Written by **Kurt Williamsen** on March 21, 2013

Baby Boomers to Suffer From Dollar's Decline

It's early 2013 and the "fiscal cliff" has been avoided. Too, the debt-ceiling debate, scheduled to be renewed in January, didn't amount to more than a formality before Republicans gave Obama all the money he desires — at least until May, anyway. Score victories for Obama.

But it should be asked in the wake of the "successful" fiscal-cliff negotiations, "Why does the U.S. debt ceiling need to be raised again; why, during fiscal-cliff negotiations, didn't Congress simply raise taxes to pay for all planned spending?"

The answer is simple: Then Americans would get a good sense of the immense amount the government is spending in their names — on their credit cards. According to liberal Boston University economics professor Laurence Kotlikoff, to pay for all the U.S. government's planned spending, all federal taxes must rise immediately by 64%. And you thought a 2% rise in Social Security payments this year hurt you?

Kotlikoff deduced that the U.S. government owes $222 trillion in future bills, an amount that increased by $11 trillion last year alone because we aren't saving for future obligations, such as Social Security, Medicare, Medicaid, etc.

To those readers who have been led to believe that all of the country's financial problems could be solved merely by making the rich "pay their fair share," let me point out how far from the truth that is.

As David Burge pointed out on his Iowahawk blog, if government attempted to pay for our country's 2011 budget of $3.7 trillion by taking every penny of the Fortune 500 companies' 2010 global profits ($391 billion); every penny of all major league sports' salaries, along with NASCAR and PGA salaries ($9.4 billion); every penny made in every household above $250,000 ($1.43 trillion); we stop all warmaking ($264 billion); and eliminate foreign aid ($50 billion); it would fall short ($3.556 trillion).

What does this debt mean to us? Right now, it mainly means items cost more. As the money supply is enlarged — created out of thin air — to pay the U.S. debt, each dollar in existence purchases fewer goods. It's a process known as inflation.

However, present inflation rates will soon be the least of our worries. This is true because it's now virtually inevitable that prices for goods and services will skyrocket in the foreseeable future or the government will default on payments — probably including welfare payments — or both.

How do we know that a dollar bust is upcoming? The interest we pay on our national debt indicates our future. The interest the United States pays on its debt is now above $350 billion per year. Because more than 43 cents of every dollar the United States spends is now borrowed — and plans are in place to add about a trillion dollars more in debt each year — the interest payment on U.S. debt is expected to climb to a trillion dollars per year in 2017.

In other words, in four years, the interest on the debt will consume almost half of all revenue that the

government collects, and each year after that it will get progressively worse — until it consumes all revenues.

As the interest on the debt grows, we won't be able to borrow enough to pay our bills, and the government will have to either simply print more money to pay up or default. It will likely at least try printing money, and this is when inflation will zoom atmospherically. Even Ben Bernanke, the head of the Federal Reserve, acknowledged this scenario last year.

The chance that the United States will avoid this path in our near future is infinitesimal, but there is a chance. An unexpected business boom could spare us — socialist Norway stays solvent via exploiting oil revenues, and the United States has some of the biggest oil reserves in the world — or a massive downsizing of government could spark a boom — as happened during the Harding administration and at the end of WWII— but there's little chance of either happening.

The government is issuing smothering business regulations and taxes, and the government will likely run higher debts than projected, not lower.

Debts will likely be higher for many reasons: Not only did the administration fight the minuscule sequester cuts tooth and nail, ObamaCare is much more expensive than promised and will only reduce costs if the death panel lives down to its name, as well as devastating the small businesses that most influence employment. Also, year-in and year-out, Congressional Budget Office figures used to project future tax revenues have predicted a rapidly growing economy and been consistently wrong; the federal flood insurance fund is empty; the Social Security Disability fund is almost empty; etc.

The great majority of U.S. spending is claimed to promote "fairness," while critics have argued that it is immoral for Baby Boomers — the group mainly responsible for electing political spendthrifts — to heap devastating debt on their children and grandchildren. Ironically, the imminent demise of the dollar has accelerated to where the dollar will almost certainly crash during most Boomers' lifetimes, so they will have to suffer along with their offspring.

I guess that's fair.