

America on the Verge of Bankruptcy!

This past month the United States avoided financial disaster in the eleventh hour, but the matter is far from closed. The only reason America has not yet defaulted on her loans is because there are nations that are willing to continue lending her money on interest. The national deficit has reached an all-time high of \$14.4 trillion, of which \$1.5 trillion is owed to communist China and gives this enemy state considerable clout to manipulate the United States.

The recent debt crisis in Washington has woken up many Americans to the precarious financial situation in which their country finds itself and for which a solution must be found soon.



The pressure cooker of America's rising sky-high national deficit has dominated politics and the news recently. While Americans as individuals have discovered over the course of the current financial crisis the need to live within their means and lower household debt, the government has largely overlooked its obligations in this area. America's federal government refuses to live within its means and it continues to function and operate on borrowed money.

In recent weeks the world looked on as President Obama negotiated with the Republican leaders in the House of Representatives to approve a raise in the debt ceiling (the amount of debt the federal government is permitted to carry), which the Republicans adamantly refused to do unless Obama agreed to deep cuts in federal spending. In Obama's 31 months in office, government spending—which was already straining the budget under his predecessors – had spiraled completely out of control.

When George W. Bush took office on January 20, 2001, the national deficit stood at \$5.7 trillion. When he left eight years later on January 20, 2009, the deficit had nearly doubled, to \$10.6 trillion. At the beginning of August, 2011, the deficit stood at the incredible total \$14,433,497,016,070!



In Obama's economy many people are looking for change.

The very same Democrats who once condemned President Bush for doubling the national deficit have now brought it to the all-time high it has presently reached. The same Republicans who supported Bush's policies that doubled the deficit are now castigating Obama for his world-record spending habits.

Even if the national deficit were just \$1 trillion we would be in a financial crisis. Yet, the debt has reached over 14 times that amount, and still little is being done to address the problem before it becomes too late.

How much is \$14.4 Trillion?

That's a very good question. We could simplify it somewhat by saying that you could order in pizza every night for the rest of your life and another 100,000 years after that before you used up that amount. However, that hardly gives a true feel for the gigantic sum under discussion.

To be fair, a rich man can afford to borrow far more than a poor man, because he deals with larger sums and will have an easier time repaying the debt. And the American government is one very rich man, since it has all Americans paying it taxes for its support. Therefore, to put matters into proper perspective, economists compare the size of the deficit against the overall American economy as measured by the Gross Domestic Product (GDP). The GDP is the value of all the goods and services produced throughout America that year.

In 2008, the GDP equaled \$14.2 trillion. Since the deficit was \$10.6 trillion, the American government had accumulated debt that equaled 72% of what America as a whole was earning, which is considered a very high ratio. It's somewhat akin to a poor man borrowing as if he were wealthy.

By 2009, the deficit already equaled 80% of the GDP.

In recent weeks the U.S. debt surpassed 100 percent of gross domestic product!

The debt, which had been in somewhat of a holding pattern over the past several weeks, rose \$238 billion after President

Obama signed the debt-ceiling deal into law on August 2, to avoid the country's first-ever default. With that, the public debt has climbed to \$14.58 trillion, putting it just over the \$14.53 trillion size of the country's economy in 2010.

How Did Matters Get So Bad?

Another good question. Basically, it is a result of having short-term presidents and congressional members whose main concern is to satisfy their constituents right now. Cutting government benefit programs of any sort is always going to be unpopular with some, so presidents find it in their best interests to keep on spending more and more and to leave the resulting deficit for whoever enters the White House next to deal with.

The good news is that at least now enough noise has been made about the issue that the American public is beginning to awaken to the problem and come to their senses about spending, just as many American families have done with their own budgets as a result of the recession. The only question is

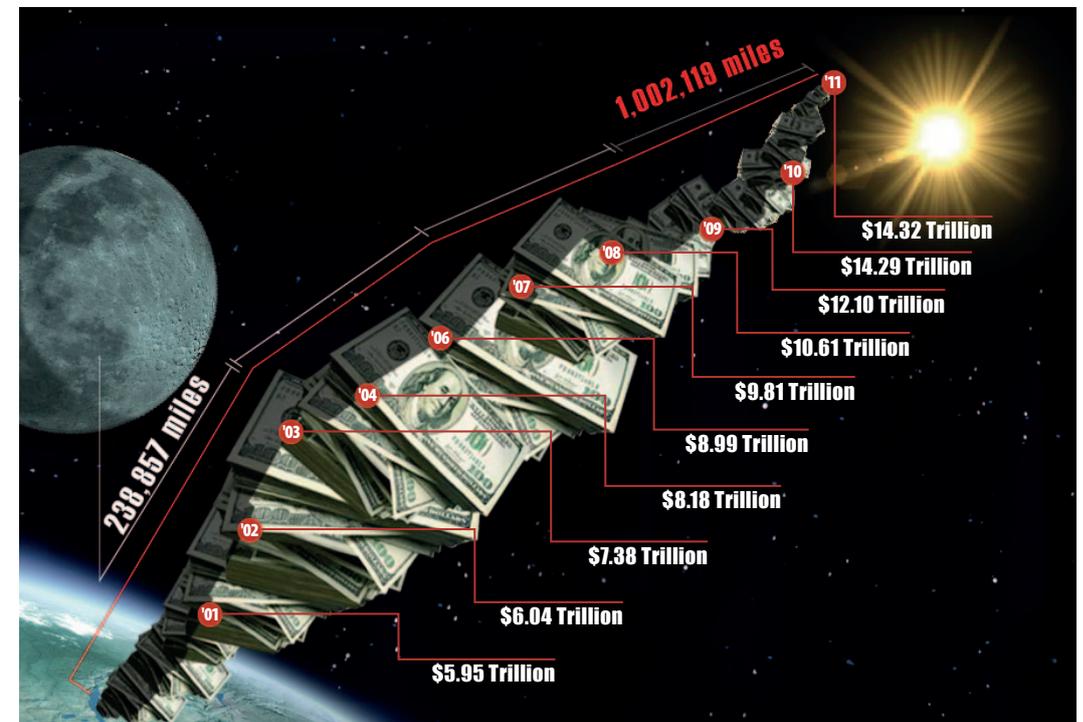


whether the recent turmoil will prove powerful enough to have a lasting influence in Washington, or will it quickly be forgotten and matters will go on as they always have until they can go on no longer?

Was the National Debt Always High?

Simply, "no." For much of its history America was led by presidents and congressional members who governed within their means, meaning they were careful not to spend more on programs than the government was earning from tax and other revenues. When the spending and income are equal we have a balanced budget.

On certain occasions, such as when a war breaks out, it was clear that extra spending would be needed before the government could collect the revenues to fund it, and



This is how much \$14.4 trillion is...