

For What It Is Worth... Debt

By Keith S. Brown

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While researching another topic, I came across the following information. I don't mean to be unduly alarmist, but it does appear we have a bit of problem.... that unfortunately appears to be getting worse.

The current national debt is \$8,202,871,890,681 [or approximately 8.2 Trillion dollars]. Assuming the population of the USA is 298 million people, this works out to about \$27,500 per person. The national debt in December of '03 surpassed 7 Trillion dollars. (Data from the US National Debt Clock as of 4 Jan '06 @ 03:58 AM GMT
http://www.brillig.com/debt_clock/)

The estimated 2004 GDP is \$11,750,000,000,000 or almost 12 Trillion dollars. On a per capita basis that is just over \$39,400. (Data from
<http://www.cia.gov/cia/publications/factbook/rankorder/2001rank.html>)

If we approximate the debt in 2004 as \$7.6T, then the debt/GDP ratio for '04 was almost 65%.

Approximately 45% of the \$4.5T+ Treasury debt is under foreign control. Japan owns ~33% and China owns ~12% of the foreign held US Treasury debt. (Data from
<http://home.att.net/~mwhodges/debt.htm>)

Total US debt in 2004 was \$40T or approximately \$136,500 per person. Total US Debt is defined as all US debt, public and private. In other words it is the sum of federal and state & local governments, international, and private debt, incl. households, business and financial sector debts, and federal debt to trust funds (such as Social Security, Medicare, Medicaid, etc).

Not only does the Total US debt greatly exceed the US Income, the debt growth rate greatly exceeds the Income Growth Rate. As of 2004, the Total US debt was somewhat more than 425% of the National Income and growing. (Data from
<http://mwhodges.home.att.net/nat-debt/debt-nat.htm>)

My mental picture (which may be incorrect, but I believe fundamentally demonstrates the problem) of the situation would be as if I earned \$50,000 and carried a debt load of \$212,000 which, due to my unrestrained spending, increased each and every year faster my income. I would find such a reality absolutely terrifying...

Until I reviewed the data and ran the numbers, I did not realize the extent of the problem. For the last several years, I've been preoccupied with projects that have distracted me

from all but the bare essentials. As a result, I'm amazed at the scale of the problem. It is as if I awoke from a nap to find the financial incarnation of "The Blob" (you know, the old "B" SciFi movie of an amorphous mass that eats everyone and everything) about to swallow the last of the world I once knew...

In other words, the problem seems a wee bit unstable.

As I've been a bit slow to recognize the problem, I wonder how you have guarded your future and your family from what appears, to my late awakening, a nearly insurmountable problem? If you don't mind sharing your wisdom, I would appreciate the favor.

I'll plead ignorance in this realm. The only significant actions (if they can be called such) I've taken is to pay off my debts and live below my means.

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