As an economist who has long been troubled by excessive debt, both public and private, I am relieved to see people becoming aware of the problem it poses for our future.

Federal government debt was higher than GDP after WWII, but by 1979 this debt had fallen to only 25 percent of GDP because the economy outgrew the debt. Then in the 1980s, we dropped the ball. The budget deficit rose to almost 5 percent of GDP, and the federal debt rose back to almost half of GDP by 1993.

Then some deficit reduction efforts, combined with a strong economy, turned it all around. The federal budget was in surplus by 1998. By 2001, the debt had fallen to less than a third of GDP, and Alan Greenspan actually warned Congress against paying it off.

Instead of paying down the debt, or setting some money aside for future Social Security and Medicare obligations, we had several tax cuts and a couple of wars. The federal deficit again became a problem.

This growth in public debt was dwarfed by the growth in private debt. Outstanding mortgage debt was less than half of GDP before 1999, but by 2007 it had risen to 80 percent. Virtually every other type of debt also grew faster than the economy.

Tax cuts, low interest rates, financial misbehavior and ineffective regulatory oversight enabled Americans to live beyond their means, so we borrowed from foreigners who actually saved. By 2006, foreigners held a majority of our public debt.

Then the chickens came home to roost, and the Great Recession hit. Tax receipts fell off dramatically, while the need for public spending increased. Without the financial bailout and the federal stimulus spending – most of which either went to the states or back to taxpayers – the economy would be in much worse shape.

However, the budget deficit was 5 percent of GDP in 2008 and almost 9 percent in 2009. Public debt is expected to grow to almost 65 percent of GDP in the next decade, unless we do something to change our fiscal structure.

We really had no good choices: public debt was necessary to prevent a full-scale depression. In the short run it was necessary, but in the long run we need to consume less and invest more, so we can keep both our public debt and our private debt from growing faster than our overall economy.

While there is an element of partisan opportunism in the current attention on the debt, it is reassuring that many Americans are willing to make sacrifices, especially once we emerge from this recession, to save more and pay the taxes necessary to provide the public goods we demand, so we can stop relying on borrowed money.

Elliott Parker is a professor of economics in the College of Business at the University of Nevada, Reno.

###