

We broke the bank!

We need to rein in our overspending

By Mike Whalen | Tuesday, August 11, 2009

The United States is functionally bankrupt. Our collective capacity to deal with this astonishing fact is seemingly nonexistent. Our national politics have become show business, exhibiting a complete refusal to strategically respond to this reality.

Let's look at the simple numbers of our national debt. Our on-the-books national debt is \$11.6 trillion. But off-the-books federal debt, including Medicare and Social Security, is \$107 trillion. This is not a made-up number; this is the money we should have in the bank, according to the federal government's own accountants, to pay for our current promises to our retirees and future retirees, and this doesn't include unfunded obligations that we have to the pensions and benefits promised to federal workers and veterans. Nor does it include huge unfunded pension and benefit obligations for other public employees at levels below the federal government.

But let's just add the \$11 trillion to the \$107 trillion, and we get \$118 trillion. These are big numbers but still just fifth-grade math. Now our total annual national output, or gross domestic product (GDP), is about \$14.3 trillion. Total federal receipts, or income if stated in business terms, are about \$2.5 trillion. This means that our debt to federal income ratio is about 47, and that ratio assumes that the federal revenues are free to retire the obligations, which they are not. We must pay for defense and a myriad of other programs. Again, in business terms, there is no free cash flow to pay these massive obligations.

Our total national private net worth, according to the Federal Reserve Board, is about \$51.5 trillion. That means our federal unfunded liabilities represent 2.3 times our collective net worth. That's pretty darn broke.

Ask any accountant, banker, or anyone remotely familiar with simple accounting knowledge if we can service this debt, and the collective answer is a resounding "no." Any business with these ratios would be a complete basket case, hopelessly bankrupt. Unlike General Motors Corp., there is no one with the wherewithal to bail out the U.S.A.

If anyone can write an intelligent response to how we can handle this massive problem, please respond. I would love to see the plan. I once asked one of my federal senators, Sen. Tom Harkin, Iowa Democrat, how we would handle this nightmare, and he simply replied, "We'll grow our way out of this."

Senator, I challenge you to lay out this cheery scenario. We are not politically set up to grow at 8 percent or 9 percent like China. We would have to adopt extremely aggressive pro-growth policies, and those are not politically acceptable at this time.

Even if we significantly slash the federal entitlements by half, we cannot fix this problem. Even if we increase federal receipts from the 50 year average of 18 1/2 percent of GDP to say 27 percent, killing private-sector growth, we cannot fix the problem.

We are collectively broke. It is a horrible legacy we are leaving to our children.

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