

INSIGHTS

GOVERNMENTS DON'T PAY DEBTS, PEOPLE DO.



THINK FORWARD.

The federal government has spent more than it raised in taxes in 36 of the past 40 years, resulting in a growing debt burden. Total U.S. government debt held by the public has doubled to over \$20 trillion in the past ten years. The new tax bill is expected to push the growing national debt beyond its already burgeoning level. This figure is so large that the only way to put it in perspective is to divide it by the population of the United States to understand the debt that each of us is theoretically responsible for. Below we compare the total debt level of all US households, states, local governments, and the federal government ten years to today.

	Q4 2007	Q4 2017	% Change
Total Household	\$12,370,000,000,000.00	\$13,150,000,000,000.00	6.31%
Household Debt Per-Person	\$41,000.00	\$40,000.00	-2.44%
Total State & Local	\$2,408,600,000,000.00	\$3,051,500,000,000.00	66.69%
State & Local Debt Per-Person	\$8,000.00	\$9,000.00	12.50%
Total Federal	\$9,229,172,000,000.00	\$20,492,747,000,000.00	122.4%
Federal Debt Per-Person	\$31,000.00	\$63,000.00	103.23%
US Population	301,600,000.00	325,700,000.00	7.99%

What does this mean to you and me? If our government was forced to pay back all its obligations tomorrow, it would essentially have to tax each resident \$63,000. This means that your family of four (we didn't count your dog) is on the hook for \$252,000 of federal debt today, versus \$124,000 ten years ago.

A Point to Remember: Fortunately, the United States boasts the largest economy and the dollar continues to dominate as the reserve currency of the global financial system. This has led to our debt being the safe-haven asset for the world. Investors pile in during periods of uncertainty and market volatility, as illustrated by the fact that US treasuries were one of the only assets with a positive return during the global financial crisis in 2008.

Comment: The United States' status as an economic powerhouse makes it easy for the government to borrow money. The dilemma is whether we have the foresight and conviction to address these high debt levels now, rather than kicking the can down the road to the next generation who may not have the economic advantages we have today.

"Governments don't pay debts, people do."
- Dave Hunter

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