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[The National Debt is Huge, but Unfunded Liabilities Are America's Real Red-Ink Challenge](#)

by [Dan Mitchell](#)

I frequently argue that government spending is the problem, not budget deficits. Regardless of whether it is financed by taxing or borrowing, every penny of spending diverts resources from the productive sector of the economy. I narrated a video explaining why [excessive spending is bad from a theoretical perspective](#). I did another looking at [the empirical evidence for smaller government](#). And I had another video discussing why [deficits are a symptom and the real problem is bloated budgets](#).

Nonetheless, some people seem convinced that deficits and debt are the real problem. While I think [that focus is a bit misguided](#), I certainly agree that there is something utterly immoral about spending today and imposing a fiscal burden on future taxpayers (especially since so much government spending is for current consumption and transfers).

But here's some really depressing news for the anti-debt crowd. Today's deficits and debt actually are just the tip of the iceberg. Here's a new video from the Center for Freedom and Prosperity that reveals the enormous unfunded liabilities resulting from entitlement programs. As the video explains, unfunded liabilities are promises by politicians that impose enormous long-term obligations for more spending and debt.



The narrator of the video is Kelly McDonough, a student at American University and a former Cato Institute intern. If this video is anywhere near as successful as the [other video narrated by a former Cato intern](#), perhaps this will become a new tradition. That won't be good for my video career, but I imagine there won't be many people lining up to complain.



Tags: [Big Government](#), [debt](#), [deficits](#), [Economics](#), [Federal Spending](#), [Fiscal Policy](#), [Government spending](#)

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 [anon](#) · 2 hours ago -9

"every penny of spending diverts resources from the productive sector of the economy."

Does this include trillion dollar goodwill missions in Iraq?

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 [Walt Reeves](#) 53p · 1 hour ago +3

I don't really pretend to understand Economics.
But I don't trust stuff like this...

http://news.yahoo.com/s/ap/20100510/ap_on_bi_st_m..

"...a nearly \$1 trillion plan to avoid a European debt crisis..."

That's One Thousand Billion dollars.

That makes me think the currency is safe now. Because there's lots of it.

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 [Darby](#) · 1 hour ago +1

This is spot on. There is a tsunami of debt coming from these liabilities and nothing is being done except making the outlook worse. In the next 5-10 years we will have the day of financial reckoning no matter how much our leaders put their heads in the sand.

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 [Dave Dunn](#) · 1 hour ago +1

Yes it does. But it's important to note that these unfunded liabilities are a result of decades of promises, from Democratic administrations creating entitlements in the name of "social justice". George Bush did much the same with his expansion of government. The question is will WE do what's right and necessary to turn this around, or end up like the failed countries we see imploding in Europe today?

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 [MSMediacritic](#) 80p · 1 hour ago +1

Don't worry. I'm sure our great great great grandchildren will not mind paying the extra taxes.

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 [geroni](#) 33p · 1 hour ago +2

Remember when they print dollars to throw around, it just reduces the value of the dollars out there.

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 [aharris](#) 101p · 1 hour ago +2

No one out there should count on ever seeing any of that Social Security money back. Similarly, don't hold your breath on Medicare. By the time we retire, we won't be able to retire unless our own private savings are enough, assuming we are allowed to keep those.

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 [mtv22](#) 103p · 1 hour ago +1

Astonishing figure for unfunded liabilities that translate to almost 300K for every man, woman and child... in effect mortgage debt without the benefit of the house. The liberal legacy of entitlement "trusts" (oxymoron, I know) will be but a hollow promise when the stark reality of future non-payment exposes these mothers of all ponzi schemes. If Social Security and Medicare had been conceived in the private sector, somebody would have gone to jail.

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 [JohnK144](#) 91p · 1 hour ago


+1

Remembering that we have an extraordinarily brilliant, Conservative bean counter in the Republican Party, I point out once again, the Roadmap:
<http://www.roadmap.republicans.budget.house.gov/p...>

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 miunch · 1 hour ago

-5

Roll back the Reagan tax cuts and voila! problems solved. Cutting taxes has never, ever increased revenues.

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 [Liberty666](#) 93p · 50 minutes ago

+2

there are 3 ways that i know for the govt. to get money 1) tax 2) borrow 3) inflate the currency...its a shell game

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 [lindava](#) 73p · 45 minutes ago

+2

Can someone please explain to me why the "national debt" and "unfunded liabilities" are always considered as separate entities? Five years from now, I will still have a house payment, because this is money that I OWE. The fact that it doesn't have to be paid right now does NOT remove it from my "debt."

"Unfunded liabilities" are actually WORSE than the debt (what we have already spent that we can't pay for), because it is more than just what we have "promised." It is money that we have actually collected from every paycheck for 60 years, and have NONE of the collections to use to repay the people we have taken it from!

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 Uncle Sam · 42 minutes ago

0

Closing in on the Big 13T! <http://usdebtclock.org/>
If Congress can meet for just one more week I know we can get there!

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