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Part XI

Our legacy: Massive debt

Sure, the nation's economy will top the new administration's immediate agenda. But one of its real tests is confronting a far bigger, more serious challenge: our national debt.

President-elect Barack Obama's first crisis to address is, of course, figuring out what policies will best help resurrect the U.S. economy as quickly and responsibly as possible.

But in the course of addressing this, let us hope that the decisions the new president makes with Congress will not exacerbate another financial disaster that Washington politicians have created over the past 44 years.

This one is far bigger than even the \$700 billion banking bailout.

We're talking about the overwhelming, incomprehensible debt that lawmakers in Washington and elsewhere have shackled around the necks of America's future generations. It's mind blowing.

Look at the top table at right. Focus on the U.S. Government figures.

When you combine all of the existing federal debts, *plus* what the federal government has promised to pay in Social Security and Medicare benefits, every man, woman and child in the United States — 301.14 million people — would have to write a check for \$175,000 to pay that debt.

It'll never happen.

On top of the federal debt, think about all of the additional public debt that state and local governments have committed their current and future citizens to paying. California: \$136 billion. New York: \$129 billion.

Again, look at the top table — at the entries for Florida, Sarasota County and Manatee County. Thankfully, they are nowhere close to the egregious, immoral amounts Congress has allowed. And when you compare the long-term debt of Florida, Sarasota and Manatee to the value of their assets, they are operating prudently vis-a-vis the federal government. Their long-term liabilities as a percentage of total assets is miniscule compared to the federal government's, which is

HOW MUCH YOU OWE BECAUSE OF BORROWING

The following data show the long-term debt owed by each government authority and how that translates to each person in the United States, in Florida and in Sarasota and Manatee counties.

	'07-'08 Annual Budget	Total Long-Term Debt	Debt Per Capita
U.S. Government	\$2,942,000,000,000	\$52,700,000,000,000*	\$175,000
Florida Government	\$70,831,270,031	\$36,345,723,000	\$1,937
Sarasota County	\$1,142,529,513	\$527,852,898	\$1,362
Manatee County	\$1,057,803,700	\$463,520,966	\$1,467
Total Per Capita Debt for Sarasota residents			\$178,299
Total Per Capita Debt for Manatee residents			\$178,404

* Includes the \$10 trillion in liabilities listed on published U.S. government financial statements (see box below), plus \$6.7 trillion in current and promised future Social Security benefits and \$34.1 trillion in current and future Medicare benefits.

Source: Peterson Foundation, Florida, Manatee, Sarasota Comprehensive Annual Reports

500% of its assets:

- Florida60%
- Sarasota County26%
- Manatee County27%

And yet, although our state and counties' debt levels are reasonable, taxpayers still should take note: Manatee's total debt per capita has increased 82% in the past five years; Sarasota's has increased 66%; and Florida's is up 23%.

Local and state government debt levels are rising.

Here's a startling fact: By 2007, the U.S. government — thanks to a growing economy — collected 50% *more* revenues than it did in 2003. And yet, Congress outspent the growth in revenues. In 2007, Congress spent \$275.5 billion more than it collected. This practice increased the national debt from \$6.8 trillion in 2003 to nearly \$10 trillion in 2007.

This growth in government expenditures is unsustainable. Consider: Since World War II, federal revenues as a percent of GDP has remained constant at 18% of GDP.

If it were a business, the U.S. government would be shut down

When liabilities grossly exceed assets, a business is bankrupt. You could say that about the U.S. government, except that it has given itself the power to print more money.

U.S. GOV'T. BALANCE SHEET (2007 figures, dollars in billions)

Assets	\$1,581.1
Liabilities	
Debt held by public	(5,077.7)
Federal employee & veterans benefits	(4,769.1)
Other Liabilities	(940.1)
Total Liabilities	(10,786.9)
Net Worth	(9,205.8)

Source: U.S. GAO

If that continues — and there's no reason to expect otherwise — Treasury Secretary Henry Paulson

wrote in the 2007 Financial Report of the U.S. Government that "required Medicare, Medicaid and Social Security spending and the related deficit financing costs will far exceed the government's ability to pay."

What's more, Paulson wrote, if nothing changes in current policies, the federal government's debt levels as a percentage of GDP will triple by 2040, double by 2060 and triple again by 2080. "At some point before the debt reaches such unprecedented levels, the world's financial markets would likely cease lending to the United States," Paulson said.

Let's make all of this more real to you: Every time your government — local, state or federal — increases its debt, it reduces your freedom. It means there is less money for the private sector to grow and create jobs.

Certainly, this is not a happy way to end a difficult year, nor to begin a New Year. But illuminating the breadth of this national, state and local challenge is a first step toward keeping America great.

What it will take to keep America great

David Walker resigned last March as U.S. comptroller general, having served nine years under Presidents Clinton and Bush. He resigned to become president of the Peter G. Peterson Foundation, a new organization founded by Peter Peterson, founder of the Blackrock Group and former U.S. secretary of commerce. (See pgpf.org.)

The mission: The foundation is dedicated to increasing public awareness of the nature and



urgency of challenges threatening America's future and to accelerating action. The issues: the U.S. debt and budget deficits, entitlements, health care, energy, education and nuclear proliferation.

Walker resigned from his nine-year position because of his concerns for what he witnessed in Washington as comptroller and his determination to help bring about change before it's too late.

In a speech Nov. 21 in Sarasota, part of his

"Fiscal Wake-Up Tour" around the United States, Walker advocated the U.S. government discontinue its deficit spending and adopt the pay-as-you-go method. In addition, Walker is trying to educate Americans on the importance in of savings instead of credit-card consumerism.

Sponsored by the Argus Foundation, Walker told more than 200 Sarasotans that an election-day survey by the Peterson Foundation revealed that more than 90% of voting Americans are worried about the U.S.' massive debt.

To become involved in Walker's efforts, sign up at www.pgpf.org, or see excerpts from an award-winning documentary on U.S. debt at www.iouathemovie.com.

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