Written by **Staff** on May 9, 2016
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Correction, Please!

Looking Elsewhere in the Face of Insolvency

Item: The Washington Post *began its front-page feature story on April 8, 2016, as follows: "The contest between Hillary Clinton and Bernie Sanders grew increasingly nasty Thursday with a series of testy exchanges that have prompted widespread concern among Democrats that their rivalry is doing lasting damage to the party and the eventual nominee."*

Item: The New York Times' *lede on page one of its April 8 edition declared: "A Democratic primary campaign in which both candidates prided themselves on civility and debating the issues, rather than stooping to personal attacks, took a fractious turn on Thursday. After Senator Bernie Sanders of Vermont called Hillary Clinton unqualified to be president, Democrats faced the prospect of an increasingly contentious nominating process hurting the party's ability to unite against Republicans in the fall."*

Item: Democrat presidential candidate Bernie Sanders, as noted on his campaign website, considers Social Security to be "the most successful government program in our nation's history." He denies that it is in crisis or going broke, and insists that it should be "strengthened" and "expanded."

Item: Leading Democrat candidate Hillary Clinton on her campaign site vows to "fight any effort to privatize or weaken Medicare and Social Security" and promises to "expand Social Security."

Correction: Blessed are the children in this country. Because of the shortsightedness and political cravings of their national leaders, they will inherit a massive debt.

Moreover, because of the sly sales pitches and misdirection of the mass media, invariably concentrating on trivial spats rather than issues of substance, we are being talked deeper into that debt.

Wouldn't it be refreshing to see the candidates put on the spot on what should be done about a national debt of more than $19 trillion? Or how about the approximately $90 trillion of unfunded liabilities of government programs such as Social Security and Medicare?

That bill, after all, is coming due. By 2026, as even the government's experts acknowledge, the official national debt is expected to be $29.6 trillion. The federal government's largest single program is Social Security; it faces insolvency, with the trust funds (which have long consisted of government IOUs so that the money could be diverted to other programs) being drained since the program is now paying out tens of billions of dollars each year more than it is taking in. This is not an unsubstantiated political claim, but the clear admission of the program itself. The trustees of Social Security, to include Obama administration officials, have acknowledged that there is no end in sight in the shortfalls of cash flow. Indeed, the situation gets worse after 2018, as even more Baby Boomers retire.

A recent analysis by the nonpartisan Congressional Budget Office paints an even darker picture. The CBO noted in December 2015 that, under current law, the so-called assets in the Social Security trust funds (again, the funds are comprised of IOUs), considered together, will be exhausted in 2029. In that case, benefits in 2030 would need to be reduced by 29 percent from the scheduled amount. The situation is more urgent with the specific disability insurance trust fund portion of Social Security, which faces insolvency much sooner.

The Congress came up with a “solution” several months ago in the midst of the budget deal by “reallocating” funding, i.e., borrowing assets from one troubled entitlement program to keep another sinking one temporarily afloat. Here is, among a few other minor moves, what our elected representatives decided to do, as summarized by the Committee for a Responsible Federal Budget, because of the coming exhaustion of the Social Security Disability Insurance (SSDI) trust fund:

Because the Social Security Trustees and the Congressional Budget Office (CBO) had estimated that the [SSDI] trust fund would run out of reserves by the end of 2016 and in the beginning of Fiscal Year (FY) 2017, respectively, leaders included a payroll tax reallocation to shore up the trust fund….

According to estimates from Social Security’s Chief Actuary, the changes would improve long-term solvency of the … trust fund by 0.04 percent of payroll over 75 years. Over the next 10 years, the Chief Actuary estimates these changes will save the trust funds between $5 billion and $9 billion, and CBO estimates these changes will save about $3 billion. This bill would close 1.5 percent of the 75-year shortfall and reduce total Social Security costs by about 0.1 percent.

Put simply, this legislation is projected to “solve” all but 98.5 percent of the shortfall problem. And you skeptics thought that our elected solons cannot fix national problems?!

At the same time, the annual federal budget deficit has gone beyond a trillion dollars. Yet candidates Clinton and Sanders, as well as their GOP counterparts, are pushing for horrendously more expensive programs that will put us deeper in the hole. Meanwhile, more than half of all federal spending is consumed by just three “entitlement” programs: Social Security, Medicare, and Medicaid.

Our generous leaders want to give us so much. But the government that “gives” so much has to get the money from somewhere. That costs a lot. Hillary Clinton is that type of a generous soul — because that is how you buy patronage. And by several measures, she has already during this electoral campaign called for more than $1.1 trillion in new spending (over the next decade). Michael Tanner aptly summarized some of this new spending several months ago for National Review Online. At that point, Clinton had just unveiled, as he wrote,

a “jobs” plan that includes the usual motley collection of infrastructure projects, “green energy,” subsidies, manufacturing incentives, government research and development, and so on. In total these proposals would cost at least $350 billion over a decade.

Clinton’s jobs program comes on top of a $75 billion proposal for increased spending on clean energy that she announced earlier. She also wants more government support for child care, a proposal that some estimate could cost $200 billion or more over ten years. That would be on top of her proposal to give states grants to encourage them to implement paid family leave, which would cost at least $10 billion, and her $10 billion proposal for subsidizing home care for the elderly.

Then there is Clinton’s plan for reduced college tuition. While not as grandiose as Sanders’s “free tuition for everyone,” Clinton’s proposal would still cost at least $350 billion.

Clinton has already called for more than $1.1 trillion in new spending over the next ten years. Finally, she also wants to spend more on drug treatment ($10 billion), incentives to encourage profit sharing with employees ($10 billion), and other corporate welfare such as “new market” incentives (another $10 billion). To update [former Senate Minority Leader] Everett Dirksen, 10 billion here, 10 billion there, and pretty soon you’re talking real money.

The way she suggested to fund such giveaways is time-tested: Find the rich guy behind the tree and tax him. However, to believe you can do that without hitting large numbers of the middle class requires a suspension of reason. There just are not enough rich guys to squeeze. And the top two percent of earners are already being held up for about half of the income tax collected in the country.

As spendthrift as she is, Clinton is a piker when compared to "democratic socialist" Sanders. An analysis of the Vermont senator's proposals (by the Tax Policy Center of the Urban Institute and Brookings Institution) has concluded that his extravagances (with our money) would require a $15.3 trillion tax increase over 10 years.

Writing in the *Fiscal Times*, Eric Pianin condenses some of the various Sanders schemes:

If Sanders had his way, the government would provide free college tuition to all students at state-run colleges and universities. Americans would be entitled to medical and family leave from work, courtesy of the federal government. Rather than trimming benefits of the Social Security system, as fiscal conservatives say would sustain the retirement program, Sanders would engineer an historic expansion of the program for retirees and the disabled.

That's just for starters. Sanders' most ambitious and costly proposal would enact a European-style single-payer national health insurance program to guarantee every American health care coverage. He would launch a major new infrastructure program to repair and replace the nation's aging highways, bridges, airports and water projects. And he would provide universal childcare and pre-school programs.

Andrew Biggs, a former principal deputy commissioner of the Social Security Administration who is now a resident scholar at the American Enterprise Institute, compared the "pie-in-the-sky" proposals of the rivals in the *Wall Street Journal* in March. Both proposals require, as he noted, huge tax increases. However, neither advocates bumping up the payroll tax rate, "the traditional means for buttressing Social Security finances. Instead, they would put all the financial burden on high-income earners. Mr. Sanders would eliminate, over 17 years, the $118,500 ceiling on which payroll taxes are levied. He also would immediately apply a 6.2% tax on investment income to households with incomes above $250,000. Mrs. Clinton is more circumspect but has recently spoken in favor of both approaches."

Significantly, payroll taxes would be raised without increasing the benefits of those who are paying in. And "for the first time, non-wage income [such as investment income] would be taxed." The Democrat candidates do differ in how they would increase benefits. Writes Biggs:

Mrs. Clinton would raise retirement payments for widows as well as provide Social Security credits for individuals who take time out of the workforce to care for a child or an infirm adult. Mr. Sanders would increase the basic benefit for most retirees, raise cost-of-living adjustments, and institute a new minimum benefit for long-career low earners. Overall, Mr. Sanders's proposed benefit increases are nearly three times as large as Mrs. Clinton's.

Worse, many government programs are wasteful and do not accomplish what they are supposed to do, at least as originally promised by their proponents. Programs invariably grow and become more expensive when run by huge bureaucracies at the federal level.

Consider how much time it takes to make, let alone accrue, a million dollars. Now take that million dollars and multiply it by a million times. Yes, that huge amount is the annual outlay of a single federal bureaucracy: The Department of Health and Human Services has just become the government's first trillion-dollar bureaucracy. And HHS bureaucrats, who run literally hundreds of subsidy programs, need not be effective to get hefty raises. Take the results of the long-standing "war on poverty." It was in 1964 that President Lyndon Johnson declared what he called an "unconditional war on poverty in America." This new federal effort was launched at a time when official poverty was already falling dramatically. (The poverty rate was 32.2 percent in 1950. In 1965, when the supposed war was just beginning, that official rate was about half of that, at 17.3 percent.)

Three years after this "war" was initiated, as has been pointed out by an analyst for Citizens Against Government Waste, the poverty rate was said to be 14 percent. "Since 1965, the U.S. has spent over $22 trillion fighting the war on poverty (not counting Medicare and Social Security) in the form of government programs and expanded federal power. A half-century later, according to the latest statistics from the Census Bureau, the poverty rate in the United States stands at 14.8 percent, or 46.7 million people."

Indeed, as has been noted by Robert Rector and Rachel Sheffield of the Heritage Foundation, the government now "spends 16 times more, adjusting for inflation, on means-tested welfare or anti-poverty programs than it did when the war on poverty started." Even as the number and extent of such programs grew, the poverty rate remained essentially unchanged.

So what should we expect if the federal bureaucracy were to get the trillions of additional dollars sought by Clinton, Sanders, et al.? The pattern is set. Thomas Donlan, the editorial page editor for *Barron's*, rightly has observed, "when the U.S. government gets more tax revenues, it spends like a college freshman with a new credit card. Democrats and Republicans are the two wings of the Something-for-Nothing Party."

Sadly, some things seem never to change: If Washington is the seat of the government, the taxpayer is the pants pocket.

— William P. Hoar

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