

Memo to U.S.: We're tapped out

Medicare, Social Security and other programs cannot be sustained without major reforms; the nation's fiscal well-being is at risk.

Milwaukee Journal Sentinel

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July 12, 2008

As the fall campaign looms, the presidential and congressional candidates should bear in mind the nation's \$53 trillion fiscal hole. That's the sum total of our current financial obligations, including debts and unfunded promises for programs such as Social Security and Medicare.

As with any hole, three rules apply.

First, when you're in a hole, stop digging! Second, once you've stopped digging, figure out a means to climb out of the hole. And finally, once you start making significant progress toward getting out, be sure that you have the means and mechanisms in place to keep from falling back in.

Absent reforms, our \$53 trillion hole will deepen by \$2 trillion to \$3 trillion a year. We can't afford to continue on this course, since our fiscal clock is ticking and time is not on our side. We obviously don't need help digging down - what we need is real leadership to start finding our way out.

Will we get such a leader in this election?

In the upcoming weeks, Sens. John McCain and Barack Obama should look Americans in the eye and explain how they would, if elected president, simplify our mind-numbingly complex tax system, reform our unsustainable Social Security, Medicare and Medicaid programs, get control of other government spending and reform our health care system in ways that will reduce the rate of increase in overall health care costs.

And to put us on this prudent path, the next president must have the courage to make tough choices that may not be popular but will be vital to making our future better than our past.

First, the next president must work to reimpose statutory budget controls that are as tough or tougher than the ones that expired in 2002. Federal policy-makers have shown they cannot control themselves when it comes to spending, and it is fundamentally imprudent to spend and borrow from foreign countries, which we are doing at an increasing rate.

Second, the next president must spearhead reform of existing entitlement programs. Social Security must be made solvent, sustainable, secure and more savings-oriented. We also need to better target taxpayer subsidies for Medicare's physician payment and prescription drug benefit

options. These programs currently provide a 75% taxpayer subsidy for beneficiaries irrespective of their income and wealth. This makes no sense, especially in a time of large and growing deficits.

The federal government has written a blank check for Medicare and Medicaid costs that are not only out of control but, if left unchecked, have the potential to bankrupt America. This uncontrolled spending cannot continue for much longer without serious adverse consequences.

Third, our future president will need to reform our tax system to make it simpler, fairer and more competitive while generating more revenue in order to pay our current bills and deliver on the promises the government intends to keep. This means reevaluating all major tax preferences, especially those accorded to health care. It makes no sense to provide generous tax subsidies to CEOs with lucrative health care plans via a tax exclusion and no subsidy for those without any insurance.

Fourth, we need a leader who is willing to make tough decisions that will help to separate the wheat from the chaff in regard to which current government spending programs and tax policies are making a difference and which are not. All government programs and policies also must reflect 21st-century realities and focus on the future.

Before election day, the presidential candidates should, at a minimum, commit to making fiscal responsibility and inter-generational equity a priority if they are elected. They should keep everything on the table, including reforming entitlement programs like Social Security, Medicare and Medicaid, as well as raising taxes. They should pledge to use the bully pulpit of the presidency and work on a bipartisan basis to achieve reforms.

They also should support the creation of a capable, credible and bipartisan commission that will provide a comprehensive set of recommendations to the next Congress and president that will then be taken to the floor of the Senate and the House for an up-or-down vote. This is crucial because the normal legislative process is broken and does not work when it comes to achieving multiple complex and controversial reforms at the same time.

Washington's current high-spending and low-tax policies serve to benefit today's taxpayers at the expense of tomorrow's. This approach is not only fiscally irresponsible - it is morally reprehensible. It eventually will result in a major economic crisis and serious hardship that will impact tens of millions of Americans in ways they have never experienced before.

McCain and Obama should take a stand now and promise to implement responsible fiscal policies that will help resuscitate our economy without further mortgaging our future. Such specific and forward-thinking action would constitute a real change in Washington.

We need real results, not more rhetoric. Our country, children and grandchildren deserve no less.