

6-22-2018

Congress Might Rein in Spending if They Had to Send Voters a Receipt

Brian Riedl

David Schoenbrod

Congress might rein in spending they had to send voters a receipt

BY BRIAN RIEDL AND DAVID SCHOENBROD, OPINION CONTRIBUTORS — 06/22/18 06:30 AM EDT
THE VIEWS EXPRESSED BY CONTRIBUTORS ARE THEIR OWN AND NOT THE VIEW OF THE HILL

23

Just In...

Biden 'saddened' by earthquake in Haiti
ADMINISTRATION — 11M 24S AGO

Sony Pictures delays release of 'Venom' sequel due to delta variant spread
IN THE KNOW — 32M 35S AGO

Third vaccine dose recommended to immunocompromised in Washington
HEALTHCARE — 42M 15S AGO

Sunday shows preview: Taliban close in on Afghanistan; Kathy Hochul to become first female governor in NY
SUNDAY TALK SHOWS — 51M 57S AGO

The Memo: Fall in white population could add fuel to nativist fire
THE MEMO — 1H 1M AGO

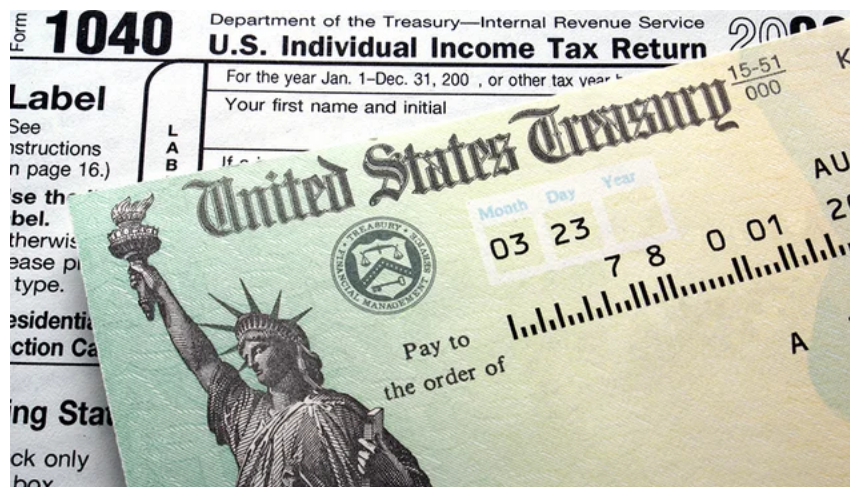
Tim Scott's inside track
OPINION — 2H 1M AGO

At least 200 dead after earthquake in Haiti
ENERGY & ENVIRONMENT — 2H 17M AGO

Biden sending 1,000 more troops to Afghanistan
ADMINISTRATION — 2H 25M AGO

[VIEW ALL](#)

[View Latest Opinions >>](#)



When the Trustees of Medicare and Social Security recently reported that their trust funds would go bust by 2026 and 2034, respectively, the public yawned.

Even a [wealth management column](#) published last week in the fiscally vigilant Wall Street Journal soothingly advised adults approaching retirement, "Yes," Social Security "is facing a financial shortfall, but it will never go broke." As the Beatles song goes, "Ob-la-di, ob-la-da, life goes on."

Except these current spending and taxing policies cannot go on. As then-Federal Reserve Board Chair Ben Bernanke [told Congress](#) in 2011, "The unsustainable trajectories of deficits and debt [under current policies] cannot actually happen, because creditors would never be willing to lend to a government whose debt, relative to national income, is rising without limit." His successor, Janet Yellen, testified similarly in 2014.

From the mid-1950s through 2008, the national debt stayed close to 35 percent of national income. It has since ballooned to 78 percent today, on its way to a projected 100 percent by 2027 and 200 percent by 2050. Even these dire estimates rest on the rash assumption of no more military or economic crises, and that the financial markets will continue accepting record-low interest rates from a government heading towards a \$100 trillion national debt within three decades. Fat chance.

Your elected officials know these debt trends are not sustainable, but many find it easier to play Santa Claus than Grinch.

Voters deserve to know the truth. Specifically, Congress should apply to itself the principles of the Truth in Lending Act, which requires that banks and other

lenders provide prospective debtors a concise written statement of the long-term cost.

Related News

by



Dreaming of a new kitchen? Work with...

Sponsored | noah.co



The media's lionization of AOC proves sizzle...



Juan Williams: Trump's GOP is a giant scam



Are restaurant owners brave or stupid for...

A Truth in Taxing and Spending Act would require that Washington mail every voter every year a statement of the average annual cost per-family of the spending cuts or tax increases needed to permanently stabilize the debt. The statement would also include how much that cost has changed over the previous year and how the cost will expand if Congress continues to delay reform.

This statement would arm voters with information needed to keep their elected officials accountable. And, if Congress reins in the debt, lawmakers could celebrate the good news in the next annual statement.

The annual statement could also show where most tax dollars are spent and list several examples of tax-and-spending packages necessary to stabilize the debt.

Voters would see that both parties' "easy answers" are insufficient. Democrats call for tax hikes on the rich, but even doubling the highest two tax brackets to 70 and 74 percent (as high as 90 percent when including state and payroll taxes) would provide just one-fifth of the savings necessary to stabilize the national debt — and even that assumes no negative economic effects. Cutting defense spending to European levels would close just one-seventh of the gap. Single-payer health care proposals have been scored as adding — not reducing — debt.

Republicans often look to cuts in anti-poverty and social spending. Yet, even eliminating all anti-poverty spending would provide barely half of the necessary savings to stabilize the debt. Nor would eliminating the entire non-defense discretionary budget — which includes veterans' health care, infrastructure, health research, homeland security, and education — be nearly enough to stabilize the debt. Spending on immigrants and foreign aid are a rounding error in the budget.

While nothing should be off the table — including higher taxes and reforms to the other policies described above — the bulk of the long-term savings must come from Social Security and Medicare and the mounting interest on the debt that will come largely from the failure to pay for these two programs.

They are projected to run a staggering \$82 trillion cash deficit over the next 30 years. No amount of tax increases or alternative spending cuts could come close to funding that shortfall. This red ink is the predictable result of adding 74 million retiring baby boomers to a system that provides Medicare recipients with benefits three times as large as their lifetime contributions, and also pays Social Security benefits typically exceeding lifetime contributions (both measured as net present value).

This is not merely a future concern. The soaring costs of Medicare and Social Security are already eating up most new federal revenues and spending savings, and thus diverting federal investments from the needs of children to their grandparents. Meanwhile, young adults are misled into underestimating how much they must save for retirement.

Reforming taxing and spending requires an intense national conversation. But first, Washington must come clean. The Truth in Taxing and Spending Act would ensure that families are no longer kept in the dark, and instead have a framework to weigh competing approaches to stabilizing the national debt and equity to both young and old. What is Congress afraid of?

Brian Riedl is a senior fellow at the Manhattan Institute. Follow him on Twitter @Brian_Riedl.

David Schoenbrod is a professor at New York Law School and author of "DC Confidential: Inside the Five Tricks of Washington." Follow him on Twitter @DavidSchoenbrod.