

## **Republican Perspective**

*By Steve Nieman and John Littig*

### Your Personal Share of the National Debt - Three Milestones

On Nov. 15, 2011, the United States reached an unfortunate milestone. Our national debt surpassed \$15 trillion. Similarly, another unfortunate milestone occurred at the end of the last federal fiscal year, Sept. 30, 2011, when the national debt exceeded 100 percent of the prior year's gross domestic product - a first since World War II. The Debt Scoreboard on page 3 of this issue of the News reflects a debt of \$48,324 for each person in the United States. A third milestone will hit shortly. Your share of the debt will cross the \$50,000 mark, probably in the summer of 2012.

During the Clinton administration, the debt increased an average of 4.6 percent per year. During Bush's watch, it increased an average of 10.7 percent per year. So far in the Obama administration, it has increased at an average rate of 14.6 percent per year. The debt is increasing on an accelerating trajectory. This is dangerous.

An approach to this problem, which merely slows the rate of growth, will not reduce the debt or even stop its increase. Two things are needed. The first is real reductions in spending against previous years' spending, not against the projected future increases in annual spending. In fact, debt reduction cannot happen until spending is less than revenue - in essence, an annual budget surplus. Second, the economy has to grow at a significant rate. Growth must be more than the current one to three percent per year, so that more tax revenues are received than are spent each year.

The objective of Congress' failed Super Committee was to cut \$1.5 trillion from the expected increase in government expenditures over the next 10 years. This was naïve. A \$1.5 trillion cut in expenditures is not enough to actually decrease expenditures but would merely reduce their growth, nor would it be enough to be credible with credit rating agencies and, possibly, with the general public. Instead, there would still be budget deficits funded by increasing debt at the end of 10 years.

While real reductions in spending are imperative, they can cause societal problems. This is especially true with reductions in benefits to which people feel entitled. Over the past six decades, Europe has largely developed into an entitlement society. To varying degrees, European populations have become accustomed to state supported wage scales, housing, education, medical care and retirement. These benefits have been sustained by borrowing - thus causing increasing debt levels.

Recent recognition of the unsustainability of these debt levels has forced reductions in the benefits on which people have become dependent. The result has been civil unrest - putting it plainly: riots. This has occurred in England, Italy, Portugal and Spain. Greece is the current and most notorious example.

The European experience holds a message for America. Populations can become so dependent on government largesse that they will riot when benefits are threatened - even in the face of unmistakable evidence that current benefit levels are fiscally unsustainable. The longer we wait to break our addiction to current levels of government benefits, the more difficult will be the inevitable reckoning. The European experience is showing us this, and we ignore Europe's example at our peril.

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