Barack H. Obama's Legacy, Part 5

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In closing out Mr. Obama's domestic agenda, we come to the state of the national debt. The national debt had been growing for many years, but it reached and surpassed a critical point during Mr. Obama's tenure. It is true that President's are not directly responsible for the nation's debt (because only Congress can authorize a budget), but Presidents can use their influence to restrain the worst instincts of Congress. Mr. Obama did nothing but encourage Congress' reckless spending. Figure 1 shows the nation's GDP, total national debt, and ratio of GDP to debt for the years 1929 to 2016 in current-year dollars. The ratio of GDP to debt is an important indicator of the nation's liabilities compared to its total economic activity; higher is better. These figures are not exactly in alignment, since the debt figures are for fiscal years, and the GDP values are for calendar years. The general trend is accurate.

FY (ending)	National Debt ($B)	U. S. GDP ($B)	GDP/Debt	FY (ending)	National Debt ($B)	U. S. GDP ($B)	GDP/Debt	FY (ending)	National Debt ($B)	U. S. GDP ($B)	GDP/Debt
1929	16.9	103.6	6.13	1959	284.7	506.6	1.78	1988	2602.3	5100.0	1.96
1930	16.1	91.2	5.66	1960	286.3	526.4	1.84	1989	2857.4	5482.0	1.92
1931	16.8	76.5	4.55	1961	288.9	544.8	1.89	1990	3233.3	5800.0	1.79
1932	19.4	58.7	3.03	1962	298.2	585.7	1.96	1991	3665.3	5992.0	1.63
1933	22.5	56.4	2.51	1963	305.8	617.8	2.02	1992	4064.6	6342.0	1.56
1934	27.0	66.0	2.44	1964	311.7	663.6	2.13	1993	4411.5	6667.0	1.51
1935	28.7	73.3	2.55	1965	317.2	719.1	2.27	1994	4692.7	7085.0	1.51
1936	33.7	83.3	2.47	1966	319.9	787.7	2.46	1995	4974.0	7414.0	1.49
1937	36.4	91.9	2.52	1967	326.2	832.4	2.55	1996	5224.8	7838.0	1.50
1938	37.1	86.1	2.32	1968	347.5	909.8	2.62	1997	5413.1	8332.0	1.54
1939	40.4	92.2	2.28	1969	353.7	984.4	2.78	1998	5526.1	8793.0	1.59
1940	42.9	101.4	2.36	1970	370.9	1038.0	2.80	1999	5656.3	9353.0	1.65
1941	48.9	126.7	2.59	1971	398.1	1126.0	2.83	2000	5674.2	9951.0	1.75
1942	72.4	161.9	2.24	1972	427.2	1237.0	2.90	2001	5807.5	10286.0	1.77
1943	136.6	198.6	1.45	1973	458.1	1382.0	3.02	2002	6228.2	10642.0	1.71
1944	201.0	219.8	1.09	1974	475.0	1499.0	3.16	2003	6783.2	11142.0	1.64
1945	258.6	223.0	0.86	1975	533.0	1637.0	3.07	2004	7379.0	11867.0	1.61
1946	269.4	222.2	0.82	1976	620.4	1824.0	2.94	2005	7932.7	12638.0	1.59
1947	258.2	244.1	0.95	1977	698.8	2030.0	2.90	2006	8507.0	13398.0	1.57
1948	252.2	269.1	1.07	1978	771.5	2293.0	2.97	2007	9007.7	14061.0	1.56
1949	252.7	267.2	1.06	1979	826.5	2562.0	3.10	2008	10024.7	14369.0	1.43
1950	257.3	294.7	1.15	1980	907.7	2788.0	3.07	2009	11909.8	14119.0	1.19
1951	255.2	339.3	1.33	1981	997.8	3126.0	3.13	2010	13561.6	14964.0	1.10
1952	259.1	358.3	1.38	1982	1142.0	3253.0	2.85	2011	14790.3	15518.0	1.05
1953	266.0	379.3	1.43	1983	1377.0	3534.0	2.57	2012	16066.2	16155.0	1.01
1954	271.2	380.4	1.40	1984	1572.0	3930.0	2.50	2013	16738.2	16692.0	1.00
1955	274.3	414.7	1.51	1985	1823.0	4217.0	2.31	2014	17824.1	17393.0	0.98
1956	272.7	437.4	1.60	1986	2125.3	4460.0	2.10	2015	18150.6	18036.0	0.99
1957	270.5	461.1	1.70	1987	2350.3	4736.0	2.02	2016	19381.6	18569.0	0.96
1958	276.3	467.2	1.69								

Figure 1: GDP, National Debt, and GDP-to-Debt Ratio, 1929 - 2016

Figure 2 shows the ratio of debt to GDP for the same interval. When Hoover entered office in 1929, the nation's finances were in excellent shape, as the GDP-to-debt ratio was over six. Then came the Great Depression, which nitwit Hoover made worse with his bad policies. The GDP-to-debt declined drastically in the early 1930's. It was left to the even bigger nitwit Roosevelt to extend the depression to 1940 with his even worse policies, although the GDP-to-debt remained fairly static around 2.5 from 1934 to 1940. It was not until Hitler rescued Roosevelt by starting World War II that the American economy came back to life. The downside in financial terms is that the expansion of production was paid for by adding it onto the debt.. The GDP to debt ratio reached its all-time low in 1946 (0.82), just after the enormous debts accumulated during World War II. From the Truman to Nixon administrations, the debt increased, but GDP increased faster, and the GDP to debt ratio steadily improved, reaching 3.16 in 1974. It remained fairly

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steady until the halfway through Reagan's first term; it then began a long slow protracted decline until halfway through the Clinton administration. It improved a bit from there until about 2007, the second-last year of Bush Jr. administration, and then resumed its steady decline until sinking below 1.0 in 2014. It is interesting to observe that one can draw a straight line from 1994 to 2011 and end up in the same place. It has continued a slight decline since 2014.

Many economists consider a GDP-to-debt ratio to be an accurate indicator of high risk. It is comparable to a household with debt equal to an entire year's income. In the long run, it is unsustainable.

So the U. S. financial condition is now about where it was in 1947. But there is a big difference between the federal government obligations in 1947, wherein it began a long period of improvement, and now. In 1947, there was no Medicare, no Medicaid, no Obamacare with its subsidies, no extensive social spending, no pervasive meddling bureaucracy to be paid, and Social Security was only a small item in the budget. Mr. Obama was content to let the financial condition deteriorate without making some sort of attempt to get back on a sound financial footing. We can only hope that Mr. Trump will not make the same mistake.

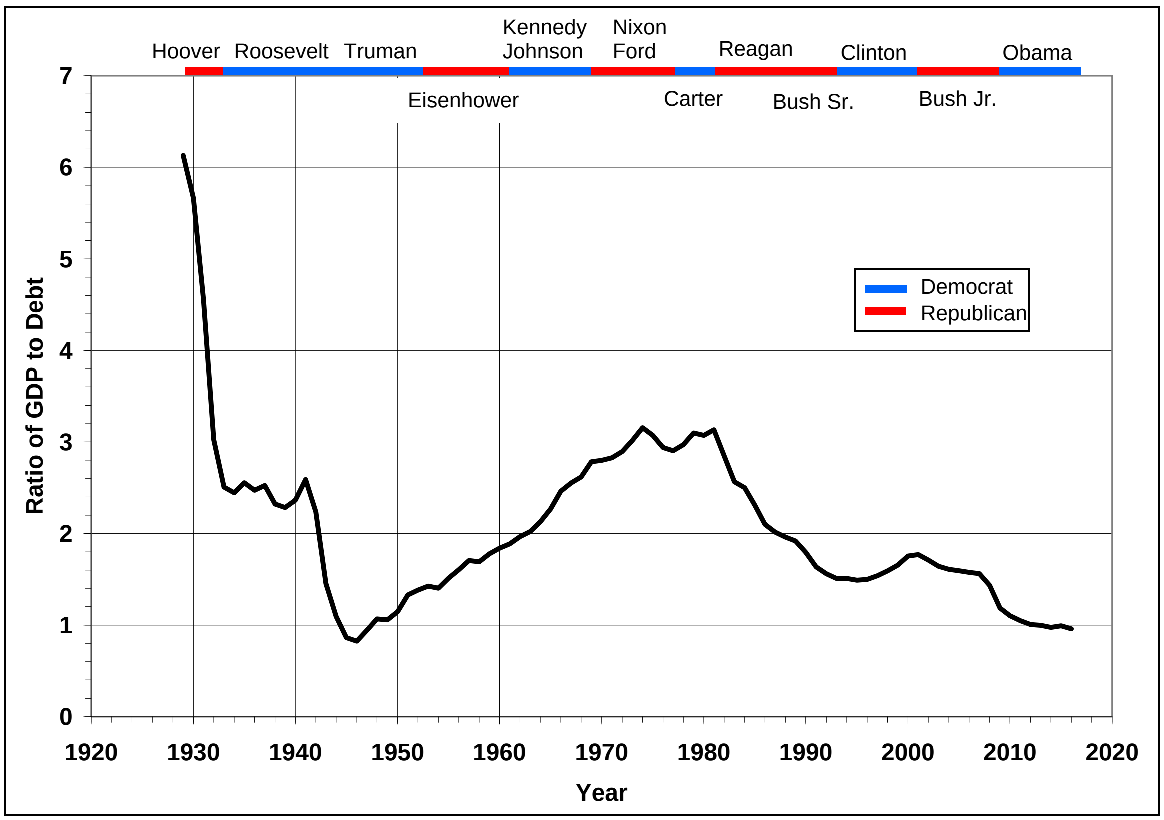

Figure 2: GDP-to-Debt Ratio, 1929-2016

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