

Socrates Café

Wednesday, October 16, 2019

*Our Socrates Café is an opportunity to exchange thoughtful ideas and experiences
All political, economic, and social points of view are welcomed and encouraged.
The only ground rule is that we will be polite to those opinions that differ from our own.*

What Should We - Can We - Do About Our National Debt?

Our National Debt is the accumulation of all federal government borrowing. It includes funds from private citizens, corporations, foreign governments, and individuals. Unlike private businesses, it does not include accrued liabilities such as pensions and other commitments. Each year, any difference between what the federal government collects in revenues (taxes and other fees) and what it spends is the federal deficit.

The size of the debt and the annual budget deficit or surplus has varied significantly over our history. In only one year, 1836, did the United States have a zero national debt. In the last 25 years we have had budget surpluses in four years and deficits in twenty-one. The largest deficits have occurred in 2009 through 2012 where they totaled \$3.794 trillion dollars. In 2018 it was again over \$1 trillion and will do so this year and next.

Exactly how much is a trillion dollars? Suppose you gave someone a dollar a second, 24 hours a day. It would take 12 days to give away a million dollars. Continuing the same gifting, it would take 32 years to give away a billion dollars and 32,000 years to give away a trillion.

It can be argued that it is misleading to compare present spending and debt with the past because of inflation and because we have a much larger economy than many years ago. So it is instructive to consider that point of view and use the ratio of national debt to gross domestic product.

In 1965, when we entered the Vietnam War, it was 43 percent. In 1975, the year that war ended it was 35 percent. The year the twin towers fell, 2001, it had risen to 55 percent. It is estimated that 2019 will end with a ratio of National Debt to Gross Domestic Product of 106 percent and will climb for the foreseeable future.

Where does the money go? Our budget goes to Medicare, Medicaid, and CHIP (26%), Social Security (24%), Defense (15%), Safety net programs (9%), Pensions and Veteran Benefits (8%), debt interest (7%), all other (11%).

Should We Increase Taxes?

Should We Cut Social Welfare Programs?

Should We Cut Military Spending?

Should We Just Let Our Children and Grandchildren Deal With It?