



## America in Denial as Fiscal Tsunami Approaches

By: Gene Healy - February 26, 2013

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It's hard to hear yourself think over all the caterwauling on Capitol Hill about the looming sequestration "crisis." For opponents of the spending cuts -- at \$85 billion, 2.3 percent of the \$3.6 trillion federal budget -- the rallying cry is half Lord Keynes, half St. Augustine: "Grant me chastity and continence -- but not yet."

But the time for a little fiscal continence has long since arrived. Economists have found that when a country's debt-to-GDP ratio surpasses 90 percent, you see slower economic growth; we're currently above 100 percent.

True, the sequester is somewhat ham-fisted in its execution; departments cannot prioritize the across-the-board percentage cuts. Still, too much discretion results in too little restraint, as we've learned from the 2011 budget deal, which cut \$38 billion on paper. Two weeks ago, the Washington Post looked at that deal, which President Obama called "the largest annual spending cut in our history." "Stuffed with gimmicks" and "phantom cuts," the deal was "an epic kind of Washington illusion," the Post reported. At least \$17 billion of the ballyhooed \$38 billion in reductions "cut nothing at all"; the feds absorbed the reductions "without losing a single employee."

The sequester may be a rough tool, but it doesn't allow for as much cooking the books.

Stories like this that encourage us to believe that our fiscal dilemma stems in the main from "weak-willed politicians." But as New York Times economics columnist and Washington Bureau Chief David Leonhardt writes in his crisp and informative new e-book "Here's the Deal," that lets the rest of us off too easily: "The problem is us -- the voters."

I don't agree with many of the solutions he proposes but I can't fault his diagnosis: "[T]he coming deficits stem, above all, from the fact that most Americans are scheduled to receive far more in Medicare benefits than they have paid in Medicare taxes. Social Security contributes to the problem, too, as do the world's largest military" and an electorate that has decided "Republicans have won the debate on taxes, and Democrats have won the debate on benefits."

A new survey from the Pew Research Center underscores Leonhardt's point: "As Sequester Deadline Looms, Little Support for Cutting Most Programs." "For 18 of 19 programs tested," the survey finds, "majorities want either to increase spending or maintain it at current levels."

Of the 19 programs tested, not one earns a plurality of Democrats favoring decreased spending. Republicans talk tough in the abstract, but they're nearly as incontinent when it comes to specifics: Only cuts to foreign aid and unemployment assistance show majority support from GOP voters.

But, as Leonhardt makes clear, our looming fiscal calamity is hardly the result of freebies for poor people and foreigners. Much of it is the result of middle-class entitlements, particularly in health care. He cites research showing that in current dollars, a newly retired married couple with typical earnings will have paid roughly \$88,000 in payroll taxes for Medicare (including the employer contribution); they can expect to receive program benefits more than four times that much.

The U.S. "already has a 'particularly strong age bias' in its government spending" relative to other rich nations, he writes, and the burden of fiscal restructuring is likely to fall hardest on the young. This complicates the "makers vs. takers" narrative that Mitt Romney, Rep. Paul Ryan and their supporters have indulged in to explain their loss. This class of net "takers" -- older voters -- tends to vote Republican.

In recent budget fights, the federal legislators most closely aligned with the Ron Paul wing of the Tea Party movement -- Sen. Rand Paul, R-Ky., and Rep. Justin Amash, R-Mich. -- have been most willing to embrace the sequester and call for further cuts. But they're a distinct minority: The fiscal reality-based community remains far too small.