

INVESTOR'S BUSINESS DAILY

Federal Debt: Urgent To Unsustainable To Insane

HOWARD RICH / September 11, 2012

News of the national debt eclipsing the \$16 trillion mark has prompted another round of hand-wringing and finger-pointing from the two political parties responsible for its escalating accumulation.

In fact, one of those parties -- in an effort to pick up some election year traction -- installed a debt clock inside of its 2012 convention hall to track the skyrocketing tab.

RNC Chairman Reince Priebus said the purpose of the GOP's debt clock was to "draw your attention to the unprecedented fiscal recklessness of the Obama administration."

OK, but what about the then-unprecedented fiscal recklessness of the Republican Party prior to Obama taking office? And what about the inexcusable accommodation of GOP leaders on spending and deficit issues over the last 3-1/2 years?

If Republicans were serious about limiting government, how did their promises of \$100 billion in savings last year turn into \$130 billion in new spending? And how did we get saddled with \$2.1 trillion in additional deficit spending in exchange for modest cuts that may not even materialize?

The unfortunate truth is that both Republican and Democratic leaders have proved incapable of restraining Washington's appetite for bigger promises, bigger budgets and bigger deficits -- even as Americans are confronted with fewer jobs, smaller paychecks and a devalued dollar.

Also this problem goes much deeper than just the national debt. At last count the federal government's total unfunded liability tab -- i.e., the cost of future promises that lack a dedicated source of financing -- stood at a scarcely fathomable \$120 trillion.

How much money are we talking about? Consider this: America's combined debt and unfunded liabilities are now nearly twice the size of the \$70 trillion gross world product -- which is the market value of all goods and services produced in a given year on the entire planet.

And while the \$140,100 in debt owed by each taxpaying American citizen is indeed a frightening statistic, the unfunded liability obligation is far worse -- just over \$1 million per taxpayer at last count.

How long will it take us to pay back these astronomical sums? Well assuming you're repaying at a rate of \$1 per second it would take you 31,688 years -- and that's just to pay back the first trillion dollars of this growing mountain of obligation. Without interest!

Of course our country isn't paying down its debt or limiting its future liability -- it is dramatically expanding both. After once describing our soaring debt as "shifting the burden of bad choices today onto the backs of our children and grandchildren," Obama increased it by \$5.4 trillion during his first 3-1/2 years in office. Meanwhile ObamaCare -- the president's new health care entitlement -- will add another \$17 trillion to our already soaring unfunded liability tab, according to data from the Senate Budget Committee.

We are no longer looking at an exercise in unsustainability -- what we are witnessing is pure insanity.

"Future spending on these programs will skyrocket far beyond current revenues," writes Daniel J. Mitchell of the Cato Institute, noting that our nation will soon face Europe's fate "if government policy is left on autopilot."

In fact, this is already happening. In the most recent fiscal year Medicare paid out \$564 billion in benefits -- but only took in \$274 billion in taxes and premiums. That's a shortfall of \$290 billion.

Social Security is also currently paying out more than it is taking in -- with its annual deficit projected to reach \$623 billion over the next two decades. Driving this escalation is the fact that the program's ratio of workers-to-beneficiaries is set to drop from 2.8 to 1.9 by 2035 as the number of Americans collecting checks soars from 56 million to 91 million.

"It is time for Congress to take on the task of retooling Social Security for the long haul," SSA Commissioner Michael Astrue said earlier this year.

Wrong. Government's entitlement programs don't need to be "retooled," they need to be either privatized (like Medicare and Social Security) or eliminated altogether (like ObamaCare and the 2003 prescription drug benefit). And these reforms don't need to happen this year -- our entitlement mess should have been addressed decades ago.

"Urgent doesn't begin to describe it," Social Security Trustee Chuck Blahous said recently. "We're somewhere between critical and too late to deal with it."

Indeed. Which is why continuing to delay the inevitable -- i.e. the "bipartisan solution" -- only adds additional destructive force to the fiscal reckoning that's coming.

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