Rich: The “Deferred” Debate

By Howard Rich • on February 17, 2011
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*By **Howard Rich*** || Washington politicians have worked themselves into a fine lather lately debating spending cuts. Yet as familiar rhetorical jabs are exchanged over proposed reductions to things like NPR and the National Archives, the real spending debate is being ignored.

I’m referring of course to the debate over “entitlements” — decades’ worth of multi-trillion dollar promises made by former Congresses that had no intention whatsoever of keeping any of them.

Once a distant dilemma, entitlements are now the “wolf at the door,” a present, pernicious threat to the immediate fiscal health of our nation. Yet as this unprecedented wave of red ink crests over our country — dwarfing the debate over discretionary spending — politicians of both parties remain incapable of leveling with the public regarding the damage to come.

In fact entitlement reform isn’t even part of the budgetary conversation.

Fiscal conservatives in the U.S. Senate have correctly criticized recent budget reductions proposed by the U.S. House as inadequate.

“They’re talking about cutting $35 billion,” U.S. Sen. Rand Paul (R-Kentucky) said on February 10th. “We spend $35 billion in five days. We add $35 billion to the debt in nine days. It’s not enough and we will not avoid financial ruin in our country if we do not think more boldly.”

On the other end of the political spectrum, Senator Majority Leader Harry Reid (D-Nevada) accused House Republicans of inviting a government shutdown by proposing cuts that “would be devastating to our economy and send us back into a recession.”

What no one is addressing, however, are unavoidable changes to Social Security, Medicaid and Medicare that have been ignored for decades despite ominous warnings and soaring unfunded liabilities. Even after a special commission appointed by President Barack Obama recommended entitlement reform, the White House once again dodged the issue in its budget this week, saying that entitlements “will be part of the conversation over the next several years.”

The next several years?

The problem with “kicking the can down the road” is that eventually the road runs out — and when it comes to entitlements, America is fast approaching that point.

Spending on Social Security, Medicare and Medicaid currently consumes almost half of the federal budget — a figure that’s expected to climb to 64 percent by the end of the decade, according to the Committee for a Responsible Federal Budget (CRFB).

Social Security will see its costs soar as the first of the baby boomers have already begun retiring. According to the latest estimates, enrollment in Social Security will increase from 44 million to 73 million over the next two decades, far outpacing the “new investors” in this massive government-run Ponzi scheme. In 2015, the program will begin running permanent deficits — and by 2035 it will have nearly exhausted its trust funds.

“The program is expected to grow from 4.8 percent of GDP today to nearly 6.1 percent in 2030,” a recent CRFB report calculated.

Meanwhile the retirement of the baby boomers means that Medicare enrollment will grow from 47 million to 80 million over the next two decades — creating yet another cost crunch. Currently representing 3.6 percent of GDP, Medicare will consume 5.1 percent of GDP in 2030 according to a recent report published by the Kaiser Family Foundation.

Beyond these twin behemoths is the explosive growth of Medicaid — the state health care system — which saw its ranks swell by more than 6 million during the first two years of the recession. According to a recent survey of state health care directors, Medicaid spending grew by 8.8 percent in 2010 — well above the projected rate of 6.3 percent and the highest rate of growth in eight years.

Rather than reining in entitlement growth, however, government recently created a brand new entitlement — ObamaCare. It also borrowed trillions of dollars to pay for bailouts and new deficit spending, the combined effect of which has created an unprecedented interest crunch. In fact, the Congressional Budget Office estimated earlier this month that interest payments on the national debt alone will consume $5.5–$6.8 trillion over the coming decade.

How are we going to pay for all of this? Keynesians want to raise taxes, but such a shortsighted solution simultaneously ignores the root of the problem while limiting our ability to pay back that mountain of money.

"Higher tax rates will reach a point of diminishing returns when revenue declines," Jim Powell of the Cato Institute wrote recently. "Taxes cannot save the entitlements."

Nothing can save entitlements — at least not as they are currently configured. That's why instead of being ignored they must be put on the table along with every other program funded by government — and cut.

AUTHOR'S NOTE*: Howard Rich is chairman of* ***Americans for Limited Government****. He is also a syndicated columnist for* ***Liberty Features****. To read more of his columns,* ***click here.***

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