



The Coming... What?

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In Herman Kahn's book, *The Coming Boom* published in 1982, he argued that despite the double-digit inflation of the Carter years and the "stagflation" that plagued the period from roughly 1976 to 1981, an economic boom was just over the horizon. As it turned out Kahn was right as the ensuing Reagan years ushered in a period of economic growth and vitality.

What Herman Kahn observed in the book was: that tight monetary policies would lead to high interest rates, and a decrease in inflation; deflationary trends would lead inevitably to a more efficient use of energy; the issuance of long-term bonds would allow the government to tap into new markets; the demand for all commodities would increase dramatically due to pent-up opportunities; debt relative to GDP is small; output of workers is likely to increase; the lag between invention of technology and commercial application is shortening; the US is emerging as the globe's undisputed military power and, most significantly, a psychology of achievement and affluence is emerging that provides full confidence in the future.

These claims reinforced Herman Kahn's view that boom times were coming. But what would Kahn say today? The recent congressional debt limit debate gave the country an opportunity to assess where we stand, and was a moment for gloomy predictions. The evidence speaks to conditions very different from 1982, most especially the sense of *weltschmerz*, word-weariness, that dominates the present debate

about the nation's finances. But there is more, much more that should be considered.

The debt of \$14 trillion is almost equal to GDP. Dollars put into circulation have increased by 50% since 2008, an obvious effort to monetize the debt. The unemployment rate at the moment is 9.1%; however if you include people no longer seeking employment, the rate is over 15% (13.7 million Americans are unemployed and 989,000 have given up looking for work). Overall there are 6.4 million in the long-term unemployment category. The unfunded liability for Medicare, Medicaid and Social Security is \$117 trillion; approximately \$17 trillion for Social Security, and \$90 trillion for Medicare and Medicaid. That total is more than all the registered wealth on the globe. The CBO (Congressional Budget Office) predicts the debt in 2020 will be \$20 trillion. The sum necessary to finance a debt of that magnitude is roughly equivalent to today's defense budget.

The anticipated US fiscal budget for 2011-2012 has revenue at about \$2 trillion and expenditures at \$3.7 trillion, with a deficit of \$1.7 trillion -- the largest in U.S. history. This deficit is four times greater than the one in 2008. Moreover, this figure does not take into account pension liability, which is unfunded at the state level, and which accounts for another \$1 trillion.

As of February 2011, the last date on which figures were available, 44.2 million Americans were on food stamps, approximately one in seven people. 47% of Americans did not pay personal income tax; and 36% of Americans who

file tax forms do not pay. About 142 million Americans who filed did not pay anything in 2009. Income level, nominal and actual, above \$50,000 declined from 2008 to 2010, with the most precipitous decline in the \$100,000 to \$150,00 category. The number of those in poverty has increased 9.5% since 2009, to a total of 43.6 million.. China presently holds \$1.14 trillion in American securities, a condition that could put American financial interests at risk.

There were 89,000 people who received checks from the Stimulus program who were dead or in prison, and 3,700 tax delinquents who received stimulus funds. The individual share of the national debt is \$46,000. Gold has gone from \$853 a troy ounce in 2009 to \$1,800 today, a condition that bespeaks uneasiness with US markets. Household income has decreased by .7% since 2009, and there has been an increase of 17.1% in bank failures since 2009.

By any measure these statistics paint a gloomy picture, one that suggests the nation is at the crossroads. If you focus solely on the debt, it is easy to overlook the most fundamental problem: this nation faces a crisis not because taxes are too low but because government is too big, too intrusive, and too dominant.

If there isn't any change in federal policy, if we continue down the road we are on, any extrapolation of the numbers leads to be a disastrous result. By 2050, according to the CBO spending will exceed GDP by 42%. How can our liberties remain intact when government controls such an extraordinary portion of the economy? Yet any discussion of entitlement-program reduction is considered the third-rail in American politics. This disparity between political sensitivity and economic reality is being addressed by a Congress that understands the problems but is resistant to real reform.

If the Tea Party movement stands for anything, it is the belief that the growth of government imperils freedom. That is an understanding Americans must absorb.. However there is the danger the United States has reached a tipping point is which the number of takers is far greater than the number of givers, or tax payers. This is not a scenario for democracy's survival. And yet, one hopes that the public will awaken to the economic threat forcing the Congress to act appropriately, and restore America's resilience.