our government refuses to address its own fiscal irresponsibility, doesn't mean the people aren't thinking about it.

In a newly released Fox News poll, 79% said the U.S. economy could collapse from its fiscal mismanagement. And by nearly 3-to-1, respondents said the nation's exploding federal debt was a more serious problem than terrorism.

Yes, it's that serious.

Even before the $3 trillion ObamaCare plan was passed, the U.S. was trundling down the same road as Europe. We just liked to think we weren't, that somehow we were protected by providence or luck against such financial foolishness.

We aren't. Our federal debt load is set to surge from $7.5 trillion in 2009 to $20.3 trillion in 2020. Spending is simply out of control. Averaging just 20% of GDP over the last half-century, it will leap to 30% of GDP by 2030 -- a 50% real gain in government's presence.

Meanwhile, total U.S. debt is set to swell from about 60% of GDP just three years ago to 115% or higher by 2014, according to IMF estimates. "For all intents and purposes," says **Cato Institute** economist Daniel J. Mitchell, "America is on a path to become a European-style welfare state."

To avoid such a fate, there's only one responsible course of action: We must slash the growth in public spending and provide relief for overburdened taxpayers and businesses. Until that happens, the U.S. economy will underperform its potential. Absent significant cuts, all this spending and debt will, like a boa constrictor, squeeze the life out of our economy.

"Failure is not an option" is a phrase our leaders in Washington like to use these days. But thanks mainly to them, failure is indeed an option -- a very real one -- though it doesn't have to be.

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