

If you don't regularly receive my reports, request a free subscription at [steve\\_bakke@comcast.net](mailto:steve_bakke@comcast.net) !  
Follow me on Twitter at <http://twitter.com/@BakkeSteve> and receive links to my posts and more!  
Visit my website at <http://www.myslantonthings.com> !

## NATIONAL DEBT: A SMALL PART OF THE TOTAL PROBLEM

By Steve Bakke  September 22, 2019



It's budget time again, and it's obvious our national debt will continue to go up. I've concluded that, in spite of their claims to the contrary, most of our political "employees" in Washington don't consider it a big deal. They sure don't seem to be doing something about it. Perhaps they realized that our borrowed national debt is almost immaterial compared to "what we owe." What? How can that be? It doesn't make sense!

There's something called "principles of accounting" that define how any organization reports their earnings, financial status, related measurements and disclosures. If comprehensive financial statements were available for the United States government (they're not), they would include a measurement for our total financial obligations i.e. the things we know we have to pay in the future. And I'm sorry to report that our national debt is but a small fraction of our total obligations.

The national debt represents the amount already borrowed for payments we've made. 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 total obligations. 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 current national debt is about \$23 trillion, and growing. But that doesn't even come close to measuring all of our future obligations. We need to add the unfunded obligations of Social Security, Medicare Parts A,B, and D, federal employee benefits, veterans benefits, and some other programs. Some argue that government trust funds, such as those for Social Security and government employee retirement plans, will mitigate the problem by providing their own funds necessary to pay their obligations. Remember that those trust 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 you paying off a car loan with a home equity loan and thinking you've reduced your debt. It doesn't work that way!

If we could add up all the elements of U.S. unfunded obligations which would be reported using General Accepted Accounting Principles, as required of corporations by the SEC and others, we would arrive at a number that's really scary! Unfortunately, the exact amount of

unfunded obligations is not routinely determined, but estimates range from about \$125 trillion to over \$200 trillion. Therefore, our total obligations is in a range from about \$150 trillion to over \$220 trillion. That's very imprecise, but whatever the actual amount is, the national debt we worry so much about is only a fraction of the total obligations.

Some would focus on reducing "waste, fraud, and abuse" to solve a major part of the problem. That would be a "good thing" but we're so far "in the hole," accomplishing that would be like the proverbial "drop in the bucket." If you want a tax on the rich to solve the problem, you're out of luck. 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 remain untouched. If that were done, there would be no more rich people to tax (they pay the bulk of our federal taxes right now), nor could we depend on them for capital investment. That would be dismal.

The problem is so huge, it's hard to even imagine such large amounts of money. No wonder our politicians may have "relaxed" on the relatively small amount of our national debt. I can't believe I wrote "small amount," but it is small compared to our total liabilities. The CBO recently stated: "The prospect of large and growing debt poses substantial risks for the nation and presents policymakers with significant challenges." The first step in finding a solution would be to admit there's a problem. Then let's restructure Social Security, and other main drivers of the unfunded portion of obligations, prioritize and reign in other budget items, and then just keep fixing.