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U.S. Debt Burden Is Higher Now than During Depression, Study Says

By Danielle DiMartino, The Dallas Morning News Knight Ridder/Tribune Business News

Mar. 14 - The United States is shouldering a greater debt burden today than it did during the Great Depression.

The total amount owed – by consumers, businesses, governments and financial institutions – totaled \$34.4 trillion at the end of 2003, according to the Federal Reserve. The economy produced \$11.3 trillion of output.

That makes the nation's debt triple its gross domestic product. In 1933, debt was about 2 1/2 times GDP, according to a study by the Gabelli Mathers mutual fund.

Then, the toxic mixture of investing with borrowed money, a stock market bubble and a shaky banking system proved too vulnerable to a sharp economic slowdown. Deflation rendered debt burdens unmanageable.

All those factors are not in place today. But the debt situation is unhealthy, experts agree.

Consumer debt has doubled in the last 10 years, to a record \$9.4 trillion.

Corporate debt is at a record \$5 trillion. Federal debt is \$4 trillion but set to jump to \$10 trillion by 2014. Financial institutions (\$11.4 trillion) account for most of the rest of total debt.

This debt bubble comes with the lowest interest rates in four decades.

When rates inevitably rise, the burden will worsen.

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