



We are on the road to bankruptcy

By John Stossel
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[President Obama](#) said in his State of the Union speech last month, "We've already agreed to more than \$2 trillion in cuts and savings."

That was reassuring.

The new budget he released this week promises \$4 trillion in "deficit reduction" -- about half in tax increases and half in spending cuts. But like most politicians, Obama misleads.

Cato Institute economist Dan Mitchell, a recent guest on my Fox Business show, cut through the fog to get at the truth of the \$2 trillion "cut."

"We have a budget of, what, almost \$4 trillion? So if we're doing \$2 trillion of cuts," Mitchell said, "we're cutting government in half. That sounds wonderful."

But what the president was talking about is not even a cut. The politicians just agreed that over the next 10 years, instead of increasing spending by \$9.48 trillion, they'd increase it by "just" \$7.3 trillion. Calling that a "cut" is nonsense.

Mitchell gave an analogy: "What if I came to you and said, 'I've been on a diet for the last month, and I've gained 10 pounds. Isn't that great?' You would say: 'Wait, what are you talking about? That's insane.' And I said: 'I was going to gain 15 pounds. I've only gained 10 pounds, therefore my diet is successful.'"

Democrats use this deceit when they want more social spending. Republicans use it for military spending. And the press buys it. The Washington Post has been writing about "draconian cuts."

"The politicians know this game," Mitchell said. "The special interests know this game. Everyone gets a bigger budget every year. ... And we wind up, sooner or later, being [Greece](#)."

We are definitely on the road to bankruptcy.

"We have maybe 10, 15 years' advanced notice. And what's frustrating is that we're not taking advantage of that, even as we see these other countries collapsing into social chaos and disarray."

Mitchell points out that the politicians don't even have to make actual cuts to save the future. If they just slowed the growth of government to about 2 percent per year, the U.S. economy could grow out of this mess. But the politicians won't do even that.

"Being from the Cato Institute, I actually do want to cut spending. But if all we're trying to do is balance the budget over 10 years, which is sort of the minimal thing that politicians keep saying we should do, if we simply limit the growth of spending to 2 percent a year, which is about the projected rate of inflation, we'll have a balanced budget in 2022. ... But instead, the politicians say, 'Oh, we'll have draconian and savage budget cuts.' ... They don't want to put government on a diet, even if that diet allows spending to grow 2 percent a year."

They also continually mislead us about what their schemes will cost.

President Bush said the [war in Iraq](#) would cost \$50 billion to \$60 billion. It cost \$800 billion. When [Medicare Part A](#) was created, the government said it would cost \$9 billion in 1990. It cost \$67 billion. They said the hiring of TSA airport security screeners would cost \$100 million. Then they spent \$700 million. Yet the media report the estimates as if they are realistic. Again and again, politicians get away with underestimating the cost of their programs.

Often the cost goes up because people change their behavior to get free stuff. A program meant to help the needy costs a certain amount. The next year, it costs more, because now more of the needy know about the program and more social workers know how to tap it. The next year, the non-needy feel like suckers if they don't get the handout, and they figure out a way to game the system.

Then, Mitchell point out, "what do politicians do the next year? They expand the program to buy more votes. And the year after that, they add a new benefit. That's what's happened with Medicare. It's not just that they got the fundamental estimates wrong. They did. But every new generation of politicians figures out some new expansion, some new benefit." And so we're on the road to Greece.

Bottom line: Don't trust the politicians' numbers.

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