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Economics, Money

The Government budget balance is a country's general government budget over a year. It includes all government levels and public social security funds. A negative balance is called a government budget deficit. In 2008, the United States government needed to borrow 459 billion dollars to pay their bills. Due to extraordinary economic conditions, the United States government needed to borrow 1. 4 trillion dollars in 2009. In the next decade, it is expected that the United States will need to borrow 16 trillion dollars. The United States public debt is money that is borrowed by the federal government of the United States. In September of 2008, the national debt was 9. 6 trillion dollars. In March of 2010, the national debt increased by 32% which is 12. 6 trillion dollars.

The total unfunded promises and liabilities of the United States is over 62 trillion dollars. In order to pay for our major liabilities and promises, the United States needs that money invested today but of all that money they have zero of it. The federal debt includes money that the government owes to social security, Medicare, and debt owed to the public. By the end of 2010, the federal government will owe almost 9 trillion dollars to the public. Also, our gross domestic product is expected to reach 14. 6 trillion dollars by the end of 2010. The public debt to gross domestic product ratio is used to determine how much we borrowed relative to our national income. By the end of 2010, our public debt to gross domestic product will be around 62 percent.

The federal government was formed in 1789 and the government has been having problems with the national debt since. Many factors lead to our national debt like war and the great depression but we always managed to bring the dent down. In the early 1980s, the national debt began to grow quickly. In the late 90s and early 2000s the government was running budget surpluses. As a result, our federal budget has been low and the national debt has been increasing rapidly.

Sixty-eight percent of the money borrowed by the United States government came from foreign sources. The foreign countries are becoming impatient with our deficit. If foreign countries were to stop loaning us money, then we will have to raise interest rates dramatically, cut spending or, raise taxes. Estimated spending levels will be twice as large as revenues.

Government spending includes all government consumption, investment but excludes transfer payments made by a state. Defense and other spending is the largest spending. Military spending is projected to be a very large cost for the United States. Since September of 2001, law makers provided 1. 1 trillion dollars for operations in Iraq, Afghanistan, and other war related activities. If we cut those spending, we can lower the potential future debt levels.

Our nation's mandatory spending policies are growing at a fast rate. By 2019, we will be spending 92 percent of all the revenues on entitlements and payments on the national debt. That will leave little money for all other expenditures. We will have to cut discretionary spending or we will continue to run large in growing our budget deficit. Some solutions can be to reform social security by increasing the retirement age, increase pay roll tax revenues, reduce growth in benefits for the better-off, and reduce COLA for benefits.

I believe the national debt is too large to try and pay it off. There are many solutions that have been proposed yet we still have a very high debt. Even though our generation does not want to pass this problem to future generations, I believe they will face the national debt problem and they might be living in worse economy than we are.