

Entitlements have potential to destroy us

By Michael Tanner

Our national debt recently topped \$13 trillion. That amounts to nearly 90 percent of this country's GDP; \$72,000 in debt for every household in America. And that's the good news.

In the next few years, our major entitlement programs, in particular Social Security and Medicare, will begin to run cash-flow deficits, adding hundreds of billions each year to the debt. In fact, Social Security's total unfunded liabilities top \$15.8 trillion, and depending on what accounting measure is used, Medicare's future shortfall could exceed \$100 trillion.

Politicians pretend you can deal with the debt crisis by eliminating "fraud, waste and abuse." Certainly there is plenty of that. This is, after all, a federal government that is spending \$34 million to help Americans learn to be better shoppers, and \$4.2 million to conduct "A National Conversation on Pluralism and Identity."

But such outrages account for only a tiny fraction of federal spending. Earmarks, targets of much outrage, amount to less than 1 percent of the federal budget. In fact, if you eliminated all non-defense discretionary spending, everything from the Department of Education to the FBI, we still would face a budget deficit this year in excess of \$500 billion. Throw in the entire defense budget and we barely break even.

Now add Medicaid, Medicare and Social Security, and Obama's 2011 budget has a \$1.27 trillion deficit. It's the entitlements, stupid.

Nor can you tax your way out of debt. Eliminate all of the Bush tax cuts, including the tax cuts for low- and middle-income Americans, and you would reduce the debt by perhaps 10 percent, assuming you didn't cripple the economy in the process. Tax the rich? That won't get you there, either. According to the Congressional Budget Office, paying for all currently scheduled federal spending would require raising the corporate tax rate and top income-tax rate from 35 percent to 88 percent, 25 percent tax rate for middle-income workers to 63 percent, and 10 percent for low-income workers to 25 percent.

There is simply no way to control our debt without getting serious about reforming entitlements. Unfortunately, there is no evidence politicians in either party are ready to do so. President Bush tried to reform Social Security, but his efforts were blocked by the powerful seniors lobby. Then he pushed through a Medicare prescription-drug benefit that could add \$13 trillion to the debt.

Democrats just pushed through a health-insurance bill that if all costs are included will add \$352 billion to the debt over its first 10 years. And Republicans spent much of the debate attacking Democrats for cutting Medicare.

Given this record of bipartisan irresponsibility, we can certainly be forgiven for wondering if the worst is yet to come.

Michael Tanner is a senior fellow at the Cato Institute.