NATIONAL DEBT: WHO CARES?

BRIAN RIEDL

In the 1958 movie, *The Blob*, starring a young Steve McQueen, a giant, expanding mass—a blob—threatens to destroy an entire town and everyone in it. It keeps growing and growing, and no one can stop it.

The United States debt is like that blob. Unlike the fictional blob, it threatens to destroy more than an entire town; it threatens the entire nation.

Where is Steve McQueen when you need him?

Here are some numbers.

The national debt currently stands at $22 trillion. That's trillion—with a 'T.' Ten years ago, it was $10 trillion. Ten years from now, it's projected to be $34 trillion.

The interest payment on our debt is currently $300 billion per year, heading towards a projected $1 trillion within a decade. At that point, a fifth of all federal taxes will go towards the interest on the debt, not education, infrastructure, and defense—you know, the stuff government is supposed to do. And that's with historically low interest rates. Imagine if those rates normalized. Well, maybe you don't want to imagine it because that picture is very dark.

In a better world, voters would be marching on Washington, demanding that our politicians dig us out of this hole before we're buried in it. In the real world… almost no one cares. But we *should* care. And any thinking person, left or right, understands why. No individual and no nation can accumulate debt indefinitely. Europe was able to bail out Greece with some loans a few years ago. But Greece is a small country. If the US goes 'boom,' there's going to be no one to bail us out. So what's driving the debt? And, more importantly, how do we drive ourselves out of it?

The debt has been growing for decades. It got supercharged by the 2008 recession. Revenues fell while spending soared. Under President Obama, the debt doubled from $10 trillion to $20 trillion. In the first two years of the Trump Administration, we've added another $2 trillion.

So what are we to do?

First, we need to identify the primary source of the problem. It's pretty basic. You can talk about defense spending, welfare spending, or bloated budgets all you want, but it really comes down to two programs: Social Security and Medicare. Unless we get a handle on these monsters, the debt blob will continue to expand until it overwhelms us.

According to data from the Congressional Budget Office, these two programs alone face a $100 *trillion* shortfall over the next three decades. How is that possible?

Well, for starters, you've got 74 million Baby Boomers rolling into retirement age—10,000 *a day*. On top of that, Medicare recipients typically receive benefits that are triple the size of what they paid into the system. Without some serious adjustments, these programs are going to fail. This is not the fault of retirees. It is simple demographics and math.

Paying all promised benefits would require either raising the payroll tax from its current 15.3% to 33% or imposing a 34% national sales tax. No—squeezing the rich, slashing defense, or eliminating welfare won't come close to paying the bill. Neither will any plausible level of economic growth. The 100 trillion-dollar hole is too big.

So let's talk fairness. If Mom and Dad can't make the mortgage payment, they don't tell the kids to get full-time jobs to make up the shortfall. They move to a different house that matches their budget.

Likewise, when America promises senior citizens benefits far exceeding what they paid into the system, we should not tell young working families that their taxes must be doubled or tripled. We should instead pare back those benefits to an affordable level. That's only fair and sensible, right? But when it comes to the debt, neither of those qualities seems to figure in. So what can we can do? More to the point, what can *you* do?

First, be sure to save for your own retirement. Do not overly depend on a government that has promised more than it can possibly pay out to take care of you.

Second, tell Washington to get a spine and deal with Social Security and Medicare.

People live a lot longer than they did when Social Security was first conceived in 1935. We need to gradually raise the Social Security eligibility age to reflect that. It's now 66. We need to get it to 68, and then 70.

That's pretty straightforward. Medicare is trickier. But a good solution already exists, amazingly within the Medicare system—the prescription drug program. Almost unprecedented among government programs, this one has come in *below* initial projected costs. Why? Because insurance companies have to compete for seniors' prescription drug business. So let's give seniors *more* options to shop around for the Medicare plans *they* want. More choice and competition would stabilize costs and give us a fighting chance to keep Medicare solvent.

So are any of these ideas being seriously discussed in the halls of government?

We all know the answer to that question. Here comes The Blob.

I'm Brian Riedl, senior fellow at the Manhattan Institute, for Prager University.