



\$189,000

That's the astounding amount each of us owes for our national debt and unfunded entitlements



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Forget President Obama's speech on Tuesday night, the current state of our union can be summed up in just two words: We're broke.

The president devoted just 189 words to the deficit and our growing national debt, but the fact is that once again this year we will borrow 32 cents out of every dollar we spend. Overall, our national debt now tops \$15.2 trillion (with Congress raising the debt ceiling to \$16.4 trillion last week). And that doesn't count the unfunded liabilities of Social Security and Medicare. Throw those in, and our total indebtedness exceeds \$120 trillion.

That means that if one counts only the official national debt, every man, woman and child in America owes \$48,700. Include the unfunded liabilities of Social Security and Medicare, and every one of us is in debt to the tune of \$189,000.

Or look at it another way. One can't pick up a newspaper these days without reading a story about the debt crisis in Europe. France, for example, just had its credit rating downgraded. Yet, measured as a percentage of GDP (the value of all goods and services produced in a country over a year), our budget deficit is roughly a quarter larger than France's. In fact, among European countries, only Greece and Ireland have larger deficits this year than we do.

The debt figures paint an even grimmer picture. If one includes all the unfunded liabilities of pension and health-care systems, Greece's total debt equals 875% of its GDP.

France, the next-most insolvent country in Europe, owes 570% of GDP. The United States, however, now owes 885% of GDP, more than any other industrialized country.

We have been able to avoid disaster so far only because, as the world's preferential currency, other countries have been willing to lend us money cheaply. But that is not going to continue forever. And if our creditors begin to hike interest rates, we will be facing the same economic consequences facing so much of Europe today.

The president, when he deigns to mention the issue at all, suggests that this problem could be solved if only the rich pay their "fair share." Of course some might suggest that the rich already pay their fair share, since the much-reviled 1% earn 16% of all income in this country, but pay 36.7% of all federal income taxes. More important, however, in this context, you simply cannot tax the rich enough to solve our debt crisis.

Take the much-discussed Buffett Rule that the president focused so much attention on during the State of the Union address. Whatever one thinks of how investment income should be taxed compared to wage income, the president's proposal would raise less than \$37 billion per year. That amounts to less than 3% of this year's deficit. In fact, if we were to confiscate — not just tax, but confiscate — every penny owned by every millionaire and billionaire in America, it would pay barely one-tenth of our government's total indebtedness.

That is because the debt is only a symptom of the underlying disease — a government that is growing ever larger, more intrusive and more costly. We tend to think of Europe as the home of big government. Indeed, on average, European governments consume roughly 49% of their country's GDP. That means that roughly half of everything produced in that country is consumed by government.

However, we are not that far behind. Today, our federal government alone consumes roughly 25% of GDP. State and local governments take another 10% to 15% of GDP. And, the Congressional Budget Office projects that the federal government is currently on course to grow to 43% of GDP by mid-century. Add in state and local spending, and we will have a bigger government than any European country except Ireland has today. One only has to look to the chronically high unemployment rates and slow economic growth in most of Europe to see what a government that size would mean for us.

Yet, as we hurtle towards a Greek-style calamity, the president offered us a laundry list of new government spending — for health care, student loans, green energy, job training, hiring veterans, more teachers and so forth. That may have made for a good campaign tactic, but it bares little resemblance to economic reality.

That reality is very simple. We're broke. Mr. President, are you paying attention?

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