

Our Federal Government is Broke and Broken

During July and early August 2019, our elected officials in Washington DC proved beyond a doubt that our federal government has lost any remaining semblance of fiscal responsibility. But first, let's recap why we assert that our federal government is broke. The current "on-book / cash-basis" debt is \$22.5 trillion. This total consists of \$16.6 trillion of Debt Held by the Public and \$5.9 trillion of Intragovernmental Holdings. This on-book debt is approximately \$68,250 for every man, woman, child and retiree in the country. The fundamental question is how many of our country's 330 million citizens have \$68,250 of cash laying around that we could send to Washington DC to pay off this accumulated amount of fiscal mismanagement?

What usually gets reported in the press is that the federal government's debt is about 78% of GDP. This is misleading and is not the truth - - that statistic is based only on the Debt Held by the Public. When you consider the total \$22.5 trillion, the total debt exceeds our country's annual GDP. Said another way, it would take every penny of all goods and services produced by our country during a 12-month period (and then some more) to pay off our federal government's accumulated debt.

As bad as that sounds, there are some additional truly frightening numbers. The "off-book / actuarially-calculated-accrual-basis" liabilities for the promises that have been made by our federal government for Social Security and Medicare total \$54 trillion. These liabilities for these socialist programs are in addition to the \$22.5 trillion of "on-book" debt. Add them together, and you begin to see the financial situation confronting our children and grandkids.

Is our country "bankrupt"? Some people would respond to that question by saying our federal government has become morally bankrupt. In financial terms, bankruptcy entails an assessment of what you own, what you owe, and what your future cash inflows are likely to be. Therefore, socialists would respond to the question as "Absolutely not". But this is due to their world view that there is an endless supply of future tax revenues, especially from "the rich".

Our country's political process and our federal government financial processes are broken. It has taken us many years to get to this point, but the events of the past several months seem to have finally pushed us over the tipping point. We will talk about our government's meaningless "debt ceiling" in a moment, but let's start with a discussion about "government shutdowns".

As you probably recall, Nancy Pelosi and the Democrat Party held our federal government hostage for 35 days, from December 22, 2018 until January 25, 2019, by refusing to authorize much needed spending for border security. (And we all know what is happening at our southern border with

Mexico). It has become plainly and painfully obvious that government shutdowns accomplish nothing, other than disruption and angst. Shutdowns typically end up costing more than if the government had remained open, because all of the federal government's employees eventually receive all of their "back pay". So, what's the point?

The "debt ceiling" has also become truly meaningless the past several years. As the outstanding debt begins to approach the latest ceiling, the federal government begins to institute "extraordinary measures" to avoid a default (which fortunately has never happened). The debt ceiling is then either re-set to a much higher level to accommodate the upcoming additional borrowing, or the ceiling is "suspended" until some date in the future (in this case until July 31, 2021). Because our federal government has a built-in, perpetual annual deficit, we are guaranteed the opportunity to experience the next debt ceiling crisis in July 2021.

And then there are the meaningless "budget caps". One absurdity is that these budget caps only deal with "discretionary" spending. There are no budget caps for "mandatory" spending, which represents approximately 70% of the total spending by the federal government. This "mandatory" spending includes the various socialist "entitlement" programs, along with interest on the outstanding debt.

The budget caps have proven to be meaningless because the original 2011 budget caps were overridden and increased in 2014, and again in 2016, and again in 2018, and again most recently in the two-year budget deal approved earlier this month. The effect of this additional spending in the latest budget deal is anticipated to result in an increase in borrowing over the next ten years of \$1.7 trillion. Thankfully, the debt ceiling has been suspended until July 2021. (Yes, that's sarcasm).

The annual deficit for the current fiscal year that ends next month on September 30, 2019, is anticipated to be around \$788 billion. The increased spending in this two-year budget deal virtually guarantees that the annual deficits for 2020 and 2021 will exceed \$1 trillion each year.

"This may well be the most fiscally irresponsible thing we've done in the history of the United States", said Senator Rand Paul, who voted against the bill. Conversely, Rep. Mark Pocan was quoted as saying, "You're getting a lifting of the debt ceiling for two years, you're making sure there's no sequester... There's actual substance that is meaningful to Democrats..."

The suspension of the debt ceiling is like giving Congress an open-ended credit card with no credit limit for the next two years through July 2021.

Our federal government's current and projected financial position and its financial management processes are hopelessly broken. Congress controls the purse strings and has the responsibility to rein in our out-of-control spending. This includes finally coming to grips with the deficit that is driven by spending on socialist "entitlement" programs. Unfortunately, it appears that the necessary fixes will not emanate from Washington DC. But fortunately, there is a solution, which is to call a Convention of States under Article V of the Constitution, to propose amendments that will impose fiscal restraints on the federal government, limit the power and jurisdiction of the federal government, and limit the terms of office for its officials and for members of Congress.

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