

America Owes \$10 Trillion! No, \$50 Trillion! Let Me Explain.

Donald Marron

Abstract

In a contribution to the Christian Science Monitor, Donald Marron discusses the estimates of America's debt which vary by tens of trillions of dollars, depending on how you count. The bottom line: It's deep but not yet fatal.

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Christian Science Monitor America Owes \$10 Trillion! No, \$50 Trillion! Let Me Explain.

America is deep in debt. But how deep?

That question seems simple, yet analysts and pundits give answers that differ by trillions of dollars. Sometimes tens of trillions. That confusion arises because there are various ways to tote up America's debts.

Many observers often focus on the publicly held debt - the bonds that the Treasury has sold into financial markets. By that measure, the federal government owed a bit more than \$10 trillion at the end of last fiscal year.

That figure is important because it measures how much the federal government has had to rely on outside investors. For that reason, it does not include the special Treasury bonds in the Social Security Trust Fund and similar accounts owned by the federal government itself. From an accounting perspective, those bonds net to zero - a part of the government owes money to another part. But they are important to Social Security legally and politically. Some analysts use a measure that includes the trust funds, bringing the federal debt to more than \$14 trillion.

That's not the only measurement disagreement. Social Security and Medicare reflect a major commitment to seniors in the years ahead, but the government hasn't identified enough dedicated financing to pay for them. Some analysts believe these unfunded amounts should be viewed as debts as well. Their size depends on technical factors like the future growth rate of health spending and how far you look into the future. Depending on their choices, analysts can get huge measures of indebtedness: \$50 trillion or more.

This range of figures - \$10 trillion, \$14 trillion, \$50 trillion - sows confusion about how indebted the United States is. Yet none of them captures all of America's debts. The government has a host of other obligations that often get overlooked.

These other liabilities appear in the government's little-known financial statements. Those statements use concepts familiar to anyone who has worked with a corporate balance sheet listing assets and liabilities. The government's liabilities include more than \$7 trillion in obligations that don't appear in standard budget measures.

That's real money, even in Washington.

The largest are commitments to federal employees, retirees, and veterans, including pensions and postretirement health benefits. Those commitments, which get surprisingly little attention, now stand at almost \$6 trillion.

Another \$1 trillion in liabilities includes obligations for environmental cleanup, government insurance payouts, and ongoing commitments to Fannie Mae and Freddie Mac. Add in publicly held debt, and the government owes more than \$17 trillion, before accounting for future commitments to Social Security or Medicare.

Of course, the government has assets: buildings, aircraft carriers, and a sizable portfolio of financial assets. Federal accountants tally those as worth a bit less than \$3 trillion. The government's net liabilities round out to nearly \$15 trillion, 50 percent larger than the public debt alone and comparable to the value of all goods and services produced by the US economy each year.

The US is thus in debt to the tune of roughly 100 percent of gross domestic product. That's daunting, but it need not be fatal. As the economy recovers, our obligations - both past and future - should be manageable if policymakers overcome our greatest liability: a political system that addresses short-term crises rather than

long-term challenges.

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