

US Is in Even Worse Shape Financially Than Greece: Gross

ECONOMY, BILL GROSS, PIMCO, DEBT, DEFICITS
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When adding in all of the money owed to cover future liabilities in entitlement programs the US is actually in worse financial shape than Greece and other debt-laden European countries, Pimco's Bill Gross told CNBC Monday.

Much of the public focus is on the nation's public debt, which is \$14.3 trillion. But that doesn't include money guaranteed for Medicare, Medicaid and Social Security, which comes to close to \$50 trillion, according to government figures.

The government also is on the hook for other debts such as the programs related to the bailout of the financial system following the crisis of 2008 and 2009, government figures show.

Taken together, Gross puts the total at "nearly \$100 trillion," that while perhaps a bit on the high side, places the country in a highly unenviable fiscal position that he said won't find a solution overnight.

"To think that we can reduce that within the space of a year or two is not a realistic assumption," Gross said in a live interview. "That's much more than Greece, that's much more than almost any other developed country. We've got a problem and we have to get after it quickly."

Gross spoke following a report that US banks were likely to scale back on their use of Treasuries as collateral against derivatives and other transactions. Bank heads say that move is likely to happen in August as Congress dithers over whether to raise the nation's debt ceiling, according to a report in the *Financial Times*.

The move reflects increasing concern from the financial community over whether the US is capable of a political solution to its burgeoning debt and deficit problems.

"We've always wondered who will buy Treasuries" after the Federal Reserve purchases the last of its \$600 billion to end the second leg of its quantitative easing program later this month, Gross said. "It's certainly not Pimco and it's probably not the bond funds of the world."

Pimco, based in Newport Beach, Calif., manages more than \$1.2 trillion in assets and runs the largest bond fund in the world.

Gross confirmed a report Friday that Pimco has marginally increased its Treasuries allotment—from 4 percent to 5 percent—but still has little interest in US debt and its low yields that are in place despite an ugly national balance sheet.

"Why wouldn't an investor buy Canada with a better balance sheet or Australia with a better balance sheet with interest rates at 1 or 2 or 3 percent higher?" he said. "It simply doesn't make any sense."

Should the debt problem in Greece explode into a full-blown crisis—an International Monetary Fund bailout has prevented a full-scale meltdown so far—Gross predicted that German debt, not that of the US, would be the safe-haven of choice for global investors.

—Jeff Cox is co-author of the recently released "**Debt Deficits and the Demise of the American Economy**" (Wiley).

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