

Balancing the Books

Is it in our best interest?

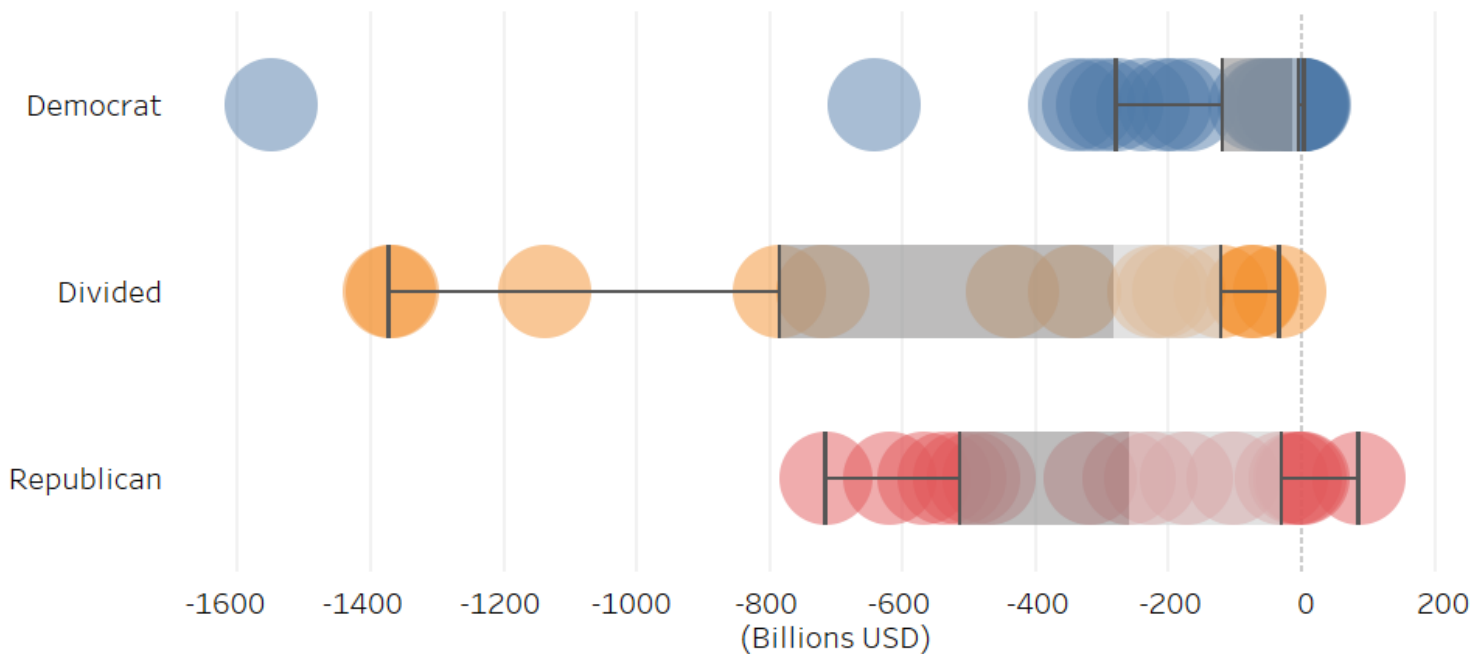
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Federal spending has pushed the current United States budget deficit to \$2.8 trillion, an eighty year high. For context, in order to eliminate the full national debt, every man, woman, and child in the country would have to pay over \$69,000. A common, if erroneous, argument to government spending is that individuals have to maintain balanced checkbooks, why shouldn't the government? In truth, the median U.S. household is over \$135,000 in debt. According to the Central Intelligence Agency, 72% of the 222 countries documented in 2017 did not have balanced budgets. Is our national budget deficit truly something to be concerned about?

Economists disagree on the importance of reducing the national debt. Accumulating debt, and making the required payments, helps build credit, maintain alliances, and provides funds to build up infrastructure and social programs. On the other hand, increasing debt levels could eventually cause investors to question the United States' ability to repay its obligations. This could lead to higher interest rates and slow the country's economic growth.

Politicians often use the national debt as a part of their platform. Liberal Democrats typically argue that lowering debt is not an urgent need while conservative Republicans counter that the debt will eventually become a problem, and that it will be easier to fix now. The trouble with balancing the budget from a political point of view is that it can only be accomplished by reductions in spending and/or tax increases, neither of which are popular with voters. The figure below shows boxplots of the U.S. annual budgets since 1950. Despite their political platforms, neither party has demonstrated the ability to consistently produce a balanced budget, even when they have control of both bodies of Congress. The median balance for a budget produced by Democrats when in control is -\$14.1 billion; for Republicans it is -\$258.8 billion. When Congressional houses are divided, the median budget has produced even higher deficit spending.

U.S. Budget Balances by Control of Congress



As a percentage of Gross Domestic Product, 2017 U.S. deficit spending was in the 59th percentile when compared to 222 other nations. Despite the political rhetoric, there is little to indicate that the national debt will become the serious focus of either party, or even whether or not it should.