



Cato's Allison to Moneynews: Deficit Ills are Treatable if We Act Soon

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By Forrest Jones and John Bachman

Gaping U.S. deficits are treatable conditions but not without some pain, and the sooner Washington acts, the less painful treatment will be, said John Allison, president and CEO of the Cato Institute.

The country runs annual federal budget deficits of over \$1 trillion a year, but when factoring in unfunded liabilities building up down the road, namely caring for the elderly via Social Security, Medicare and many other government programs, long-term liabilities may approach \$100 trillion, Allison said.

Fiscal and entitlement reforms will be needed, and such measures don't come without austerity and pain.

"The issue is do we have the will to deal with this problem, which is a disaster if we don't deal with it. It's analogous to having been told you've got a kind of cancer that is terminal if it's not treated, but the good news is it can be treated but the treatment is chemotherapy. And the question is does a democracy have the will to take the chemotherapy," Allison told Newsmax TV in an exclusive interview.

The country needs to move soon because problems of such magnitude can compound if left untreated, growing at exponential levels, Medicare especially.

In the meantime, Americans should look across the Atlantic to the anger and protests erupting in Greece as a sign of what can happen when waiting to push through fiscal reforms when it's too late.

"If we don't do something about it in the next five to seven years, it becomes practically unfixable without severe social consequences, without the kinds of upsets you are seeing in Greece. So we can fix it now, but we have to have the will to fix it, but we cannot fix it without pain."

Cutting deficits and reforming entitlement programs must accompany policies that foster economic growth, and for the U.S., that means doing away with anything that prevents entrepreneurs from crafting business models, opening up shop and hiring workers.

Some will fail, some will succeed — that's how capitalism works, said Allison, author of the new book "The Financial Crisis and the Free Market Cure: Why Pure Capitalism is the World Economy's Only Hope."

But in the end, the health of the economy relies heavily on the small business owner and his or her willingness to take on risk and grow.

"We've got to free up the people that produce wealth and well-being, the entrepreneurs. Almost every job that exists in America today was invented by somebody in the last 100 years. Who, 25 years ago, would have thought they would have needed an iPad? There are a lot of people making iPads. We didn't have TVs, we didn't have washer machines," Allison said.

"It is entrepreneurs that actually create new jobs by discovering products that improve the quality of life. That requires freedom, it requires free markets, and it's actually man's nature as a thinking being that we have to be free to experiment, to make mistakes, to do what markets do if we are going to have a higher standard of living."