SMOKE, MIRRORS AND KIDROBBING

Table A below uses round numbers to approximate U.S. Government finances for 1992. The round numbers help expedite mental arithmetic useful in understanding the relationships between entries.

A. (Billions of dollars)

1 ITEM	GENERAL FUND		TRUST FUNDS*		6 INTERFUND DUPLI-CATION	"UNIFIED BUDGET"	
	2 Receipts	3 Outlays	4 Receipts	5 Outlays		7 Receipts	8 Outlays
Taxes/Assessments	650		450			1100	
Operations/Payments		750		425			1175
Interest		300>	>75		75		225
SUBTOTALS	650	1050	525	425	75	1100	1400
Borrowing/Lending	400<			<100	100	300	
RECONCILIATION	1050	1050	525	525	175	1400	1400

** Exclusive of about $125 billion collected and included in the general fund receipts and paid to and then from trust funds. Since it has already been counted in the general fund, the $125 billion is removed from both trust fund receipts and outlays to avoid double reporting.*

Just inside the cover of the annual Budget of the United States (whether inside the front or back cover varies with the year) you will see two pie charts based on the magnitudes under the two "Unified Budget" columns above. Borrowing would be shown at $300 billion, as 21 percent of $1400 billion (column 7) and $225 billion interest as 16 percent of $1400 billion (column 8).

Imagine yourself a government clerk in Washington instructed to incorporate that analysis and balance the budget. (Your boss flunked math.) You are to assume a 21 percent increase in taxes and assessments to replace borrowing and set interest at 16 percent of expenses.

Your product should look something like this, with your key alterations shaded:

B.

1 ITEM	GENERAL FUND		TRUST FUNDS		"UNIFIED BUDGET"	
	2 Receipts	3 Outlays	4 Receipts	5 Outlays	7 Receipts	8 Outlays
Taxes/Assessments	786		545		1331	
Operations/Payments		750		425		1175
Interest		139		79		218
SUBTOTALS	786	889	545	504	1331	1393
Surplus/(Deficit)		(103)		41		(62)

All sorts of strange things have happened! Trust funds pay interest even though they are lenders, not borrowers. They are not being credited for interest on almost one trillion dollars that they have lent the general fund. Even the interest owed to the private investors isn't being fully paid, assuring that future investors will be very hard to find. Twenty one percent of receipts equals $231 billion instead of $300 billion because the $300 billion public borrowing itself was used to inflate the denominator. Despite twenty one percent more revenue and unsustainable interest payment cutbacks, there is still a deficit.

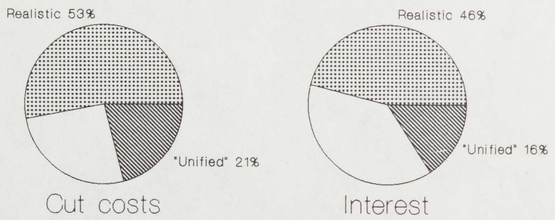
The simple and honest procedure is to report only the general fund; any other information is subsidiary. If General Motors has a $4 billion annual loss, they are not permitted to subtract their pension reserves growth in their public reporting. Neither is any lesser governmental level.

Analyzing the general fund budget in isolation (properly) gives a much more disheartening picture. We will attack it initially by expense reduction only, not providing for any tax increase. First, if you cut interest costs you cannot ever borrow again. You must subtract $400 billion from $750 billion general fund operations/payments. (Reducing trust fund expenses merely extends the actuarial longevity of trust funds - generally a laudable goal, of course. The general fund benefits only in having more funds to borrow, which merely appears not to increase the debt.):

C.

1 ITEM	GENERAL FUND		TRUST FUNDS	
	2 Receipts	3 Outlays	4 Receipts	5 Outlays
Taxes/Assessments	650		450	
Operations/Payments		350		425
Interest		300>	>75	
SUBTOTALS	650	650	525	425
Surplus				100

A reduction of $400 billion, from $750 billion to $350 billion, in expenses requires a 53 percent reduction, not 21 percent. To recover the $400 billion by an increase from the $650 billion general revenue level would require a 62 percent increase. Borrowing the trust fund surplus is just another exercise in "kidrobbing". It too must be repaid by our descendants.

While interest is portrayed as 16 percent of unified budget outlays, it is more realistically 46 percent of general fund receipts, as shown right. Those chilling numbers have not been reported to America. We will all be indicted for *kidrobbing* in the courtroom of history. The "unified budgeters" will be called the chief culprits. The news media will be cited as major offenders

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