

A Qualifying Examination for Voters

Craig J. Cantoni

To be smart and well-informed enough to vote, Americans should at least know the basics about deficits and debt. Here are two questions to determine whether you qualify:

1. Imagine that you and your family have \$22,000 in annual income but spend \$38,000. What is your deficit for the year?

Answer: \$16,000 (\$38,000 - \$22,000)

2. Now imagine that you made up the difference between what you earned and what you spent by borrowing the \$16,000. The \$16,000 is in addition to \$142,000 that you have already borrowed to pay off deficits from previous years. And in addition to the \$16,000 and \$142,000, there is \$500,000 that you have promised in writing to pay to other creditors. What is your total debt?

Answer: \$158,000 (\$16,000 + \$142,000)

You may wonder why the \$500,000 hasn't been added to the \$158,000 to get a grand total of \$658,000 of debt. After all, the proper arithmetic is as follows:

\$ 16,000 (deficit for the year)
\$142,000 (debt for prior years' deficits)
\$500,000 (other obligations)
\$658,000 (total debt)

Well, according to our federal government, which has a huge Department of Education that monitors national test scores in arithmetic, the proper calculation is to ignore the \$500,000. There is no mathematical reason or ethical justification for doing so. However, this is what the federal government does when calculating its own debt, so it must be correct.

Let me explain with actual numbers for the federal government.

First, I'll add eight zeroes to the numbers listed above. The numbers above are an approximation of the federal deficit and debt if multiplied by 10^8 , that is by 100 million. This gives:

\$ 1,600,000,000,000 (current federal deficit)
\$ 14,200,000,000,000 (national debt for prior years' deficits)
\$50,000,000,000,000 (other obligations of federal government)
\$ 65,800,000,000,000 (total federal liabilities or obligations)

As you can see, total federal obligations total \$65.8 trillion, or \$66 trillion in rounded numbers—or much more, according to some estimates. But federal bureaucrats, members of Congress, the President, and the elite American media report the debt as \$16 trillion, in rounded numbers, not \$66 trillion. In other words, the cabal of prevaricators doesn't count the other \$50 trillion that the federal government owes.

The national debt includes nearly \$5 trillion owed to federal entities, including the Social Security and Medicare Trust Funds, which politicians have been using as a piggybank for decades to buy votes by giving voters "free" benefits, without visibly increasing the deficit.

The White House, the Congressional Budget Office (CBO), and other federal agencies sometimes exclude the debt owed to

federal entities in their reckonings of the national debt because this portion of the debt "represents internal transactions of the government and thus has no effect on credit markets." Federal programs to which this money is owed, however, such as Social Security and Medicare, include this money and the interest it generates in their assets and financial projections.¹

More than \$9 trillion is owed to nonfederal entities. About 47% of this debt is held by foreigners.¹

The national debt must be repaid with interest. It is backed by the "full faith and credit of the United States." Default or failure to pay means national bankruptcy and would cause collapse of world financial markets.

What makes up the \$50 trillion? This is the difference between what the federal government has promised, as to Social Security and Medicare beneficiaries and to federal retirees, and the projected revenues it will have to pay for those benefits. This is calculated on the basis of current funding and tax inputs and demographic trends. The amount may be much larger; one estimate is \$114.5 trillion.² (Note: There are also massive shortfalls in funding for public-sector pensions at the state and municipal levels of government.)

There is no contractual obligation to pay these benefits. Laws establishing these programs allow Congress to change them at any time. They are backed only by politicians' promises: worthless promises by lying politicians running for office—who already took money from workers' paychecks to fund Social Security and Medicare and then stole the money to fund other spending. The fact that these liabilities are not officially on the books is evidence that politicians know they do not have to pay them.²

Again, the national debt is actually \$66 trillion or more, not \$14 trillion, when the missing \$50 trillion is added back in. To put this number in perspective, the total debt is about 440 percent of the annual gross domestic product (GDP) of the United States. To compare, the debt of the Greek government was about 165 percent of Greece's GDP in 2011.³

Having looked at the real numbers, let's return to the opening question: Are you smart enough to vote?

The answer is a definite no if you hear politicians say that the national debt is \$16 trillion instead of \$66 trillion, and then you vote for them instead of guffawing in their faces and calling them out for what they really are: shameless thieves and liars.

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