

The Gazette

Roots of debt crisis: So many of us are on the public dole

1 September 2012 | Frederick “Rick” Miller

Federal government spending is unsustainable. By 2025, entitlement programs plus interest on the national debt will consume all federal revenue and the national debt will be six times GDP by 2080, if trends projected by Centers for Medicare and Medicaid continue.

By the end of the century, federal spending will take 80 percent of GDP, according to Cato Institute projections.

This is an impossible situation; there will be little left for anything else.

Liberals and conservatives deserve criticism for their roles in this — they promote scapegoats, which distract us from learning what the problem really is. For liberals, the scapegoat is the rich; for conservatives, the poor.

We have seen time and time again that heavily taxing the rich does not solve the government’s fiscal problems. It seldom raises more revenue because the rich change their behavior. They work less. If things get bad enough, they leave. The rich are essential to our economy through their entrepreneurial and job-creating activities. They create much more wealth than they consume.

There is one circumstance where the rich deserve condemnation: those who become so because of government connections. Our economy has arguably become a crony capitalist economy because of the largesse awarded to so many big businesses. This trend has occurred for decades under Republican and Democratic administrations. The Bush and Obama bailouts accelerated the trend.

Then there are conservatives. There are legitimate criticisms of poverty programs but cost is not one of them; little of the money actually reaches the poor. A sizable portion of welfare is spent on administration; public housing provides inadequate housing, yet is expensive housing, to the benefit of government contractors. Medicaid, originally for the poor, now spends a great deal on nursing home care for middle income families who know how to exclude assets so as to tap into the program.

Who is the enemy? I’m a member of the most powerful special interest group in this and every other democratic country: the elderly. Our denial of how we are

bankrupting our children astounds me. Medicare is the biggest subsidy; it has more than \$70 trillion in unfunded liabilities through this century.

I'm a homeowner and receive the benefit of government subsidies: tax deductions for mortgage interest and real estate taxes. The government also attempted to subsidize real estate interests through its promotion of subprime mortgages via Fannie Mae and Freddie Mac, a major cause of our recent financial crisis.

I don't pay the cost of using New York City's tennis courts. A regular permit holder pays \$200 for the summer season; I pay \$20 because I'm a senior citizen.

Public sector unions generally get compensation packages more generous than the private sector. Other examples of subsidies: farmers of specific crops, auto unions and companies, export subsidies benefiting Boeing and others, bailed out banks, renewable energy companies, colleges and universities, dairy and alpaca farmers, specific artists and art forms, and infrastructure builders and contractors.

Military spending is excessive, too. Special interest groups increase spending and influence establishment of military missions that are beyond what is necessary to defend the U.S.

Let each of us look at ourselves to see how we are part of the problem. Almost every person of middle income and above is receiving some kind of subsidy.

Unless we look at our role in this we risk losing our nation's prosperity and freedom.

Frederick "Rick" Miller, a graduate of Cedar Rapids Washington High School, Harvard College and the University of Chicago Law School, is retired in New York City after practicing corporate law there since 1973. Comments: rickyraccoon@yahoo.com