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## Drowning In Debt

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**Liabilities:** The latest finding that states have underfunded their pension and retiree health plans to the tune of \$1.26 trillion is just the leading edge of an overwhelming wave of unfunded government promises.

A new study by the Pew Center on the States finds that the gap between the states' pension and retiree health benefit promises and the money they have to meet them climbed 26% in just one year, hitting \$1.26 trillion in fiscal 2009.

Even that alarming figure relies on the states' optimistic assumptions about how much they expect to earn on their investments. Using more realistic assumptions could boost that gap to \$2.4 trillion, Pew found.

Bad as it is, this funding gap is a piker compared with the federal government's debt. We're not talking about the \$14 trillion in public debt that everyone has been focused on, but the even more massive debt we're piling up in Social Security, Medicare and other entitlements.

According to the Cato Institute's Michael Tanner, we've promised future retirees far more than we can pay at current tax rates. How much more? If these unfunded liabilities were included in our debt figures, it would reach \$127 trillion — or more than 730% of gross domestic product. This debt tsunami isn't hitting us by surprise. Indeed, Tanner and others have issued countless warnings that we've been promising future retirees far more than we can deliver, only to be met with indifference or hostility.

At least some state and local governments are starting to take their unfunded liabilities seriously, as we saw in Wisconsin earlier this year, and even now in union strongholds such as Detroit, where the mayor is pushing city employees to pony up more to cover health insurance and pension costs.

At the federal level, it's another story. When President Bush offered up a modest privatization plan to save Social Security for the long haul, he was strung up by Democrats and the media.

Now Rep. Paul Ryan, R-Wis., is stepping up with a proposed fix for Medicare and is getting the same treatment, with Democrats — including President Obama — playing on the public's general lack of understanding of the stakes involved to scare them away from needed reforms.

Like it or not, this entitlement wave is coming, and the only way to avoid catastrophic destruction is to take action now.

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