Unsustainable Debt

An Analysis of the Financial Statements
of the United States Federal Government

Walt Sosnowski

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Introduction

In response to the Great Financial Crisis of 2008, the United States Federal Government started engaging in massive fiscal stimulus. Since that time, there have been numerous warnings about the looming problems with the growing debt of the U.S. Federal Government.

Additionally, there has been a growing concern about the alarming status of the unfunded Social Security and Medicare liabilities.

These warnings can be very confusing. It is hard to know what to believe.

The following analysis provides a streamlined explanation of the issue.

If you have come across this presentation without viewing the accompanying video, you might want to first watch the video at UnsustainableDebt.com.

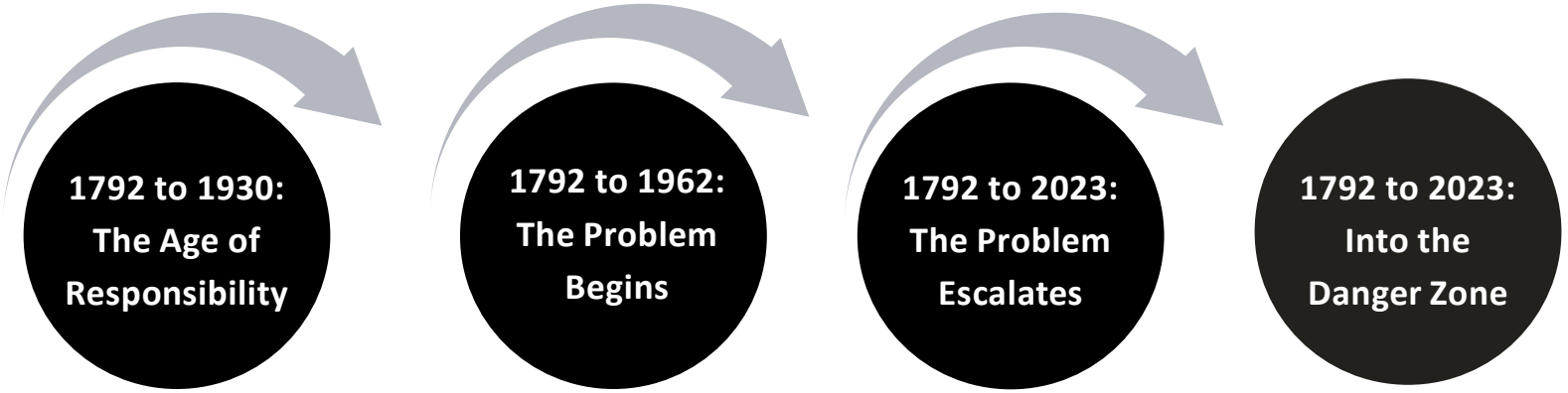
Executive Summary

- The amount of money the U.S. Federal Government is borrowing is unsustainable and has become a significant problem.
- In fact, the balance sheet of the U.S. Federal Government is now the worst it has been in our entire history as a country. It has now moved into dangerous territory. As you will see, this is quantifiable.
- There are potential consequences—and some of the consequences could be severe.
- This is not just a problem solely for our kids and grandkids. It is a problem for each and every American.
- While this is bad news, there are some potential solutions.
- America has a great history of dealing with problems, and we can rise to the occasion again.

Historical Background

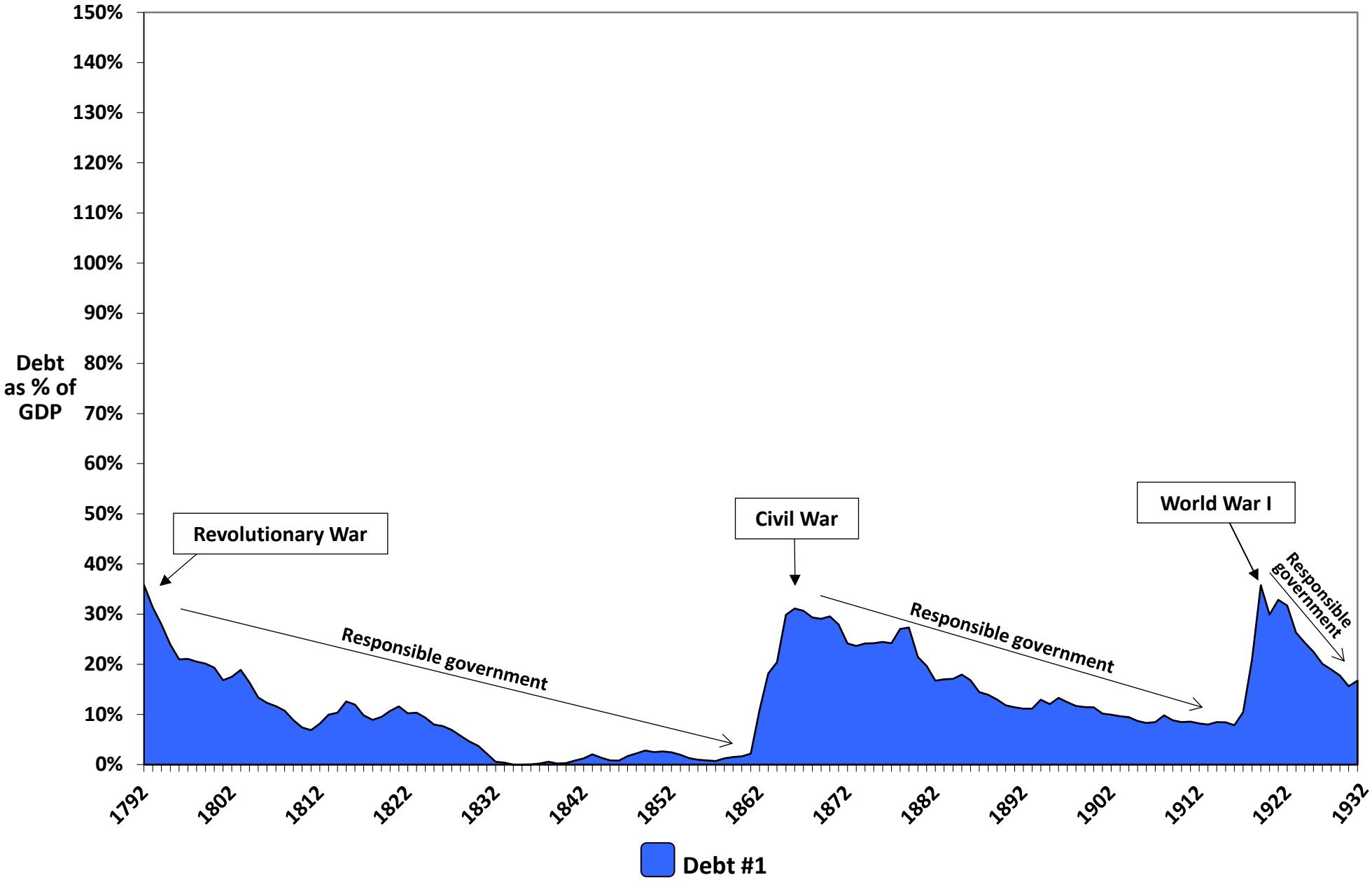
In order to fully understand the current situation, a quick history is helpful. On the next few pages, you will see graphs of U.S. Federal Government Debt as a percentage of Gross Domestic Product (GDP).

The graphs are as follows:

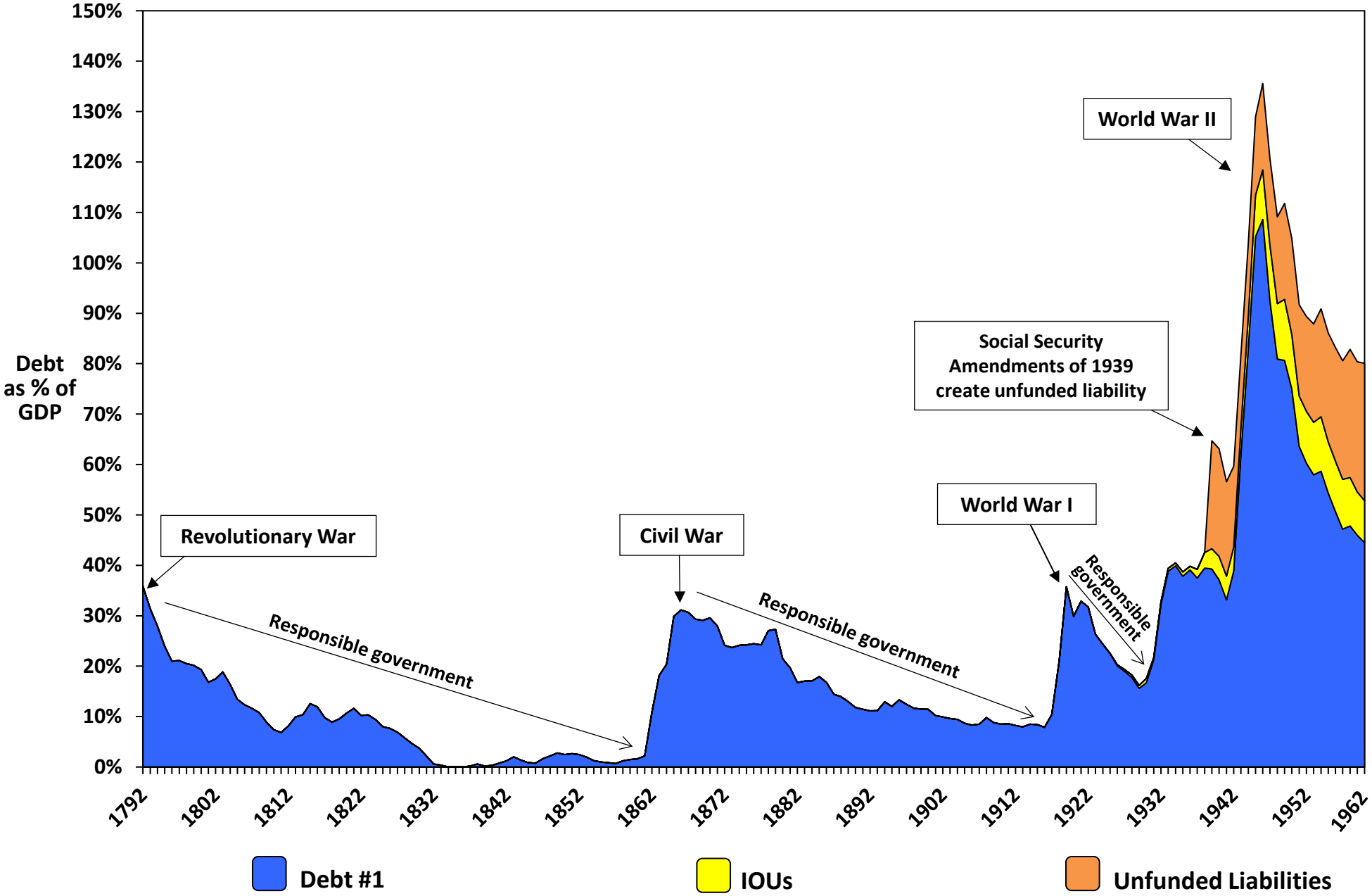


As you will see, the fourth graph identifies the timing of when the government moved into the warning zone and then into the danger zone.

U.S. Federal Government Debt
1792 to 1930 – The Age of Responsibility



U.S. Federal Government Debt
1792 to 1962 – The Problem Begins



Definitions

“Debt #1” = Federal external debt held by the public

This is the actual amount of Treasury debt issued to entities outside of the government such as individuals, mutual funds, pension funds, hedge funds, corporations, foreign governments, etc. The holders of this debt expect payment.

“IOUs” = Intragovernmental Holdings

These are basically IOUs that the government has issued to itself. Technically, these are Government Account Series securities held by government trust funds, revolving funds, and special funds. For example, when premiums received for Social Security exceeded disbursements, the excess should have been saved in a trust fund. Instead, the excess was spent, and the government issued an IOU to the so-called trust fund. An analogy is an individual borrowing from one's own 401(k) plan.

“Debt #2” = Total public debt outstanding

This is simply Debt #1 plus IOUs (as defined above). This is the figure most widely quoted in the media.

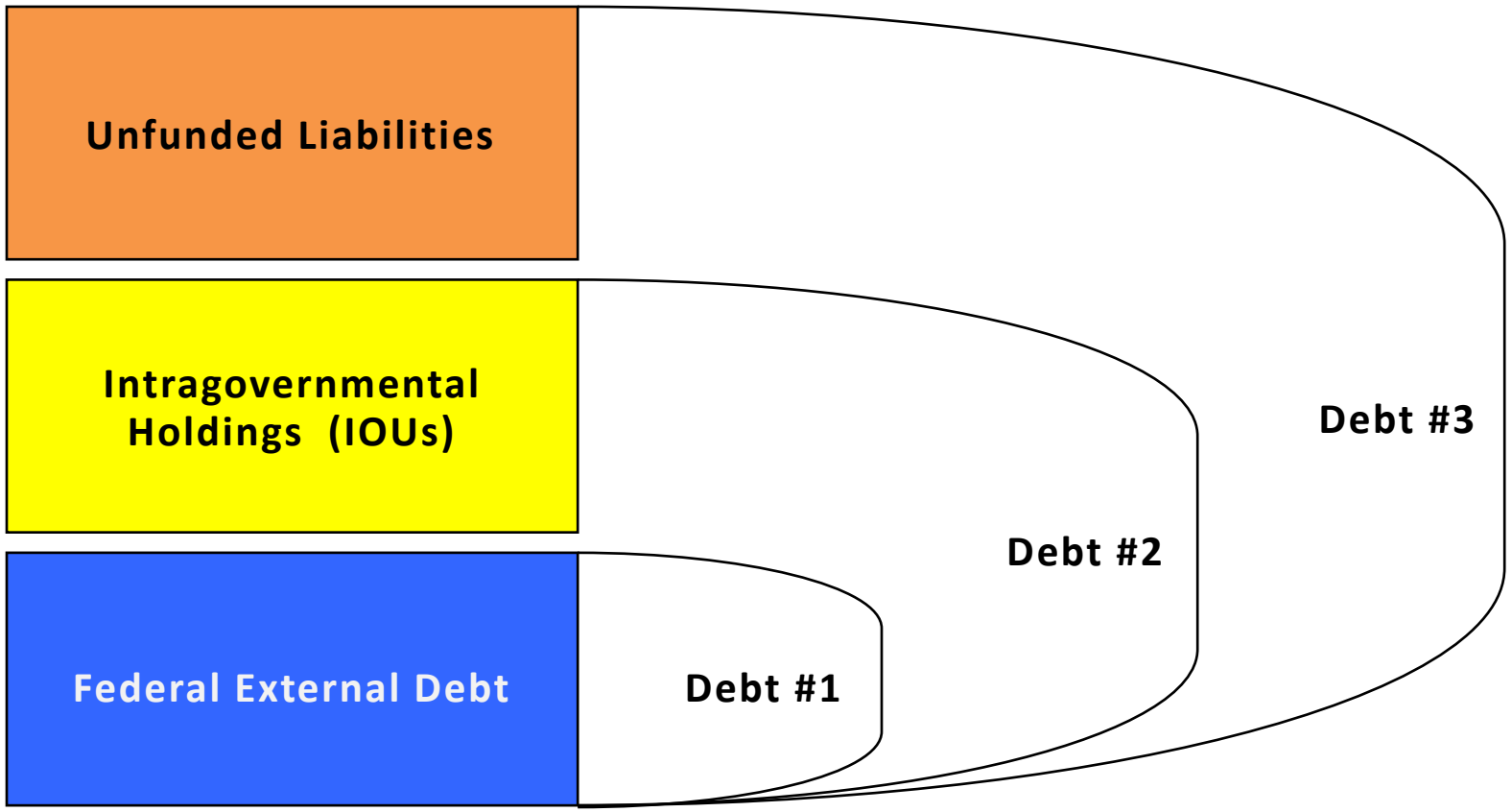
“Unfunded liabilities” = Unfunded Social Security & Medicare liabilities and other liabilities

These are promises that the government has made to the people without setting aside funds to meet those promises. If the government were running Social Security and Medicare like a legitimate insurance company or a pension fund, the government would be required by law to have assets that matched liabilities. Instead, the liabilities far exceed the assets. In financial terms, this Unfunded Liability is the net present value of all assets and liabilities for these programs. In addition to Social Security and Medicare, there are also unfunded liabilities for federal employees and veterans benefits payable, plus some other smaller liabilities. For purposes of this presentation, Unfunded Liabilities are presented net of IOUs to avoid double-counting.

“Debt #3” = Total Liabilities

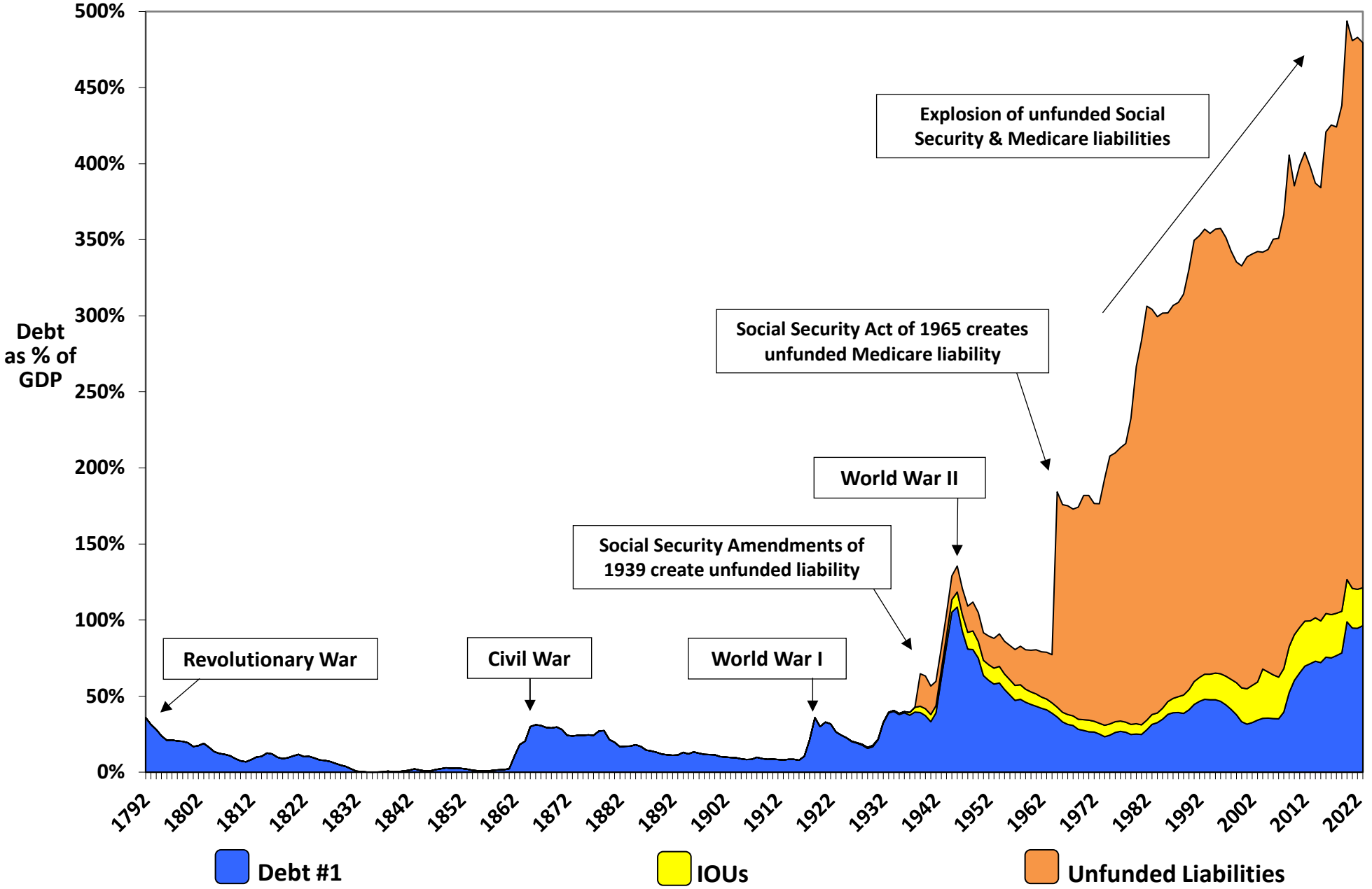
This is Debt #2 plus Unfunded Liabilities (as defined above.)

Visual Definitions



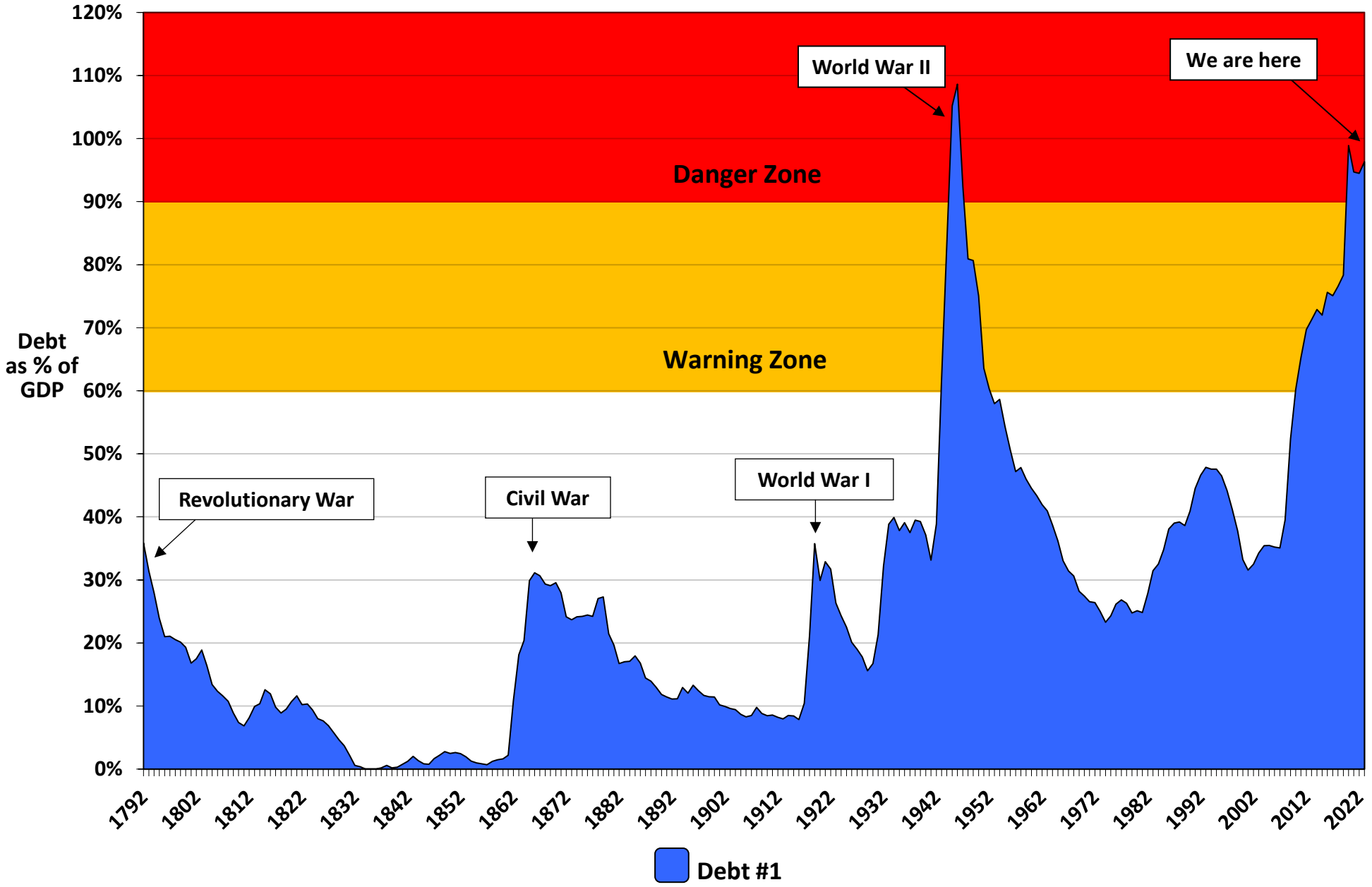
U.S. Federal Government Debt

1792 to 2023 – The Problem Escalates



U.S. Federal Government Debt

1792 to 2023 – Into the Danger Zone



Question

Why is 90% the threshold for the Danger Zone?

"No one can know the precise level of net debt to G.D.P. at which the United States will lose its reputation for financial integrity. But a few more years like this one and we will find out." - Warren Buffett, Op-Ed in the New York Times, August 19, 2009.

- While it is difficult to precisely know the debt-to-GDP ratio that would put the U.S. federal government into danger territory, there is enough historical evidence to make a good estimate.
- Historically, a debt-to-GDP ratio greater than 90% has been a tipping point that can start to cause problems and even send a government into a sovereign debt crisis. Throughout history, very few countries have successfully sustained over 90% for an extended period without suffering consequences.
- It is certainly possible that a debt crisis doesn't happen until levels are higher than 90%. (But why take the risk?)
- If you would like more empirical evidence on the topic, you might want to read “This Time is Different” by Reinhart and Rogoff. The authors have done their homework. They analyze data from 65 countries across five continents over eight centuries. Their analysis includes data on 296 sovereign defaults since 1800.

Question

Why is 60% the threshold for the Warning Zone?

- For most countries, the Warning Zone should start at a lower level, but because the United States has had a long history of financial stability and integrity, the danger threshold for the U.S. warrants a level of 60%.

- There is evidence from the European Union that 60% is a prudent threshold. When the modern EU was formed and signed the Maastricht Treaty in 1992, they knew that too much debt could be a problem. Ironically, the treaty prudently set forth the following guidelines for their member countries:
    - Annual Deficit no greater than 3% of GDP
    - Government Debt no greater than 60% of GDP

- Unfortunately, many of the European nations have violated their own prudent guidelines. Nevertheless, I agree with their initial goal; they were right to at least try to set the debt limit at 60% of GDP.

Question

Some claim a country can't default on its debts if it borrows in its own currency, therefore the debt doesn't matter.

Is that true?

- The first part is true, the second part is false.
- If a country borrows in its own currency, it can keep "printing money" (i.e. creating money electronically), and it won't default on its debts; that part is *true*. But that does not mean there aren't ramifications.
- Saying the debt level doesn't matter is simply *false*. If a country's debt gets too high—even if it can borrow in its own currency—there are still plenty of negative consequences. So overall, this claim can be misleading and is sometimes employed as a distraction. It can provide a false sense of security that there won't be any consequences, which just isn't true.
- Bottom line: The level of debt does matter—even if a country can borrow in its own currency.

Question

Haven't we been hearing warnings about this for a long time, and yet things have been just fine?

"Predicting the precise level of public debt that would trigger such a crisis is difficult..."

- Report from The National Commission of Fiscal Responsibility and Reform, December 1, 2010.

- Yes, we have been hearing warnings for a long time. Those warnings have been partially *correct* and partially *incorrect.*
- Many warnings were *correct* in predicting that—unless the government amended its ways—it would lead to problems. That has happened. Specifically, the federal external debt level (Debt #1) has moved from a sustainable level of 35% of GDP back in 2007 into the dangerous level of 96% in 2023, so it was very appropriate to sound the warning.
- But some warnings you have heard were *incorrect* in predicting the timing of a financial crisis, which has not happened yet. While some negative consequences have actually started to happen in the last couple years, there has not yet been a "crisis."
- In defense of those trying to predict timing, it is inherently difficult to predict the exact timing of a sovereign debt crisis. Sometimes it can take years to build before precipitating events fully commence the negative consequences.

Question

Is the United States the only country with a sovereign debt problem?

- No. The United States is not the only country with this problem. There are plenty of others. But just because there are many others doesn't mean there should be any comfort in that.
- History provides numerous examples of what happens when sovereign governments get into financial difficulty. Some other nation might prove to be the canary in the coalmine.

Question

Debt #1 got as high as 111% of GDP during World War II and the U.S. federal government didn't have a financial crisis then.

So why can't the government go to 111% again?

First of all, it is possible that the government could go that high again without entering a crisis. Having said that, there are a number of important differences between now and then.

1. One way or another, World War II was going to end. This was known by investors, citizens, and politicians alike. As soon as the war ended, everyone knew the massive wartime expenditures would end, and the debt would stop growing. Today, there is *not* a clear end to the large deficits and growing debt.

2. During World War II, Debt #2 and Debt #3 were much lower as a percentage of GDP. Today, the total debt level as measured by both Debt #2 and Debt #3 is significantly higher and must be factored in.

3. World War II was a serious existential threat to America and the free world, so investors and citizens were willing to sacrifice for the common good. Today's financial threat is more self-induced, so there is less reason for investors and citizens to tolerate high levels of debt.

Consequences of the Danger Zone

(See brief explanation of consequences on following pages.)

1 Spending Too Much on Interest

2 Risk of Significant Inflation

3 Risk of Higher Interest Rates

4 Risk to National Security

5 Risk to Social Security & Medicare

6 Risk to U.S. Dollar as Reserve Currency

7 Risk of Severe Recession

8 Risk of Social Unrest

9 Risk to Investor Confidence

10 Additional Risks & Uncertainties

In the last couple years, some of these consequences have begun to show signs of emerging. **This should be a warning.**

Explanation of Consequences

1. **The "Crowding out effect" i.e. spending too much on interest.** This just means a greater percentage of the federal budget is now required to pay interest on the massive debt rather than other budget line items. For example, in fiscal 2021, the interest on the National Debt was $392 billion. This year, in 2024, the interest is projected to be over $900 billion. That is $900 billion that can't be spent on other important line items.
2. **Increased risk of significant inflation.** Inflation hurts people. Sure, if you are very wealthy, inflation may not be that big of a deal. But most Americans have experienced inflation during the last few years, and the experience has not been welcome.
3. **Increased risk of higher interest rates.** If you don't have a need to borrow money, this isn't a big deal—but for those individuals and businesses that do need to borrow, it is a big deal. And it can also slow down the overall economy, which affects even those that don't need to borrow.
4. **Increased risk to national security.** If there ever were to be a big war again, it is much more advantageous to enter that war with a lower amount of debt. For example, entering both World War I and World War II, the United States was well below a debt ratio of 40%, which allowed for the necessary wartime spending. Unfortunately, the same can't be said today.
5. **Increased risk to Social Security and Medicare.** Both Democrats and Republicans have clearly stated they do not want any cuts to Social Security and Medicare. *So, that isn't the issue.* Instead, the issue is that these programs are threatened by the enormous interest payments from the massive debt. As citizens, we don't want these programs threatened.

Explanation of Consequences

(continued)

6. **Increased risk to the U.S. dollar as the world's reserve currency.** The term reserve currency is just the fancy way of saying the most important currency in the world that is most used in trade and most used as a reserve for commercial banks and central banks around the world. Being the world's reserve currency has lots of benefits to the U.S. It would be painful to see that lost or diminished. If it were lost, it would significantly decrease America's prestige and influence around the world, with the potential to be one of the biggest foreign policy mistakes in American history.
7. **Increased risk of a severe recession.** Depending on the required policy response from decision-makers, a nasty deflationary recession is also a possibility, which could include significant unemployment and bankruptcies.
8. **Increased risk of social unrest.** Unfortunately, if many of the other things mentioned above start to happen, this is a possibility.
9. **Increased risk of a reduction in investor confidence.** This can mean all sorts of investors: bond-market investors, stock-market investors, corporate-project investors, real-estate investors, etc.
10. **Additional risks and uncertainties.** These are simply additional risks and uncertainties beyond those outlined here.

A Political Solution is Difficult

- There are various solutions to the problem—but the reality is any solution is very difficult politically. Many organizations and individuals have offered solutions. But then one has to ask a very important question: "What is the likelihood that a political solution will actually be implemented in time to avoid a crisis?" While there is a chance that a political solution will be implemented in time, it is far from certain.

- There is still some hope, however. While there are not any *politically-easy* solutions available, there are plenty of potential solutions. But the potential solutions call for *extraordinary political skill and statesmanship.*

- The Constitution has some good clues on how to restore fiscal sanity.

- Over its history, America has a great history of dealing with problems, and we can rise to the occasion again. America is resilient and full of talented people. We have a great history of smart people working together to overcome obstacles. We can solve this if we put our minds to it.

How Do We Start Solving this Problem?

The very first step is for a majority of key leaders to understand the problem. If you don't understand the problem, you can't fix it.

Of course, this means a majority of political leaders—but it also includes a majority of **business** leaders, a majority of **cultural & religious** leaders, and a majority of **media & educational** leaders.

And with political leaders, it means not only political leaders at the federal level, but also at the **state level**.

The First Step of a Solution

Until a majority of key leaders understand this problem, however, there is little chance of meaningful problem-solving on this topic. There is no use skipping the first step and trying to go onto other steps. So for now, the main focus is to simply help leaders understand the situation.

Once step one is completed, then it will be time to move forward with proposing and evaluating specific solutions—and then there will be reason for hope and optimism.

It is worth repeating: America has a great history of dealing with problems, and we can rise to the occasion again.

Financial Statements 2015-2023

- Now that you have seen a graphical depiction of the problem, let's look at the specific numbers. The next few pages are the condensed financial statements of the U.S. Federal Government with related calculations. They cover the period from 2015-2023.

- Substantially all of the historical information is taken directly from published government documents available to the public. As much as possible, the numbers are presented on an apples-to-apples basis, but in some cases the historical figures aren’t perfectly comparable. (There have been some restatements over the years and some changes in accounting methodology.) Nevertheless, it should present a materially-accurate picture of the historical trend.

- In addition to the financial statements, there are calculations of some important ratios, such as debt as a percentage of GDP. Additionally, to put these large numbers into context to make it relatable for most Americans, there are three additional calculations:
  1. Debt per Person 2. Debt per Household 3. Debt per Worker

Financial Statements of the U.S. Federal Government

(in Billions of Dollars unless indicated otherwise)

BALANCE SHEET

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Assets:									
Cash & other monetary assets	305.1	467.9	271.2	507.5	524.6	1,926.9	475.0	877.8	922.2
Numerous other assets	2,956.1	3,066.9	3,263.7	3,329.2	3,467.4	4,028.8	4,418.6	4,084.6	4,496.9
Total Assets	3,261.2	3,534.8	3,534.9	3,836.7	3,992.0	5,955.7	4,893.6	4,962.4	5,419.1
Liabilities:									
Federal external debt held by the public	13,172.5	14,221.1	14,724.1	15,812.7	16,861.0	21,082.9	22,344.8	24,328.0	26,347.7
Federal employee & veteran benefits payable	6,772.4	7,209.4	7,700.1	7,982.3	8,440.3	9,409.3	10,183.0	12,811.9	14,327.4
Numerous other liabilities	1,576.3	1,576.3	1,576.3	1,576.3	1,576.3	1,576.3	1,576.3	1,576.3	1,576.3
Total Liabilities	21,504.8	22,831.6	23,896.8	25,357.4	26,944.8	32,744.0	34,777.7	39,022.3	42,898.3
Unmatched transactions and balances					14.7	3.1	1.7	1.3	0.0
Net Liabilities (On Balance Sheet)	(18,243.6)	(19,296.8)	(20,361.9)	(21,520.7)	(22,952.8)	(26,791.4)	(29,885.8)	(34,061.2)	(37,479.2)

SUPPLEMENTAL BALANCE SHEET INFORMATION

Off Balance Sheet Liabilities (i.e. Unfunded Social Security & Medicare)

Social Security	13,440.0	14,100.0	15,400.0	16,200.0	16,800.0	19,700.0	22,700.0	23,300.0	25,200.0
Medicare Part A	3,187.0	3,800.0	3,500.0	4,700.0	5,400.0	4,800.0	5,000.0	5,000.0	4,600.0
Medicare Part B	17,466.0	20,000.0	22,400.0	25,100.0	28,800.0	33,100.0	35,500.0	39,500.0	40,900.0
Medicare Part D	7,287.0	8,700.0	7,600.0	7,900.0	8,000.0	7,800.0	7,700.0	8,000.0	7,600.0
Other	108.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
"Off-Off-Balance Sheet" Medicare Liability	8,847.0	11,000.0	12,000.0	9,800.0	9,900.0	9,300.0	9,900.0	11,300.0	12,100.0
Unfunded Social Security & Medicare Liabilities	50,335.0	57,700.0	61,000.0	63,800.0	69,000.0	74,800.0	80,900.0	87,200.0	90,500.0

Calculation of Unfunded Liabilities

Unfunded Social Security & Medicare Liabilities	50,335.0	57,700.0	61,000.0	63,800.0	69,000.0	74,800.0	80,900.0	87,200.0	90,500.0
Unfunded Federal Employee & Veteran Benefits	6,772.4	7,209.4	7,700.1	7,982.3	8,440.3	9,409.3	10,183.0	12,811.9	14,327.4
add back: Adjustment for Intragovernmental Holdings	(5,026.8)	(5,399.9)	(5,571.5)	(5,755.0)	(5,910.2)	(5,926.5)	(6,145.8)	(6,629.8)	(6,837.1)
Unfunded Liabilities	52,080.6	59,509.5	63,128.6	66,027.3	71,530.1	78,282.8	84,937.2	93,382.1	97,990.3

SUMMARY OF KEY DEBT FIGURES

	Nickname	2015	2016	2017	2018	2019	2020	2021	2022	2023
Federal external debt held by the public	*Debt #1*	13,172.5	14,221.1	14,724.1	15,812.7	16,861.0	21,082.9	22,344.8	24,328.0	26,347.7
add: Intragovernmental Holdings	*IOUs*	5,026.8	5,399.9	5,571.5	5,755.0	5,910.2	5,926.5	6,145.8	6,629.8	6,837.1
Total Public Debt Outstanding	*Debt #2*	18,199.3	19,621.0	20,295.6	21,567.7	22,771.2	27,009.4	28,490.6	30,957.8	33,184.8
add: Unfunded Liabilities	*Unf. Liab.*	52,080.6	59,509.5	63,128.6	66,027.3	71,530.1	78,282.8	84,937.2	93,382.1	97,990.3
Total Liabilities	*Debt #3*	70,279.9	79,130.5	83,424.2	87,595.0	94,301.3	105,292.2	113,427.8	124,339.9	131,175.1

INCOME STATEMENT (i.e. Statements of Operations)

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue:									
Total Revenue (aka "Net Consolidated Revenue")	3,334.0	3,345.3	3,374.6	3,384.3	3,621.0	3,571.6	4,255.9	4,925.9	4,465.6
Net Cost of Government Operations:									
Total Net Cost (aka "Consolidated Net Cost")	3,853.3	4,405.1	4,530.8	4,540.9	5,067.7	7,413.0	7,350.8	9,096.9	7,882.8
Unmatched transactions & balances	(5.1)	(8.1)	(2.6)	2.4	(0.4)	-	-	-	-
Total Consolidated Net Cost	3,848.2	4,397.0	4,528.2	4,543.3	5,067.3	7,413.0	7,350.8	9,096.9	7,882.8
Surplus (Deficit)	(514.2)	(1,051.7)	(1,153.6)	(1,159.0)	(1,446.3)	(3,841.4)	(3,094.9)	(4,171.0)	(3,417.2)
Surplus (Deficit) as a % of Revenue	-15%	-31%	-34%	-34%	-40%	-108%	-73%	-85%	-77%

CASH FLOW STATEMENT (i.e. Reconciliations of Net Operating Cost & Budget Deficit)

Surplus (Deficit)	(514.2)	(1,051.7)	(1,153.6)	(1,159.0)	(1,446.3)	(3,841.4)	(3,094.9)	(4,171.0)	(3,417.2)
Two categories of components									
Subtotal	75.3	464.3	487.9	380.0	461.9	709.5	319.3	2,795.5	1,722.0
Unified budget deficit	(438.9)	(587.4)	(665.7)	(779.0)	(984.4)	(3,131.9)	(2,775.6)	(1,375.5)	(1,695.2)
Cash flow from financing & additional adjustments									
Subtotal	479.1	762.5	469.0	1,015.3	1,001.5	4,534.2	1,323.7	1,778.3	1,739.6
Change in cash & other monetary assets	40.2	162.8	(196.7)	236.3	17.1	1,402.3	(1,451.9)	402.8	44.4
Cash & other monetary assets									
Change in cash & other monetary assets	40.2	162.8	(196.7)	236.3	17.1	1,402.3	(1,451.9)	402.8	44.4
Balance beginning of period	264.9	305.1	467.9	271.2	507.5	524.6	1,926.9	475.0	877.8
Balance end of period	305.1	467.9	271.2	507.5	524.6	1,926.9	475.0	877.8	922.2

SUPPLEMENTAL INCOME STATEMENT INFORMATION

5 Different Versions of the Annual Deficit *	2015	2016	2017	2018	2019	2020	2021	2022	2023
Income Statement Surplus (Deficit)	(514.2)	(1,051.7)	(1,153.6)	(1,159.0)	(1,446.3)	(3,841.4)	(3,094.9)	(4,171.0)	(3,417.2)
Unified Budget Deficit	(438.9)	(587.4)	(665.7)	(779.0)	(984.4)	(3,131.9)	(2,775.6)	(1,375.5)	(1,695.2)
(Increase) Decrease in Debt #1	(338.9)	(1,048.6)	(503.0)	(1,088.6)	(1,048.3)	(4,221.9)	(1,261.9)	(1,983.2)	(2,019.7)
(Increase) Decrease in Debt #2	(326.6)	(1,421.7)	(674.6)	(1,272.1)	(1,203.5)	(4,238.2)	(1,481.2)	(2,467.2)	(2,227.0)
(Increase) Decrease in Debt #3	(2,108.7)	(8,850.6)	(4,293.7)	(4,170.8)	(6,706.3)	(10,990.9)	(8,135.6)	(10,912.1)	(6,835.2)

** In order to provide a more complete picture of the "Annual Deficit", it worthwhile to calculate five different versions of the "Annual Deficit."*

KEY DEBT STATISTICS

	Nickname	2015	2016	2017	2018	2019	2020	2021	2022	2023
Debt Figures										
Federal external debt held by the public	***Debt #1***	13,172.5	14,221.1	14,724.1	15,812.7	16,861.0	21,082.9	22,344.8	24,328.0	26,347.7
add: Intragovernmental Holdings	***IOUs***	5,026.8	5,399.9	5,571.5	5,755.0	5,910.2	5,926.5	6,145.8	6,629.8	6,837.1
Total Public Debt Outstanding	***Debt #2***	18,199.3	19,621.0	20,295.6	21,567.7	22,771.2	27,009.4	28,490.6	30,957.8	33,184.8
add: Unfunded Liabilities	***Unf. Liab.***	52,080.6	59,509.5	63,128.6	66,027.3	71,530.1	78,282.8	84,937.2	93,382.1	97,990.3
Total Liabilities	***Debt #3***	70,279.9	79,130.5	83,424.2	87,595.0	94,301.3	105,292.2	113,427.8	124,339.9	131,175.1
Annual GDP & Revenue										
Annual GDP (Nominal)		18,295.0	18,804.9	19,612.1	20,656.5	21,521.4	21,323.0	23,594.0	25,744.1	27,360.9
Annual Revenue		3,334.0	3,345.3	3,374.6	3,384.3	3,621.0	3,571.6	4,255.9	4,925.9	4,465.6
Debt as a % of Annual GDP										
Debt #1 as a % of Annual GDP		72%	76%	75%	77%	78%	99%	95%	94%	96%
Debt #2 as a % of Annual GDP		99%	104%	103%	104%	106%	127%	121%	120%	121%
Debt #3 as a % of Annual GDP		384%	421%	425%	424%	438%	494%	481%	483%	479%
Debt as a % of Annual Revenue										
Debt #1 as a % of Annual Revenue		395%	425%	436%	467%	466%	590%	525%	494%	590%
Debt #2 as a % of Annual Revenue		546%	587%	601%	637%	629%	756%	669%	628%	743%
Debt #3 as a % of Annual Revenue		2108%	2365%	2472%	2588%	2604%	2948%	2665%	2524%	2937%

DEBT PER PERSON, PER HOUSEHOLD, & PER WORKER

	Nickname	2015	2016	2017	2018	2019	2020	2021	2022	2023
Debt Figures (in Billions)										
Federal external debt held by the public	***Debt #1***	13,172.5	14,221.1	14,724.1	15,812.7	16,861.0	21,082.9	22,344.8	24,328.0	26,347.7
add: Intragovernmental Holdings	***IOUs***	5,026.8	5,399.9	5,571.5	5,755.0	5,910.2	5,926.5	6,145.8	6,629.8	6,837.1
Total Public Debt Outstanding	***Debt #2***	18,199.3	19,621.0	20,295.6	21,567.7	22,771.2	27,009.4	28,490.6	30,957.8	33,184.8
add: Unfunded Liabilities	***Unf. Liab.***	52,080.6	59,509.5	63,128.6	66,027.3	71,530.1	78,282.8	84,937.2	93,382.1	97,990.3
Total Liabilities	***Debt #3***	70,279.9	79,130.5	83,424.2	87,595.0	94,301.3	105,292.2	113,427.8	124,339.9	131,175.1
Population Figures										
Total Population of the US (millions)		322.1	324.6	326.9	328.8	330.5	331.8	332.4	333.6	335.2
Annual % Growth in Population		0.8%	0.8%	0.7%	0.6%	0.5%	0.4%	0.2%	0.4%	0.5%
Debt per Person (in actual $ amounts)										
Debt #1 per person		40,894	43,810	45,047	48,093	51,015	63,541	67,229	72,933	78,601
Debt #2 per person		56,500	60,445	62,093	65,596	68,897	81,403	85,720	92,808	98,998
Debt #3 per person		218,184	243,772	255,229	266,413	285,318	317,336	341,273	372,757	391,324
Household Figures										
Total Households in the US (millions)		124.6	125.8	126.2	127.6	128.6	128.5	129.2	131.2	131.4
Annual % Growth in Households		1.1%	1.0%	0.3%	1.1%	0.8%	-0.1%	0.6%	1.5%	0.2%
Debt per Household (in actual $ amounts)										
Debt #1 per Household		105,729	113,028	116,651	123,938	131,133	164,132	172,915	185,424	200,463
Debt #2 per Household		146,077	155,946	160,790	169,044	177,099	210,270	220,475	235,955	252,483
Debt #3 per Household		564,103	628,923	660,922	686,557	733,411	819,707	877,761	947,698	998,030
Employment Figures										
Total Non-farm Employees* (in millions)		143.1	145.4	147.5	149.8	151.8	142.5	149.8	154.3	157.3
Annual % Change in Non-Farm Employees*		1.9%	1.6%	1.5%	1.5%	1.3%	-6.1%	5.1%	3.0%	2.0%
Debt per Worker (in actual $ amounts)										
Debt #1 per Worker		92,062	97,800	99,810	105,556	111,080	147,931	149,201	157,676	167,495
Debt #2 per Worker		127,194	134,936	137,578	143,973	150,016	189,516	190,238	200,646	210,960
Debt #3 per Worker		491,183	544,189	565,507	584,731	621,253	738,799	757,382	805,879	833,896

** seasonally-adjusted*

SOURCES:

U.S. Government Accountability Office

www.gao.gov

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Historical Financial Statements
U.S. Federal Government 2006-2014

Financial Statements of the U.S. Federal Government

(in Billions of Dollars unless indicated otherwise)

BALANCE SHEET

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assets:									
Cash & other monetary assets	97.9	128.0	424.5	393.2	428.6	177.0	206.2	206.3	264.9
Numerous other assets	1,398.6	1,453.1	1,550.2	2,274.7	2,455.2	2,530.3	2,542.1	2,762.0	2,800.4
Total Assets	1,496.5	1,581.1	1,974.7	2,667.9	2,883.8	2,707.3	2,748.3	2,968.3	3,065.3
Liabilities:									
Federal external debt held by the public	4,867.5	5,077.7	5,836.2	7,582.7	9,060.0	10,174.1	11,332.3	12,028.4	12,833.6
Federal employee & veteran benefits payable	4,679.0	4,769.1	5,318.9	5,283.7	5,720.3	5,792.2	6,274.0	6,538.3	6,672.6
Numerous other liabilities	866.4	940.1	1,023.1	1,257.4	1,576.3	1,576.3	1,576.3	1,576.3	1,576.3
Total Liabilities	10,412.9	10,786.9	12,178.2	14,123.8	16,356.6	17,492.7	18,849.3	19,877.6	20,766.0
Unmatched transactions and balances									
Net Liabilities (On Balance Sheet)	(8,916.4)	(9,205.8)	(10,203.5)	(11,455.9)	(13,472.8)	(14,785.4)	(16,101.0)	(16,909.3)	(17,700.7)

SUPPLEMENTAL BALANCE SHEET INFORMATION

Off Balance Sheet Liabilities (i.e. Unfunded Social Security & Medicare)								
Social Security	6,449.0	6,763.0	6,555.0	7,677.0	7,947.0	9,157.0	11,278.0	12,294.0	13,330.0
Medicare Part A	11,290.0	12,292.0	12,736.0	13,770.0	2,683.0	3,252.0	5,581.0	4,772.0	3,823.0
Medicare Part B	13,131.0	13,432.0	15,719.0	17,165.0	12,901.0	13,854.0	14,815.0	15,659.0	17,856.0
Medicare Part D	7,884.0	8,361.0	7,857.0	7,172.0	7,229.0	7,466.0	6,778.0	6,871.0	6,804.0
Other	97.0	100.0	103.0	94.0	97.0	101.0	102.0	102.0	103.0
"Off-Off-Balance Sheet" Medicare Liability		0.0	0.0	0.0	12,353.0	12,434.0	10,071.0	8,907.0	6,749.0
Unfunded Social Security & Medicare Liabilities	38,851.0	40,948.0	42,970.0	45,878.0	43,210.0	46,264.0	48,625.0	48,605.0	48,665.0
Calculation of Unfunded Liabilities									
Unfunded Social Security & Medicare Liabilities	38,851.0	40,948.0	42,970.0	45,878.0	43,210.0	46,264.0	48,625.0	48,605.0	48,665.0
Unfunded Federal Employee & Veteran Benefits	4,679.0	4,769.1	5,318.9	5,283.7	5,720.3	5,792.2	6,274.0	6,538.3	6,672.6
add back: Adjustment for Intragovernmental Holdings	(3,958.3)	(3,958.3)	(4,216.0)	(4,358.0)	(4,538.3)	(4,663.3)	(4,796.6)	(4,761.9)	(5,039.1)
Unfunded Liabilities	39,571.7	41,758.8	44,072.9	46,803.7	44,392.0	47,392.9	50,102.4	50,381.4	50,298.5

SUMMARY OF KEY DEBT FIGURES

	Nickname	2006	2007	2008	2009	2010	2011	2012	2013	2014
Federal external debt held by the public	*Debt #1*	4,867.5	5,077.7	5,836.2	7,582.7	9,060.0	10,174.1	11,332.3	12,028.4	12,833.6
add: Intragovernmental Holdings	*IOUs*	3,958.3	3,958.3	4,216.0	4,358.0	4,538.3	4,663.3	4,796.6	4,761.9	5,039.1
Total Public Debt Outstanding	*Debt #2*	8,825.8	9,036.0	10,052.2	11,940.7	13,598.3	14,837.4	16,128.9	16,790.3	17,872.7
add: Unfunded Liabilities	*Unf. Liab.*	39,571.7	41,758.8	44,072.9	46,803.7	44,392.0	47,392.9	50,102.4	50,381.4	50,298.5
Total Liabilities	*Debt #3*	48,397.5	50,794.8	54,125.1	58,744.4	57,990.3	62,230.3	66,231.3	67,171.7	68,171.2

INCOME STATEMENT (i.e. Statements of Operations)

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenue:									
Total Revenue (aka "Net Consolidated Revenue")	2,440.8	2,627.3	2,661.4	2,198.4	2,216.5	2,363.8	2,518.2	2,842.5	3,066.1
Net Cost of Government Operations:									
Total Net Cost (aka "Consolidated Net Cost")	2,901.3	2,909.5	3,640.7	3,434.7	4,296.0	3,660.8	3,814.3	3,656.6	3,837.0
Unmatched transactions & balances	(11.0)	(6.7)	29.8	17.4	0.8	15.6	20.2	(9.0)	20.4
Total Consolidated Net Cost	2,890.3	2,902.8	3,670.5	3,452.1	4,296.8	3,676.4	3,834.5	3,647.6	3,857.4
Surplus (Deficit)	(449.5)	(275.5)	(1,009.1)	(1,253.7)	(2,080.3)	(1,312.6)	(1,316.3)	(805.1)	(791.3)
Surplus (Deficit) as a % of Revenue	-18%	-10%	-38%	-57%	-94%	-56%	-52%	-28%	-26%

CASH FLOW STATEMENT (i.e. Reconciliations of Net Operating Cost & Budget Deficit)

Surplus (Deficit)	(449.5)	(275.5)	(1,009.1)	(1,253.7)	(2,080.3)	(1,312.6)	(1,316.3)	(805.1)	(791.3)
Two categories of components									
Subtotal	201.8	112.7	554.3	(163.4)	786.2	14.0	226.9	124.8	307.9
Unified budget deficit	(247.7)	(162.8)	(454.8)	(1,417.1)	(1,294.1)	(1,298.6)	(1,089.4)	(680.3)	(483.4)
Cash flow from financing & additional adjustments									
Subtotal	263.4	193.3	751.3	1,385.8	1,329.5	1,047.0	1,118.6	680.4	542.0
Change in cash & other monetary assets	15.7	30.5	296.5	(31.3)	35.4	(251.6)	29.2	0.1	58.6
Cash & other monetary assets									
Change in cash & other monetary assets		30.5	296.5	(31.3)	35.4	(251.6)	29.2	0.1	58.6
Balance beginning of period	27.9	97.9	128.0	424.5	393.2	428.6	177.0	206.2	206.3
Balance end of period	43.6	128.0	424.5	393.2	428.6	177.0	206.2	206.3	264.9

SUPPLEMENTAL INCOME STATEMENT INFORMATION

5 Different Versions of the Annual Deficit *	2006	2007	2008	2009	2010	2011	2012	2013	2014
Income Statement Surplus (Deficit)	(449.5)	(275.5)	(1,009.1)	(1,253.7)	(2,080.3)	(1,312.6)	(1,316.3)	(805.1)	(791.3)
Unified Budget Deficit	(247.7)	(162.8)	(454.8)	(1,417.1)	(1,294.1)	(1,298.6)	(1,089.4)	(680.3)	(483.4)
(Increase) Decrease in Debt #1	(243.3)	(210.2)	(758.5)	(1,746.5)	(1,477.3)	(1,114.1)	(1,158.2)	(696.1)	(805.2)
(Increase) Decrease in Debt #2	(243.3)	(210.2)	(1,016.2)	(1,888.4)	(1,657.6)	(1,239.1)	(1,291.5)	(661.4)	(1,082.4)
(Increase) Decrease in Debt #3	(3,592.5)	(2,397.3)	(3,330.3)	(4,619.3)	754.1	(4,240.0)	(4,001.0)	(940.4)	(999.5)

** In order to provide a more complete picture of the "Annual Deficit", it worthwhile to calculate five different versions of the "Annual Deficit."*

KEY DEBT STATISTICS

	Nickname	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Figures										
Federal external debt held by the public	***Debt #1***	4,867.5	5,077.7	5,836.2	7,582.7	9,060.0	10,174.1	11,332.3	12,028.4	12,833.6
add: Intragovernmental Holdings	***IOUs***	3,958.3	3,958.3	4,216.0	4,358.0	4,538.3	4,663.3	4,796.6	4,761.9	5,039.1
Total Public Debt Outstanding	***Debt #2***	8,825.8	9,036.0	10,052.2	11,940.7	13,598.3	14,837.4	16,128.9	16,790.3	17,872.7
add: Unfunded Liabilities	***Unf. Liab.***	39,571.7	41,758.8	44,072.9	46,803.7	44,392.0	47,392.9	50,102.4	50,381.4	50,298.5
Total Liabilities	***Debt #3***	48,397.5	50,794.8	54,125.1	58,744.4	57,990.3	62,230.3	66,231.3	67,171.7	68,171.2
Annual GDP & Revenue										
Annual GDP (Nominal)		13,815.6	14,474.2	14,769.9	14,478.1	15,049.0	15,599.7	16,254.0	16,880.7	17,608.1
Annual Revenue		2,440.8	2,627.3	2,661.4	2,198.4	2,216.5	2,363.8	2,518.2	2,842.5	3,066.1
Debt as a % of Annual GDP										
Debt #1 as a % of Annual GDP		35%	35%	40%	52%	60%	65%	70%	71%	73%
Debt #2 as a % of Annual GDP		64%	62%	68%	82%	90%	95%	99%	99%	102%
Debt #3 as a % of Annual GDP		350%	351%	366%	406%	385%	399%	407%	398%	387%
Debt as a % of Annual Revenue										
Debt #1 as a % of Annual Revenue		199%	193%	219%	345%	409%	430%	450%	423%	419%
Debt #2 as a % of Annual Revenue		362%	344%	378%	543%	614%	628%	640%	591%	583%
Debt #3 as a % of Annual Revenue		1983%	1933%	2034%	2672%	2616%	2633%	2630%	2363%	2223%

DEBT PER PERSON, PER HOUSEHOLD, & PER WORKER

	Nickname	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Figures (in Billions)										
Federal external debt held by the public	***Debt #1***	4,867.5	5,077.7	5,836.2	7,582.7	9,060.0	10,174.1	11,332.3	12,028.4	12,833.6
add: Intragovernmental Holdings	***IOUs***	3,958.3	3,958.3	4,216.0	4,358.0	4,538.3	4,663.3	4,796.6	4,761.9	5,039.1
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Total Liabilities	***Debt #3***	48,397.5	50,794.8	54,125.1	58,744.4	57,990.3	62,230.3	66,231.3	67,171.7	68,171.2
Population Figures										
Total Population of the US (millions)		298.9	301.8	304.6	307.6	310.4	312.3	314.7	317.1	319.6
Annual % Growth in Population		1.0%	1.0%	0.9%	1.0%	0.9%	0.6%	0.8%	0.8%	0.8%
Debt per Person (in actual $ amounts)										
Debt #1 per person		16,284	16,824	19,161	24,652	29,190	32,578	36,007	37,933	40,155
Debt #2 per person		29,527	29,939	33,003	38,820	43,812	47,511	51,248	52,950	55,922
Debt #3 per person		161,915	168,300	177,702	190,983	186,837	199,268	210,442	211,832	213,301
Household Figures										
Total Households in the US (millions)		114.4	116.0	116.8	117.2	117.5	119.9	121.1	122.5	123.2
Annual % Growth in Households		0.9%	1.4%	0.7%	0.3%	0.3%	2.0%	1.0%	1.1%	0.6%
Debt per Household (in actual $ amounts)										
Debt #1 per Household		42,554	43,769	49,975	64,709	77,081	84,836	93,590	98,224	104,144
Debt #2 per Household		77,160	77,890	86,076	101,899	115,693	123,720	133,204	137,110	145,036
Debt #3 per Household		423,114	437,845	463,467	501,313	493,375	518,901	546,986	548,524	553,207
Employment Figures										
Total Non-farm Employees* (in millions)		137.3	138.4	134.8	129.8	130.8	132.9	135.1	137.4	140.4
Annual % Change in Non-Farm Employees*		1.5%	0.8%	-2.6%	-3.7%	0.8%	1.6%	1.6%	1.7%	2.2%
Debt per Worker (in actual $ amounts)										
Debt #1 per Worker		35,464	36,690	43,280	58,415	69,247	76,553	83,897	87,564	91,430
Debt #2 per Worker		64,304	65,291	74,545	91,988	103,934	111,642	119,408	122,230	127,329
Debt #3 per Worker		352,620	367,025	401,379	452,552	443,229	468,242	490,333	488,994	485,667

** seasonally-adjusted*

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About the Author

Walt Sosnowski has worked in the investment management industry for 25 years, including 17 years as the Founder and Portfolio Manager of SRC Capital Management.

Walt graduated from Stanford University in 1987 with a B.A. in History, and received his CFA charter in 1999.