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Michael Tanner: Why we're Europe already

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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 is: It may already have. This year, the fourth straight year that we borrowed more than $1 trillion to support the U.S. government, our budget deficit will top $1.3 trillion, 8.7 percent of our GDP. If you think that sounds bad, it's because it is.

In fact, 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, 102 percent of GDP. Just four European countries have larger national debts than we do – Greece and Ireland again, plus Portugal and Italy. That means the U.S. government is actually less fiscally responsible than countries like France, Belgium, or Spain.

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 for future Medicare savings under Obamacare, 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. And, 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. That's right, the United States potentially owes more than Greece. France, the second most insolvent nation in Europe, owes just 549 percent of GDP. Even under the most optimistic scenario, we owe more than such fiscal basket cases as Ireland, Italy, Portugal, and Spain.

So far we have been able to avoid the consequences of our profligate ways because the very public turmoil in Europe has helped prop us up as the world's safe haven for foreign investment. Compared to the euro's problems, the dollar looks pretty safe. This means that others are still willing to lend us money at absurdly low rates. But that won't last forever. In fact, already seven European countries, including Germany and Sweden, have better credit ratings than the U.S.

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." Today, our federal government spends more than 24 percent of GDP. Throw in state and local spending, and government at all levels consumes over 43 percent of everything produced in this country over the course of a year. As bad as that is, it's still less than Europe, where the average of government spending at all levels is slightly more than 50 percent of GDP. But the Congressional

Budget Office projects that federal-government spending in this country is currently on a path to exceed 42 percent of GDP by 2050. Government spending at all levels will exceed 59 percent of GDP. And CBO assumes state and local spending will decline in the future, which seems unlikely.

By way of comparison, today, Ireland is the only country in Europe with a bigger government than the U.S.'s will be in 2050. That's right, one can look at countries like France and Greece, or even Denmark and Sweden, and realize that we will eventually have bigger governments than those quintessential welfare states have today.

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?

Given this looming disaster, President Obama has just submitted a budget that explicitly rejects "austerity," avoids any reform of Medicare or Social Security, and adds some $7 trillion to the national debt over the next 10 years. And Republicans? They are busy debating the pros and cons of birth control.