

## Washington's Cuts Are Not Cuts – They Are Lies

Some television personalities have been claiming Tea Party success with the Budget Control Act of 2011, that was completed by the House and Senate, and signed into law by President Obama on August 2<sup>nd</sup>. I am not celebrating! This budget bill defied common sense and basic math taught at the grade-school level.

Here is an example of easy math:

1	Debt from 2010	-14,000,000,000,000
2	+ Deficit 2011	-1,600,000,000,000
3	New Debt 2011	-15,600,000,000,000
4	Alleged Savings x 10 yr	250,000,000,000

Line 1: Debt at the end of Last Year was \$14 trillion.

Line 2: The President submitted a budget that was estimated to be 3.8 trillion. Since we only had tax receipts of about 2.2 trillion this created a deficit \$1.6 trillion.

Line 3: If you add the debt from last year to the deficit from this year, you have the “new” debt shown as \$15.6 trillion.

Line 4: As insulting as it may seem, the press went wild with the allegedly deep cuts amounting to 2.5 trillion over the next 10 years. If we divide by ten, then that is just an annual “savings” of 250 billion per year.

Hence, the House of Representatives, the Senate, and the President pulled a fast one. It is not a “cut” if you increase the budget by 1.6 trillion in deficit spending, and decrease “projected” spending by a mere \$250 billion. Statistically, they increased the debt by 11% in just one year, and decreased it through this bill by only 2%, which is why the title of this article emphasizes that these cuts are not cuts, they are lies.

Another critical piece of information that each taxpayer should understand is that our politicians have only identified \$917 billion in savings, and the remaining \$1.5 trillion in *imaginary* cuts would be realized through troop reductions in Iraq and Afghanistan. These troop reductions are not new; they were already programmed.

The official Chinese credit rating agency, Dagong Global announced on August 3<sup>rd</sup> that it was slashing the U.S. credit rating from A+ to A with a negative outlook. This means that the Chinese did not see any improvement to our economic situation as a result of the new legislation. One may ask “So what?”

Well, when other countries lose confidence in currency then “lending” becomes less likely without an incentive in the form of higher interest. A strong currency results in low interest rates, but weaker currency results in having to pay higher interest for government debt (such as treasury bills or savings bonds).

China “owns” about \$2 trillion of US Government debt and is receiving interest of between 2 to 4%. Next time the US Government sells T-Bills for additional deficit spending, the Chinese and other countries who buy our debt may demand interest of 10% or more. Why? Because the US Government is considered risky. Any sane investor who invests their hard earned money into a risky investment, will always demand higher interest payments to assume that added risk.

Once again, one might ask “So what?” ... well here are the numbers:

U.S. Debt =	\$14 trillion	\$16 trillion
Payment at 2% =	\$51.7 billion	\$59 billion
Payment at 10% =	\$122 billion	\$140 billion

A \$14 trillion debt, at 2% interest, requires payments of \$51.7 billion per month for the next 30 years to retire that debt. If interest rates rise to 10%, then payments rise to \$122 billion every month for thirty years!

The US Congress and President slammed us twice. First, they increased the debt ceiling rather than insisting on a balanced budget. This increased the debt ceiling from \$14 to \$16 trillion. This also triggered the Chinese (our biggest lender) to say “enough is enough” and lower our credit rating. S&P lowered our rating on August 5<sup>th</sup>.

All the other credit agencies will follow suit, and we could easily be looking at interest rates over ten percent within the next year. That means our current interest payments on the debt would jump from \$51.7 billion to \$140 billion; this is a 270% increase in just one year.

My daughter learned this type of math in the eighth grade. Do our elected officials really think we are that stupid?

Look at the current outlays in the next chart:

<b>Taxes Collected</b>	2,500,000,000,000
<b>P&amp;I Debt</b>	<u>-709,669,387,563</u>
	1,790,330,612,437
<b>Medicare</b>	<u>-468,000,000,000</u>
	1,322,330,612,437
<b>Medicaid</b>	<u>-269,000,000,000</u>
	1,053,330,612,437
<b>Social Security</b>	<u>-761,000,000,000</u>
	292,330,612,437
<b>Military</b>	<u>-740,000,000,000</u>
	-447,669,387,563
<b>Estimated Savings</b>	<u>250,000,000,000</u>
	-197,669,387,563

Tax receipts go up and down based upon the economy, so in this chart, I am being “generous” by saying that expected revenues are \$2.5 trillion. However, subtracting interest, Medicare, Medicaid, Social Security, and the military alone and adding the fictitious savings touted by the President, places us \$197 billion deeper in debt every year.

This chart does not include all the other departments and agencies in the Federal government. So let me emphasize that spending ONLY on five top priorities: the Interest on our debt, Medicare, Medicaid, Social Security, and the military alone would break our bank at 2% interest. All other Federal employees in every other department would need to be fired to balance the current budget without raising taxes.

When the interest rates rise to an estimated 10% later this year, then the interest payments on the debt increase from \$709 billion to \$1.6 trillion annually; and the increase in interest alone places us \$1.1 trillion deeper in debt each and every year per the next chart.

In this 10% interest scenario, the US Government would truly be bankrupt within 24 months, just like Greece. The International Monetary Fund (IMF), a group of appointed bankers would then try to “dictate” to the US Congress their mandates as is occurring in Greece, and the citizens of the United States cease being a free

people. Instead, we become indentured servants to the political elites who manufactured this crisis!

<b>Taxes Collected</b>	2,500,000,000,000
<b>P&amp;I Debt</b>	<u>-1,684,937,414,571</u>
	815,062,585,430
<b>Medicare</b>	<u>-468,000,000,000</u>
	347,062,585,430
<b>Medicaid</b>	<u>-269,000,000,000</u>
	78,062,585,430
<b>Social Security</b>	<u>-761,000,000,000</u>
	-682,937,414,570
<b>Military</b>	<u>-740,000,000,000</u>
	-1,422,937,414,571
<b>Estimated Savings</b>	<u>250,000,000,000</u>
	<b>-1,172,937,414,571</b>

The final piece of dismantling America consists of steep inflation. The US Government under both Bush and Obama has printed money at an extreme rate. We have about 250% more money in circulation than ten years ago. This results in drastically higher prices in gasoline, commodities (gold silver) and food products (coffee, rice, beans). It has already decreased American purchase power by over 40% in international markets (think oil and gas!). For instance, just 8 years ago seventy U.S. pennies would exchange for a Canadian Dollar; but today a Canadian dollar costs \$1.16 USD!

Canada is the biggest exporter of oil to the United States. Let’s assume a barrel of oil costs \$80 Canadian dollars; hence a million barrels would cost \$80 million CDN. At an exchange rate of seventy cents this would have cost the U.S. \$56 million. However, due to inflation caused by printing too much money, the same million barrels now costs over \$92 million USD, a 64% increase caused by our own government’s monetary policy.

Folks, the United States is in trouble. Either our politicians are too stupid to recognize their errors; or the political elites have conspired to turn the American people into indentured servants. Immediate implementation of a balanced budget and drastic cuts in Federal spending are the only courses of action that will stop impending U.S. fiscal collapse.

– ***Dr B Leland Baker, author of Tea Party Revival***