

The Politics of Denial

A good many things bother me about election years—the annoying sound bites, the negative commercials, the endless political over-analysis. But what bothers me most about the coming election is this: So far (when I'm writing this, it's admittedly early in the campaign) there's little or no talk about what is one of the most critical national issues of the next thirty years—our growing government debt.

With yearly deficits, sometimes smaller, sometimes larger, this debt is like the creature in the movie "Alien." It keeps growing bigger and bigger inside our country, sucking the insides out of our treasury, and one day, I fear, it will burst forth and bring catastrophe to our society.

But no one running for national office seems to want to say that—not in an election year. Our debt and its accompanying burden of interest payments, caused in large part by our "entitlements" programs, remains a political "third rail." Politicians touch them at their peril. Talk about a state of denial.

Deficit economics is a complicated business, but certain conclusions are clear. In the July 1 issue of *Forbes*, a little chart illustrates the inevitable course to which we are already committed. *Right now* only 18% of the federal budget is "discretionary spending." Everything else is taken up with entitlements and interest. By 2030, the numbers will read this way: 93.6% of the TOTAL federal budget will go to entitlements and interest and 6.4% for discretionary income (everything else).

The *Forbes* chart shows some other disturbing numbers. In 1995 government spending accounted for 21.7% of our Gross Domestic Product. Thanks to a budget our leaders have promised to "balance" by 2002, it will be down to 18.5%. So far so good, but look a little farther into the future. By 2010 it will be back up to 24.6% of the GDP, and by

2030, the total federal government take will be 37.3%. And these numbers don't include the additional 11% that states will take, *assuming their spending remains unchanged for the next 35 years*. In 2030, the federal deficit alone will be 18.5% of the GDP, (up from only 2% now), and of this 10.7% will be interest.

Some optimistic scenarios suggest that as baby boomers age and enter their peak saving years, these numbers will begin to magically fix themselves. But that's a false promise. According to the July 15 issue of *Business Week*, while these savings increases will add \$27.5 billion to annual personal savings, rising demand for health care among the aging will soak up the gains and then some. Medicare and Medicaid will cost more and more, pushing the deficit from \$164 billion in 1995 to \$376 billion in 2005. For every extra dime saved, the government will have to borrow 76 cents to meet its obligations.

The main culprit in these scenarios is that mass of "entitlements," (mostly, but not entirely, Social Security, Medicare and Medicaid) which we are already committed to paying out. We've created a giant Ponzi scheme where we're using the current payments (almost 15% of everyone's total earnings), which taxpayers believe are going to their retirements, to meet our obligations to present retirees. The present Social Security "surplus" is "loaned" to the Treasury to reduce each year's deficit. The Social Security system receives IOUs for this money, and it's left to the next generation and the vagaries of a future economy to pay back these loans.

Is it reasonable that people, regardless of their economic need, get back many many times what they put into the Social Security system and far more than they would get from the same money in any other investment? We've created a myth where people are "entitled" to this

"Everybody, sooner or later, sits down to a banquet of consequences."

Robert Lewis Stevenson



money, and now we're living with the consequences of it.

But soon we'll have no option but to face reality. Unchanged, our present course could lead to disaster within the next generation or two. In 1960 there were 5.1 taxpaying workers to support every retiree. By 2040 there will be 2, or possibly less.

This is a recipe for guaranteed generational warfare. At some point, those two future taxpayers, burdened with responsibilities for their own families and whatever other taxes they will have to pay, will say, "Enough! I won't take it any more! I'm not paying for these old geezers to sit around and play shuffleboard in Florida while I work three jobs to keep a roof over my head." At the same time, the "old geezers," understandably enough, will fight to keep their "entitlements" coming. It's not rocket science to figure out what that will mean for any sense of national unity.

But the scenario gets even worse. We already have very little left over after

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meeting current obligations to do the other things we expect our government to do, such as provide for defense, maintain our position of leadership in the world, care for our physical infrastructure and educate our children and grandchildren. And as time goes on, we'll have less and less.

It's a cliché to say that election year is the time to send a message to Washington. Sometimes I wonder what the point is. Messages were sent in 1992 and 1994, and it didn't seem to make any difference. Our elected leaders are still "fixing" the problem by putting Band-Aids on our fiscal internal bleeding.

At the time I'm writing this, we're again confronted with the insanity of both presidential candidates promising tax cuts within twenty-four hours of the announcement that part of Social Security will be bankrupt in five years.

What's wrong with this picture?

Ultimately democracies tend to get the governments they deserve. If we have a government of men and women who won't confront the hard questions of the coming years, maybe it's because we encourage them not to. It's frustrating when the candidates try to buy the election with minor tax cuts, cheap temporary fixes and denial, mixed with polarizing statements and demonization of the opposition. Compromise seems to have become a crime, and decency and civility in public discourse have become aberrations. Purity has become more important than progress. On the other hand, if we don't demand something else, then that's what we'll get from Washington.

The message we have to send—and mean—is this: Acting responsibly to control the deficit and deal with "entitlements" (not just the other guy's, but all of ours) is not a political "third rail"; failing to do so is. The message should be, "If you can't tell the truth and put the long-term good of the country ahead of the short-term interests of yourself, your party and the influential special interest groups, then we'll find someone who will."

While "government" is often part of the problem, only we, through our elected officials, can balance its inflow and outflow of funds. We must act in a fiscally responsible manner in our personal

lives and in our businesses. Shouldn't we insist that our representatives be just as responsible when the question is government spending?

Fixing the deficit/entitlements mess won't be easy, but it's not impossible. It will mean, however, accepting some short-term pain for the sake of long-term gain; sacrificing some personal benefits for the sake of the general good; doing without present pleasures for the sake of our own and other people's children.

Our parents and grandparents and their parents for generations did it. It never occurred to them to do anything else. We can and must do it too. A country burdened with continuing deficits, low savings rates and an aging population will not remain economically healthy or politically strong.

We owe it to ourselves, our past and our future to get the debt under control: to ourselves because most of us will still be alive when the system starts to unravel; to our past because it was the self-denial and the dreams of our ancestors for us that have brought us the greatness and prosperity we're squandering away; and to our children because every day that we delay means more of the bill falls to them to pay. And that is neither right, nor fair, especially when they never agreed to accept the obligation in the first place, and when it's still within our power to relieve them of much of the burden.

I, for one, don't have all the answers. The exact means we use to solve the debt problem is an issue about which reasonable people may disagree. But we can't put off the question any longer.

There's no better time than an election year to remind ourselves and our elected officials that the real issue confronting us is not just "character" or "values," it's providing the leadership to deal with our crippling debt and enable us to become the kind of country we can and want to be in the next century.

Michael Goldstein,
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