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MONDAY, OCTOBER 1, 2007

### The Rising National Debt - Why It Matters

Congress has just approved raising the U.S. federal debt ceiling to a tad short of \$10 trillion. What happened to the virtue of thrift and foresight exemplified by the [fable](#) about the ant and the cricket? The ant works all summer to save for the winter, while the cricket just sings his heart out. Come fall, the cricket begs in vain for food and starves to death, not having figured out the America Buys on Credit solution - buy what you want and put it on Uncle Sam's credit card until it maxes out at \$10 trillion.

The debt ceiling had held at under \$6 trillion from August 1997 to June 2002, when after 18 months in office President Bush asked for a higher ceiling. Three more increases took the ceiling to nearly \$9 trillion, which was reached on October 2, according to [the national debt clock](#), i.e., nearly \$30,000 per U.S. citizen. The latest increase raises the ceiling more than 60 percent above what it was when the President took office in 2001.

A [CIA](#) table updated as of September 20, 2007 shows the national debt of France, Turkey and the United States clustered around 64.7 percent of GDP.

**Debt, External Debt and Deficits.** If Americans owe \$30,000 to one another, some argue, it's just a wash. Perhaps the burden of the debt is shifted to the next generation. Perhaps the debt service encumbers future budgets. Perhaps the President is setting a bad example as Borrower in Chief. That's the way [Mayor Bloomberg feels](#): "Too many of our conservatives in the United States want to run up enormous deficits and hope that some way, somehow, someone else will pay for it. That's not conservatism, that's alchemy at best, or if you like, lunacy."

On the other hand, if the money is spent for investment, the next generation is benefiting from this investment and U.S. debt itself provides the buyers with a low-risk asset. The problem is that the

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#### About Me



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money is not being spent for investment. The increases are for wars in Afghanistan and Iraq that are not going well and are dubious investments. The U.S. debt has been bought heavily by foreign central banks, allowing them to neutralize the extra dollars and keep the local currencies strong, at the expense of the dollar. A weaker dollar is not necessarily bad, because it means Americans can export more overseas. It also means that imports will cost more. This could well contribute to inflation. It also provides some hope that U.S. consumers will spend a smaller share of their income of imports and the enormous annual U.S. current account deficit will start to shrink.

U.S. external debt, i.e., public and private debts repayable in foreign currencies, shows the extent of the cumulative overhang. Debt obligations are calculated in U.S. dollars at current exchange rates. While U.S. external debt is the highest at \$10 trillion, it isn't much higher than the \$8.3 trillion figure for the UK.

#### Top Five Cricket Nations by External Debt

1. United States \$10.0 trillion
2. United Kingdom, \$8.3 trillion
3. Germany, \$3.9 trillion
4. France, \$3.5 trillion
5. Italy, \$2.0 trillion

Source: CIA, [The World Factbook](#) , updated as of 9/20/07.

To rank the cricket nations on a current basis, we can use current-account deficits, i.e., a country's net imports in goods and services, less net earnings from rents, interest, profits, and dividends, and less net transfer payments (such as pension funds and worker remittances) from the rest of the world during the year, calculated on an exchange-rate basis. The U.S. current account deficit in 2006 of \$862 billion is nearly 15 times the UK's \$58 billion.

#### Top Five Cricket Nations by Current Account Deficits, 2006

1. United States, -\$862.3 billion
2. Spain, -\$98.6 billion
3. United Kingdom, -\$57.7 billion
4. Australia, -\$41.6 billion
5. France, -\$38.0 billion

Source: CIA, [The World Factbook](#) , updated as of 9/20/07. The Trade Balance is the net exports of goods and services, i.e., exports less imports. Examples of services would be legal and consulting services to overseas clients. The [Current Account](#) Balance (ranked for 163 countries) is the Trade Balance + net factor income from abroad (such as interest and dividends) + net unilateral transfers from abroad (such as foreign aid, pension payments from overseas or workers' remittances from overseas). When the trade or current account balance is positive it is called a surplus. When the balance is negative it is called a deficit.

**Why Do Debts and Deficits Matter?** Americans owing money to one another is not worrisome. But Americans selling public debt to foreign

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countries, and adding to the debt at a rapid clip, is worrisome. Those who are holding dollar securities must be noticing that the value of these securities has declined seriously.

Meanwhile, U.S. consumers must eventually pay substantially more for imports. That must put an upward pressure on the CPI. We could be back to the 1970s problem of simultaneously rising unemployment and rising inflation, and therefore a rising Misery Index. The U.S. Misery Index hit a high of 22 percent in June 1980. Right now it is down to 5.6 percent.

Posted by John Tepper Marlin at [10:14 PM](#)   
 Labels: [current account](#), [Debt](#), [deficits](#), [Misery Index](#)

**13 comments:**

**[GirishLaikhra](#) said...**

This is an awesome article. Very basic but extremely effective movements to build a great body.  
 great information, thanks for sharing it.  
 Hi, very interesting blog. Nice work!

-----  
 Girish  
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[Debt management plan](#)--Debt management plan

[October 2, 2009 4:07 PM](#)

**[shelly](#) said...**

Oh, Yes, I am fully satisfied with Mr. Grish Laikhra that It is really very basic extremely effective movements to build a great body.  
 great information, thanks for sharing it. It is simply awesome.....

=====

[Debt Management](#)

[October 13, 2009 1:44 AM](#)



**[yearn to learn](#) said...**

I am not sure the question is answered.

Short-term investments for long-term returns are always a good economic strategy. And, the long-term goals of a robust economy and national security warrant deficit spending. FDR and Congress employed a similar strategy during the Great Depression and World War II. The national debt soared. Still, the 1950's and 1960's saw an economic boom.

I think the real issue is the long-term health of the economy. Can we pay for tomorrow's services: health care, national defense, interest on the debt, infrastructure, etc.

**Plaxo Badge**





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John is Going Friday to the "Silent Sentinel" celebration of the suffragists who were imprisoned for picketing the Wilson White House.

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This, I think, is the answer to the question of whether a rising national debt matters - can a healthy future economy pay for tomorrow's life style? To avoid an economic catastrophe, the Republican administration focused its attention on the financial industry in the waning moments of Bush's administration. And, this is why Obama and Congress should focus their attention on the car industry, on information technology, on energy and those matters which will keep us globally competitive.

As Bill Clinton observed when running against Bush I, "It is the economy stupid."

January 12, 2010 7:05 AM

Anna said...

Rising national debt can turn out rather dangerous under certain conditions. Clenbuterol

August 9, 2010 6:01 AM

hakan altan said...

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August 19, 2010 6:42 AM

Amit said...

This economic crisis was a grave threat to individuals, as well as to the stability and future of the young republic. Independence had been declared and the war had made that a reality, but now the new republican governments, at both the state and national level, had to make difficult decisions about how to respond to serious economic problems. Most state legislatures passed laws to help ordinary farmers deal with their high level of debt. debt negotiation

November 18, 2010 3:00 PM

Zangetsu said...

finally we are gaining stability, even the genetic viagra companies are getting good sellings too.

November 24, 2010 1:21 PM

Ak Sağlık said...

I am happy to find this very useful for me, as it contains lot of information. I always prefer to read the quality content TüpBebek



January 10, 2011 4:11 AM



**Alper** said...

Çilek [sex shop](#) Mağzamızda En Kaliteli [sex ürünleri](#), [sex oyuncakları](#) [şişme bebek](#) ve [erotic shop erotik giyim](#) Ürünlerini Bulabileceğiniz Gibi Ayrıca, [penis büyütücü](#), [geciktirici](#), [Bayan Uyarıcı](#), Ürünlerde Temin Edebilirsiniz. 1994 ten Bu Yana En Kaliteli Orjinal Erotik Ürünlerini Sağlamakta Olan Çilek [Erotik Shop](#) ta Tüm Cinsel Ürünleri Bulabilirsiniz

January 27, 2011 4:23 AM



**Ak Sağlık** said...

Thanks a lot!!!!  
So Gooood Page.....  
Nice post  
[Mikroenjeksiyon](#)

February 10, 2011 2:21 AM



**kathym5639** said...

What I want to know is why you didnt think to include the other side of this issue? There are so many things that youre missing here that I dont see how you could actually form an intelligent opinion on the subject. Its like you didnt even consider that there me be another side here. Im kind of disappointed. [P90X workout](#)

March 7, 2011 6:45 AM



**freelancing SEO** said...

I've been bookmarking them for a while now and just decided to create a post to provide them to others [high court enforcement](#)

May 6, 2011 4:04 AM



**Архангел** said...

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June 28, 2011 11:05 AM

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