



Ideas Changing the World

We're Already Europe

February 27, 2012

With seemingly every day bringing more bad news from Europe, many are beginning to ask how much longer the United States has before our welfare state follows the European model into bankruptcy. The bad news: It may already have, says Michael Tanner, a senior fellow at the Cato Institute.

- This year, the fourth straight year that the United States borrowed more than \$1 trillion to support the federal government, our budget deficit will top \$1.3 trillion, 8.7 percent of gross domestic product (GDP).
- Only two European countries, Greece and Ireland, have larger budget deficits as a percentage of GDP.
- Things are only slightly better when you look at the size of our national debt, which now exceeds \$15.3 trillion, or 102 percent of GDP.
- Just four European countries have larger national debts than we do -- Greece and Ireland again, plus Portugal and Italy.

And as bad as things are right now, we are on an even worse course for the future.

- If one adds the unfunded liabilities of Social Security and Medicare to our official national debt, we really owe \$72 trillion, by the Obama administration's projections, and as much as \$137 trillion if you use more realistic projections.
- Under the best-case scenario, then, this amounts to more than 480 percent of GDP; under more realistic projections, we owe an astounding 911 percent of GDP.
- Meanwhile, counting both official debt and unfunded pension and health care liabilities, the most indebted nation in Europe is Greece, which owes 875 percent of GDP.
- France, the second most insolvent nation in Europe, owes just 549 percent of GDP.

Perhaps we can take some solace in the fact that our welfare state is not yet as big as Europe's. But the key word here is "yet," says Tanner.

At that point does the United States cease being the United States as we have known it? At the very least, can our economy survive such a crushing burden of government spending, and its attendant level of taxes and debt?

Source: Michael Tanner, "We're Already Europe," National Review, February 22, 2012.