

TRANSCRIPT: Bob Feidler on the national debt and defense budget shortfalls

Event: Defense and the Constitution: Saving the Military from Washington

Date: 9/21/11

Location: The Reserve Officers Association, Symposium Room One Constitution Avenue, NE Washington D.C. 20002

We're headed for disaster in America. The bottom quote says the world's going to hell economically. We all see what's happening in Europe, we all see what's going on in our country. [UNCLEAR] national security. Next. Terminology, you've got it. Our deficit, it happens each year, our debt accumulation in deficits and GDP, what we grow. Okay, next. Here's some quick facts. We were fourteen to three on [UNCLEAR] 14.3 trillion dollars. You know what a trillion dollars is? You know how long it takes to get to a million seconds? Twelve days. You know how long it takes to get to a billion seconds? Thirty-two years. You know how long it takes to get to a trillion seconds? Thirty-two thousand years. That's a perspective on what a trillion is. Right now, we're fourteen seven roughly in debt because on August 2nd, our debt went up four hundred billion dollars. Now we can look at five hundred billions dollars more on September 30th.

Okay? So we'll be at fifteen two on the 30th of September. We're going to be at sixteen four in fifteen months. Sixteen trillion, four hundred billion dollars in debt in fifteen months. Our GDP is fifteen trillion. What does that say? We're growing at one percent. We're going to be in more debt than we have GDP in America. That's a combination of public debt and private debt. Our budget's 3.6 trillion. Our revenues are 2.3 trillion. Our deficit is 1.3 trillion this year. We've had a couple of [UNCLEAR] years [UNCLEAR] debts. So the rest of the decade, we'll be between eight hundred billion and a trillion dollars in debt. Every year for the next decade. We borrow about forty cents out of everything we spend. Next slide. Here's the 4.6 that we owe ourselves. It's either governmental debt, most of it's social security debt. I will say this last year, we were fifty billion dollars in the red on social security. Not counting interest on that account. But that's 4.6 trillion. But external debt. 10.1 trillion. Of which four hundred's hole up. About forty to fifty percent of which China holds 1.3 trillion dollars more or less. Next slide, please. Bottom quote. [UNCLEAR] government and the actions of its central bank could put great pressure on the US in a way the military never could. Of course, that could apply to its central bank, its government leaders, whatever.

Next slide, please. It just gives you a quick idea of how our debt has grown and where it may go if something doesn't happen. Next slide, please. Okay, right now, our public debt is about sixty-eight percent of the GDP. Our public debt is projected beyond eighty-one percent of the GDP by 2021. With many of the projections for cuts that are out there now if they come about. When the Bush tax cuts [UNCLEAR] percent. But the key figure here is, our overall debt—and we got to pay the overall debt—when social security goes into the red, other monies have to come into place. Bonds have to be issued. Taxes have to be raised. So that—we're at a hundred percent of our debt in the GDP now. Next slide, please. Mandatory part of our budget, sixty-two percent and growing, give you some idea

of the big buckets of our debt. Medicare, Medicaid, twenty-one percent. Social security, twenty percent. DOD—really, that should read defense, twenty percent. Next slide, please. Where does our money come from? All kinds of wild ideas, but here it is. About nine hundred billion from your income tax, about just under three hundred billion from corporations. Social security and payroll tax is a huge chunk, almost nine hundred billion. Other taxes, excise taxes and state taxes, [UNCLEAR] gift taxes, chump change. Next slide, please. This is where your money goes. But look at a couple of those readings. The overall figure for national security is eight hundred and fifty billion. But the baseline—baseline, people can differ on this by fifteen billion dollars. But let's say it was five hundred and thirty billion for DOD this year. They're saying that next year's going to be five hundred and fifteen billion, they're saying that's the same as FY 11, so let's just fudge it a little bit and say it's about 5.5. But look where the baseline is relative to social security. Two hundred billion less. It's less than Medicare. It's just a couple of hundred billion dollars more than Medicaid. The federal portion of Medicaid, not to include the state portion. That's where your money goes. Next slide. Our last two entries. Basically we're paying about the same for our DOD baseline as we're paying on interest on the debt this year and next year and it will only grow on the interest side. Next. Some of you mentioned the three and a half percent—percentage of defense spending as part of the GDP, it's three and a half percent and plunging. Next slide, please. Next slide. This is the big problem, our unfunded liabilities. This is just what we were doing year to year that I talked about so far. Now we get into the big numbers. What have we promised that we haven't provided money for? The unfunded liabilities. People give you wildly different numbers on what this could be. But I think a fair number is seventy trillion. But you will have other good people say it ranges up to a hundred and twenty-five trillion dollars. And if it's seventy trillion, how about fifty-five trillion would come out of Medicare and Medicaid. Promises we've made we haven't paid for, or provided to be paid for. How about fifteen trillion in social security? Next slide, please. Lots of proposals out there. Simpson-Bowles, [UNCLEAR] these are all bipartisan groups. The president's budget, the Ryan budget, the Obama people proposal, the House bill, attribute to August, I'm sorry, Senate bill, the Budget Control Act, and most recently, two or three days ago, president Obama's September proposal. So the point is that when the super committee meets, it doesn't have to break a lot of new ground. There have been think tank after think tank after proposal after proposal for years, including about five in the past twelve months, that have laid out every option conceivable. It's called cut and paste. Cut and paste. But they've got to get to a lot of money.

Next slide. Okay, lots of folks are confused about how this all works. We're going to think past that two August, the debt went up four hundred trillion dollars. Just like that. It goes up five hundred trillion on the 30th. I mentioned that. To accompany that, there are a little over nine hundred billion in cuts according to the CBO, president claims it's about a trillion and two. But let's go with the lower number. Debt increase in the ceiling was offset by spending cuts. That's when we get to our first big chunk of DOD. What has to happen next is there'll be—the super committee that's come into being, it has to make its recommendations by the 23rd of November. Different committees make their recommendations in by 23 of October. Congress has to pass it by 23 of December, the president has to sign it by the 15 of January. Or the trigger goes into effect and that's what

we've all talked about, which is the end of the world if that happens. Next slide, please. Okay, here are the members of the committee. You've seen the names many times. Six Democrats, six Republicans. Next slide, please. More or less—phase one, what was passed on August 2nd, which is already done, more or less, security spending, broadly defined, will be cut about five billion dollars. I think Tom was accurate when he said that it's very hard to figure out what this bill does. It's not in plain English. But five billion is a reasonable suggestion. And that might mean a slight cut ultimately in DOD, although I saw the Senate Appropriations Committee pass about a five hundred and fifteen billion dollar bill a couple of days ago. The House is at about five hundred and thirty billion now. But more or less, DOD is flatlined for next year. And the bottom line on this is three hundred and fifty billion from the budget category of defense, three hundred and thirty billion granted from DOD. Next slide. Okay, the super committee and the treasury. The super committee has to come up with a trillion and two in cuts. Who knows what they'll do. We just talked about that. The trigger kicks in.

Now, it's not a trillion two that has to be cut. Two hundred billion's taking care of the interest. So that leaves about five hundred billion left for defense and five hundred billion left for other. Okay? Next slide, please. If you total all these things up, if the super committee does what people think it will do, and there's all kinds of opinions about that, I suggest they'll cut three hundred and fifty to five hundred billion. Add that to the three hundred and thirty billion that's already been cut from DOD. And you get about seven or eight hundred billion. Okay? If they don't act and the president doesn't sign it and the balanced budget amendment is not passed by thirty percent—I mean, that's the other option, then half of the trigger kicks in at about five hundred billion, you add the five hundred billion that the trigger kicks in to the three hundred and thirty billion and now you've got a baseline cut of about eight hundred billion in DOD. And if you use what the president was projecting he needed over the next decade, it's closer to a trillion dollars in cuts from that baseline. Okay, next slide, please. Here's just a quick synopsis of it. You're going to have two to one trillion to two to four trillion over ten years. Nine hundred billion came from phase one. A trillion two from the super committee or the trigger cuts. Broad range, if everything goes well, four hundred billion in cuts at the minimum. Nine hundred and fifty kind of at the top end. Next slide. Oh, and the last line on there that I didn't read, the DOD budget under the trigger will drop below five hundred billion, FY 13, if it kicks in. What will happen, there'll be procurement cuts, equipment cuts, personnel cuts, health care fees will kick in, [UNCLEAR] training will decline. There will be a greatly enhanced risk as a result of our military capability decreasing. Next slide. But lots of things could happen. The super committee could make smaller cuts than they're supposed to do. They could make larger cuts than they're supposed to do. Most groups are urging them to go big. And make larger cuts. Congress could amend the law. Congress could ignore the laws and then there—under previous budget control acts. They could waive enforcement of the budget control act if we're having a national crisis in theory. So lots of options up there.

Next slide, please. Okay, president Obama just submitted his four trillion dollar proposal. But he indicated he'd veto any congressional proposal. In other words, what Congress is supposed to do over the next nine days unless it included revenue increases in addition to

spending cuts. Mr. Boehner has said grand bargaining is off the table. Again, there's pressure on the super committee to go big, meaning more than 1.2 trillion cuts—everybody on those committees that I mentioned earlier call for four trillion or more. Go along, think in terms of those entitlement programs, they're the big drivers of the debt. They're huge. And go smart. Think about growth. What can we make for changes that will grow the economy? We grow the economy, we grow ourselves out of it. Next slide, please. And—go to the next one. And here's just one way to look at the debt from your and mine perspective as little common people. If we were to look at this—now, take this from something Joseph Crowe [PH] did in the *Washington Times* a couple of days ago. Our income would be twenty-two thousand dollars this year. We'd have expenses of thirty-seven thousand. So we're in the hole pretty good at this point. But we've done this for ten years in a row. That puts us at a hundred and fifty thousand dollars in debt as an individual. Okay, if we're going to try to pay that off over twenty years—and, by the way, that's not the goal of the budget control act, but if that was our goal, we would have to cut our expenses by two thirds to make that goal. Thank you very much. [APPLAUSE]