



HOW TO SOLVE AMERICA'S SPENDING PROBLEM

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Both Democrats and Republicans complain about America's national debt, what a looming crisis it is, and how we have to do something about it. And well they should. The numbers defy comprehension.

Currently, the debt stands at around \$17 trillion dollars, much of that coming in just the last few years. To put it simply, our government spent \$17 trillion dollars more than it took in. That's one huge deficit, wouldn't you say?

How did it happen?

To answer that, we have to focus on three programs: Social Security, Medicare and Medicaid. Social Security is a government pension program for people over 65; Medicare is a government health insurance program for people over 65; and Medicaid is a government health assistance program for people who can't afford to buy insurance.

The debt picture has admittedly become a little more complicated -- and more severe -- because of the massive increases in government spending on unemployment benefits and other federal assistance programs related to the 2009 recession. But the big three - Social Security, Medicare and Medicaid - remain at the center of the problem. In fact, spending in every other area, including defense, all other appropriations, and other federal entitlements, though significant, make up a smaller share of the economy than has historically been the case.

These three programs are not new. The first Social Security check was issued on January 31, 1940. Medicaid and Medicare came into existence in the mid-sixties during the administration of Lyndon Johnson. All three programs were greatly expanded in 1972 during the Nixon Administration. And every year they gobble up more and more of the Federal budget.

How much more? Just listen to these numbers from the Congressional Budget Office: In 1970 these three programs accounted for 21 % of all federal spending. By 2012 they accounted for 42% of all federal spending. And now we've added a fourth new Federal assistance program, the Affordable Care Act of 2010, otherwise known as ObamaCare.

Just to give you one example, Medicare Part B, the part of Medicare that covers doctors' services, was originally projected to cost \$500 million dollars a year. In 2012 it cost \$164 billion.

Whatever you think about the value of these programs: How are we going to pay for them?

The Congressional Budget Office projects that before today's 25 year olds are ready to receive Medicare, these four programs -- Social Security, Medicare, Medicaid and the Affordable Care Act -- are expected to cost more than all the money the government collects in taxes. That would mean we would have to borrow money to pay for everything else -- our armed forces, road repair, everything.

So, what do we do?

Well, we could increase taxes -- massively. But to raise the kind of money we'd need, we'd have to significantly increase taxes on everybody, especially the middle class. That means taking a lot more money out of your paycheck and mine. Because if you think we could get what we need from the rich, think again. If we took all the earnings of people who make more than a million dollars, a 100% income tax, that would only net us a little more than \$600 billion dollars. And obviously, we could only do that only once.

The second answer, and much more practical one, is to cut spending; specifically, cut the rate of growth of the three legacy programs - Social Security, Medicare and Medicaid. That doesn't mean spending less money than we already are. It simply means not increasing our spending as fast as we have been.

Social Security would be a good place to start. In 1940, the average life expectancy of an individual in the United States was less than 65, the age at which people begin to get Social Security. Today, average life expectancy in the US is almost 80. Obviously, it's time to move the age at which Americans receive Social Security to reflect our longer life span.

There are lot of common sense reform ideas out there. But if we don't enact a few of them soon, we are just going to continue to watch the debt grow bigger and bigger.

This issue -- controlling spending -- should be of intense interest to everyone, but especially Americans under thirty. If we go on spending much more than we take in, they're the ones who are going to be left holding the bag.

So the next time a politician proposes a generous new government benefits program, the first question should be "where is the money going to come from to pay for it?" and if he or she is honest, there is only one answer: "from you."

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