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BEMOANING THE \$19 TRILLION+ NATIONAL DEBT? YOU DON'T KNOW THE HALF OF IT!



By Stephen L. Bakke  August 7, 2016

Federal spending and the national debt. Those are two of the issues to be debated in the presidential election, and then in the trenches of Congress. Government programs need budgets to survive. Budgets set spending levels. Spending leads to taxes and borrowing decisions. Borrowing ultimately leads to a deficit, followed by increased national debt. Then Congress fights over raising the national debt ceiling, and **the process starts all over and over and over again.**

So where are we? **The national debt is now over \$19 trillion, and growing** – although at a lower rate than a few years ago. Without some sort of reform, spending growth will soon be increasing once again. The \$19 Trillion represents an obligation of about \$60,000 per citizen, or \$161,000 per taxpayer unit. While what's described as “national debt” is the most discussed debt measurement, let me suggest that **we're missing the boat by worrying about that amount alone.**

Few if any have ever seen comprehensive financial statements for the United States government. If this were available, it would include a “balance sheet” showing all assets and liabilities/debt/unfunded obligations. Properly done, this would include ALL AMOUNTS for which we and future generations are obligated to pay. **The \$19 trillion amount doesn't represent anything close to our total obligations.**

The U.S. government's “regulatory accountants,” the Securities and Exchange Commission (SEC), as well as other regulatory bodies, require businesses and non-profits to report based on Generally Accepted Accounting Principles (GAAP). Reporting non-compliance can lead to criminal prosecution – it's an important regulatory requirement. As we evaluate national economic policies and results, I argue **there's value in understanding the complete picture of the economic condition of our government.** If it's good for the goose (public and private companies, and non-profits), it's good for the gander (the U.S. government). Let's try to piece together at least some of this information.

The \$19 trillion debt number includes the impact of previous borrowings used to pay earlier obligations. We should also **focus on other obligations the U.S. has for future payments NOT YET MADE!** Included in these obligations are unfunded obligations of Social Security, and other federal programs and trust funds. And interest compounds the problem. While our recorded debt is high, the **country has benefited from record low interest rates. This won't last forever** and increases in rates could be devastating to our fiscal stability.

Some argue that government trust funds, such as those for Social Security and government employee retirement plans, will mitigate the problem by providing the funds necessary to pay their obligations.

We must remember that those balances are just IOUs from the federal government, not deposits or cash! **To ignore the portion of the federal debt that is represented by these inter-government IOUs, would be like paying off a car loan with a home equity loan and thinking you've reduced your debt.** It doesn't work that way!

OK, it's time to quit "beating around the bush." If we add up all the elements of U.S. obligations which would be reported using General Accepted Accounting Principles, as required of companies by the SEC and others, we arrive at a number that is really scary! It appears that current "unfunded liabilities" of the U.S. exceeds \$100 trillion! Add that to the national debt, and **the total could be as high as \$120 trillion.**

Some would focus on reducing "waste, fraud, and abuse" to solve a major part of the problem. That's a good thing but we're so far "in the hole," that's like the proverbial pimple on the elephant's _____! OK, let's tax the rich. **If we took all the wealth away from the richest Americans, we couldn't even pay off the national debt and the entire unfunded liability would be untouched.** Then there would be no more rich people to tax or look to for capital investment.

It's time for "bullet biting"! All parts of government will have to be included in any real solution, and that includes entitlement reform!