

When the bill comes due

While our politicians bluster about issues they plan never to address with action, they don't dare talk about one issue in particular, one that could bring most Americans to their knees in the twinkling—or would that be the winking?—of an eye.

The issue is America's fiscal solvency. Or, rather, the lack thereof.

Last September, David Walker, head of the Government Accountability Office issued a warning that this nation is well along its way to financial disaster.

This issue is not a conspiracy, nor is it a theory; it's a hard, cold fact that is deliberately being evaded by our supposed leaders.

Understand that we are nearly out of time. However, the possibility exists that we have indeed run out of time.

If the latter is the case, every individual should endeavor to get out of debt as soon as possible in an attempt to hang on to the bare necessities like a home, a vehicle, etc.

If we get hit with a second and last Great Depression, you figure out what you need to survive.

Here are some of Walker's remarks:

Congressional Budget Office (CBO) estimates that the unified budget deficits in fiscal years 2003 and 2004 will be \$401 billion and \$480 billion, respectively. These numbers are up significantly from fiscal 2002.

Interestingly, CBO estimates that we will incur about \$157 billion in interest on publicly held federal debt in fiscal 2003 even though current interest rates are low on a relative basis. Furthermore, CBO estimates that, excluding Social Security surpluses, the total deficit for fiscal years 2003 and 2004 will be \$562 billion and \$644 billion, respectively. If all these numbers are making your head spin, don't worry; just remember that they are all big, and they are all bad!

The current U.S government liability figures also do not adequately consider veterans' health care benefit costs provided through the Department of Veteran's Affairs nor do they include the difference between future promised and funded benefits in connection with the Social Security and Medicare programs. These additional amounts total tens of trillions of dollars in discounted present value terms. Stated differently, they are likely to exceed \$100,000 in additional burden for every man, woman and child in America today, and these amounts are growing every day. These items may or may not ultimately be considered to be liabilities from an accounting perspective; however, they do represent significant commitments that ultimately have to be addressed. The burden of paying for these is not a very nice present for a child born today! Personally, I'd prefer a savings bond rather than a bill!

In less than 10 years, due primarily to the retirement of the baby boom generation, the United States will be hit by a huge demographic tidal wave that is not expected to ever recede! This is unprecedented in the history of our nation. Candidly, we've had a long-range budget deficit problem for a number of years, even during recent years where we had significant annual budget surpluses. Unfortunately, the days of surpluses are gone and our current and projected budget situation has worsened significantly.

The ultimate alternatives to definitive and timely action are not only unattractive, they are arguably infeasible. Specifically, raising taxes to levels far in excess of what the American people have ever supported before, cutting total federal spending by unthinkable amounts, or

further mortgaging the future of our children and grandchildren to an extent that our economy, our competitive posture and the quality of life for Americans would be seriously threatened. While many members of Congress and other key policymakers and opinion leaders agree that we have a major fiscal challenge that must be dealt with, many do not want to talk about it publicly. Many believe that we will ultimately act to address this imbalance, but when will we start?

The following are Walker's proposals for remedial action. How many of these proposals do you think the government—regardless of what party controls what—has the courage, compassion and boldness to take on?

From an overall fiscal perspective, it is time to admit that we are in a fiscal hole and to “stop digging.” The federal government must start exercising more fiscal discipline on both the spending side and the tax side.

In addition, the rules for capital and various other public/private transactions need to be reviewed and reconsidered. In this regard, the government should base lease versus purchase decisions on a simple concept: What is in the best economic interest of the taxpayers?

With regard to the Social Security and Medicare trust funds, in addition to the accounting and reporting issues that I noted previously, it is time to recognize that trust fund solvency alone is not an adequate gauge of the financial condition of these programs. In fact, focusing on solvency alone provides a false sense of security as to the true state and the budgetary and economic implications of these important social programs.

With regard to existing policies and programs, it is time to restructure existing entitlement programs to make them secure, sustainable and aligned with 21st-Century economic, demographic and other realities. . . . Contrary to the assertions of some, the base of government spending, policies, programs and operations is not OK. As a result, the federal government needs to look beyond incrementalism and start making some tough choices in setting priorities and linking resources to results.

From a performance perspective, it is time to develop a set of key national indicators in order to assess America's position and progress over time and in relation to other major industrialized nations.

From an operational perspective, it is time to streamline and simplify the federal government's organizational structure to make it more economical, efficient, effective, flexible, responsive and accountable.

In closing, while I hope this serves as a “wake up call,” it is also time for a “call to action.” My fellow “baby boomers” and others need to recognize the leadership and stewardship obligations that we have to our children, grandchildren and future generations of Americans. In addition, members of Generations X and Y need to become actively engaged in this debate because they and their children will bear a disproportionate portion of the burden and adverse effects if policymakers fail to act in a reasoned and responsible manner.