

Drowning in Debt?

Americans have a lot of debt at all levels: household, local government, state, and federal. Some economists tell us all this debt could put our economy at risk.

Here are the numbers: Our total household debt is \$18.8 trillion. This is mostly home mortgage loans, as well as car loans, student loans, and credit card debt. State and local government debt totals \$6.1 trillion. And the biggest component is the national debt of \$39.3 trillion, for a total of \$64.2 trillion.

All this comes to \$184,000 per person.

Is this OK?

Well, it depends on our assets! The net worth for an individual is calculated as financial assets - liabilities.

Here's a chart of median net worth for Americans, by age group. Half of us have more than the median; half have less. If you are above the median, you are not drowning in household debt. But some of your neighbors may be. Some analysts think household debt is high enough to put the economy on shaky ground, because 70% of our GDP is consumer spending.

State and local governments are OK overall, but like individuals, some are doing better than others.

Now the scariest part is our national debt. It's not so easy to calculate the net worth of a country. The major asset is our economy, which is the biggest in the world. But there's no market for economies, so we can't put a price tag on it.

Here's how much we have been borrowing in recent years. We actually had a budget surplus in the years 1998 to 2001, but after that, it looks like we got drunk and went shopping with dad's credit card.

How much debt can we afford? It depends on how much interest we are willing and able to pay. Currently we're paying \$1 trillion in interest for FY 2026. We're not drowning yet - but we will be soon if we continue borrowing the way we have been.