

March 5, 2007 David Walker, Comptroller General at the Government Accountability Office, appeared on the show "60 Minutes" last evening to discuss the federal budget outlook. If you saw the show, you know that he painted a very sobering picture regarding the federal government's ability to meet its future obligations. If you didn't see the show, Mr. Walker's theme was simple: government entitlement spending is like a runaway freight train headed straight at American taxpayers. He singled out the Medicare prescription drug bill, passed by Congress at the end of 2003, as "probably the most fiscally irresponsible piece of legislation since the 1960s." When it comes to Social Security and Medicare, the federal government simply won't be able to keep its promises in the future. That is the reality every American should get used to, despite the grand promises of Washington reformers. Our entitlement system can't be reformed- it's too late. And the Medicare prescription drug bill is the final nail in the coffin. The financial impact of the drug bill cannot be overstated. Government projections that the program would cost \$400 billion over the next decade were a joke, as everyone in Congress knew even as they voted for the bill. The real cost will be at least \$1 trillion in the first decade alone, and much more in following decades as the American population grows older. The Medicare "trust fund" is already badly in the red, and the only solution will be a dramatic increase in payroll taxes for younger workers. The National Taxpayers Union reports that Medicare will consume nearly 40% of the nation's GDP after several decades because of the new drug benefit. That's not 40% of federal revenues, or 40% of federal spending, but rather 40% of the nation's entire private sector output! The politicians who get reelected by passing such incredibly shortsighted legislation will never have to answer to future generations saddled with huge federal deficits. Those generations are the real victims, as they cannot object to the debts being incurred today in their names. The official national debt figure, now approaching \$9 trillion, reflects only what the federal government owes in current debts on money already borrowed. It does not reflect what the federal government has promised to pay millions of Americans in entitlement benefits down the road. Those future obligations put our real debt figure at roughly fifty trillion dollars- a staggering sum that is about as large as the total household net worth of the entire United States. Your share of this fifty trillion amounts to about \$175,000. Don't believe for a second that we can grow our way out of the problem through a prosperous economy that yields higher future tax revenues. If present trends continue, by 2040 the entire federal budget will be consumed by Social Security and Medicare alone. The only options for balancing the budget would be cutting total federal spending by about 60%, or doubling federal taxes. To close the long-term entitlement gap, the U.S. economy would have to grow by double digits every year for the next 75 years. The answer to these critical financial realities is simple, but not easy: We must rethink the very role of government in our society. Anything less, any tinkering or "reform," won't cut it. A good start would be for Congress to repeal the Medicare prescription drug bill.