

For What It Is Worth, The Ship Of State...

By Keith S. Brown

20 October, 2008 © Keith S Brown

The total current debt is \$110T¹ which includes Social Security, Medicaid and Medicare. With a GDP² of about \$13.84T³ the US employs an 8 to 1 leverage. If the US were a person, it would have the equivalent of \$400,000 debt with a \$50,000 income. Unless extreme measures were immediately taken the person would be bankrupt. As grandpa said, "an unsustainable trend cannot continue"...

The nominal current debt (20 Oct 2008) which excludes Social Security, Medicaid, and Medicare is \$10,342,736,254,290.54 (over \$10.3T) and increases at an average of \$3.45B per DAY!⁴

By analogy...

Our ship of state is sinking. Instead of patching the gaping holes and manning the pumps to keep the ship afloat, the political parties have each promised a larger cabin at no additional expense to each passenger that supports the contender's fight for the helm. As the fight continues, the ocean rushes unchecked through the ship. Compartment after compartment floods. Stressed by megatons of water, rivets pop; bulkheads collapse; failsafes fail; the unwary are battered and smashed about; a deep watery grave for all aboard is imminent.

The sad reality neither party has been willing to cut expenses... the metaphorical "patching and pumping" required to save the ship of state. As a result, the minor leaks of yesteryear are now roaring torrents; the minor cuts of the past now require major amputation.

Instead of facing reality, each candidate has promised the population a "larger cabin at no additional expense" on a sinking ship in return for their support to stand at the helm... the sole difference between the two is that one candidate has promised each of his supporters a larger cabin than that promised by his opponent.

To continue the analogy...

The candidate who proposed we patch the holes and man the pumps to keep the ship of state afloat was tossed overboard... for being unrealistic...

¹ In my 7 September 2008 essay, the nominal US debt was \$9.6T and the unfunded entitlement debt was \$99.2T. Today the nominal US debt is over \$10.3T. Added to the unfunded entitlement debt (assumed unchanged from 6 weeks ago) results in a total US debt of more than \$109.5T or in round numbers \$110T.

² <https://www.cia.gov/library/publications/the-world-factbook/print/us.html>

³ The definition of GDP includes government spending (<http://www.investorwords.com/2153/GDP.html>) which seems more than slightly asinine and very Enronesque... basically fudging the numbers by adding debt to the asset column. If GDP is used as a proxy for "income" on a national level, then government spending is at best a funds transfer... used as such, it must be subtracted from the total. As a result, the gearing is higher than the naïve 8-to-1 leverage assumed above.

⁴ http://www.brillig.com/debt_clock/

Serious cuts imply massive reductions in the military⁵, wholesale cuts in the federal workforce, total elimination of federal agencies and departments, freezing all entitlement programs, canceling all new appropriations... and even that might not be enough.

Instead we are arguing about the decorations in the new larger cabins we'll receive at no additional expense.

How insanely crazy are we?

Very!

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⁵ The 4 May 2005 "Jane's Defense Industry" article stated the "US defense budget will equal the Rest-of-the-World within 12 months" (Reference to article in Jane's Defense News: http://www.janes.com/defence/news/jdi/jdi050504_1_n.shtml) "The US defence budget reached US\$417.4 billion in 2003 - 46 per cent of the global total."
<http://www.chairouchu.com/documents/For%20What%20It%20Is%20Worth,%20Cost%20Of%20War.pdf>