



Cato's Tanner offers a basic lesson about debt

POSTED ON JANUARY 9, 2013 AT 7:10 AM, BY MITCH KOKKI

Michael Tanner of the Cato Institute shares with National Review Online readers a simple fact many politicians and pundits have ignored in recent debates about the government's future: "Spending less is the only way we can get out of debt."

Having completed yet another deficit-reduction agreement that somehow managed to increase the deficit, Congress and the Obama administration are now laying the groundwork for upcoming fights over the debt ceiling, the sequester, and the continuing resolution that will fund the government given continued refusal by Senate Democrats to pass a budget.

But before sitting down to negotiate another deal that will kick the problem down the road, perhaps our legislators could use a refresher course on the fiscal facts of life.

Let's start with the basics. This year, the federal government will spend at least \$3.62 trillion, an increase of almost \$92 billion from last year. Of that amount, we will borrow \$941 billion, or 26 percent. Indeed, our deficit this year is almost equal to the entire federal budget in 1985. And, in reality, spending will likely be even higher, since almost every year sees additional "emergency" expenditures as well. Thus, when all is said and done, expect our deficit to actually end up exceeding \$1 trillion for the fifth consecutive year.

Our national debt, which can be thought of as the cumulative total of our annual levels of fiscal irresponsibility, reached \$16.4 trillion this month. This already technically exceeds the debt ceiling that was agreed to less than a year and a half ago. It is worth noting that our debt at that time was just \$14.3 trillion, meaning we have added \$2.1 trillion to the debt since the last time we promised to cut spending as a trade-off for agreeing to more debt.

Our debt currently exceeds 102 percent of GDP, if one considers both debt held by the public and intragovernmental debt (such as the Medicare and Social Security Trust Funds), so we now owe more than the value of all goods and services produced in this country over the course of a year. It's much as if your credit-card bills exceeded your entire pre-tax salary.

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