HOW USING THE WORKSHEET HELPS

On the worksheet inside, all you need do is establish how much an expense item could ultimately be reduced at present dollar values (to the level where it should be today), letting inflation of expenses and revenues cancel each other out. If you still find a deficit, you should increase revenues.

That does not mean, however, that all the changes should be made in a single year. That would throw the economy into a tailspin so that falling revenues would offset expense savings.

Our method is much clearer than five year summations. Past and present plans aimed at deficit reduction most often talk in terms of $xx billion saved "over five years". The savings expressed are not reductions from any single annual deficit but from the total of annual deficits that are predicted to result over five years if current trends continue.

The 1993 proposals aim for $500 billion total five year reductions from a Congressional Budget Office "baseline" prediction that the "unified" deficit will otherwise reach $360 billion dollars in 1998.

That $360 billion mark is optimistic. It assumes that spending increases will be modest, Also, trust funds distort it. See the next column.

ACCORD is scrupulously nonpartisan.
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WHY NO TRUST?

Our worksheet follows universally accepted accounting procedures. The U.S. Government for a generation has flaunted those requirements by lumping trust funds with general funds.

A trillion dollars in borrowed trust funds (one fourth of the debt) must be again obtained from taxes in the future to meet pension and similar obligations. One consequence is at least a doubling of future Social Security deduction rates as the ratio of retirees to workers swells.

And numbers in government reports are misleading. Because normal and necessary retention of retirement trust funds was treated instead as disposable income, the deficit for 1992 was stated as $290 billion, but the true deficit was $386 billion.

The fiscal shortfall is far worse than it is made to appear. Interest represented 45 percent of 1992 general taxes, other than trust funds like Social Security. But on official pie charts interest is portrayed as only 14 percent, using trust fund numbers to their advantage. Trust funds are simply lenders to the general fund, where all the deficit lies, and should be excluded like any other lender.

A 51 percent reduction in general fund expenses would be needed to balance the 1992 budget after paying interest. (Interest is irreducible if we must continue borrowing.) But the official pie chart portion denoting borrowing shows only 21 percent, again using trust funds to distort reality.

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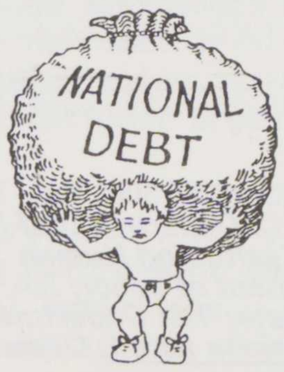

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