

## U.S. Heading For Financial Trouble?

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(CBS) When the stock market plunges like it did this week, everyone pays attention. The man you're about to meet says hardly anyone is paying attention to what really threatens our financial future. Like an Old Testament prophet, David Walker has been traveling the country, urging people to "wake up before it's too late."

But David Walker is no wild-eyed zealot. As **Steve Kroft** reports, David Walker is an accountant, the nation's top accountant to be exact, the comptroller general of the United States. He has totaled up our government's income, liabilities, and future obligations and concluded the numbers simply don't add up. And he's not alone. It's been called the "dirty little secret everyone in Washington knows" – a set of financial truths so inconvenient that most elected officials don't even want to talk about them, which is exactly why David Walker does.

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"I would argue that the most serious threat to the United States is not someone hiding in a cave in Afghanistan or Pakistan but our own fiscal irresponsibility," Walker tells Kroft.

David Walker is a prudent man and a highly respected public official. As comptroller general of the United States he runs the Government Accountability Office, the GAO, which audits the government's books and serves as the investigative arm of the U.S. Congress. He has more than 3,000 employees, a budget of a half a billion dollars, and a message he considers urgent.

"I'm going to show you some numbers...they're all big and they're all bad," he says.

So bad, that Walker has given up on elected officials and taken his message directly to taxpayers and opinion makers, hoping to shape the debate in the next presidential election.

"You know the American people, I tell you, we've been to 13 cities outside of Washington with the fiscal wake up tour. They are absolutely starved for two things: the truth, and leadership," Walker says.

He calls it a fiscal wake up tour, and he is telling civic groups, university forums and newspaper editorial boards that the U.S. has spent, promised, and borrowed itself into such a deep hole it will be unable to climb out if it doesn't act now. As Walker sees it, the survival of the republic is at stake.

"What's going on right now is we're spending more money than we make...we're charging it to credit card...and expecting our grandchildren to pay for it. And that's absolutely outrageous," he told the editorial board of the Seattle Post Intelligencer.

You have heard this before, from Ross Perot 15 years ago. You might have even thought the

problem had been solved, when President Clinton announced, "Tonight, I come before you to announce that the federal deficit ... will be simply zero."

"Well, those days are gone. We've gone from surpluses to huge deficits and our long range situation is much worse," Walker says.

"President Bush would argue that the economy is in pretty good shape, unemployment is down, the deficit is actually less than expected," Kroft remarks.

"The fact is, is that we don't face an immediate crisis. And, so people say, 'What's the problem?' The answer is, we suffer from a fiscal cancer. It is growing within us. And if we do not treat it, it could have catastrophic consequences for our country," Walker replies.

The cancer, Walker says, are massive entitlement programs we can no longer afford, exacerbated by a demographic glitch that began more than 60 years ago-- a dramatic spike in the fertility rate called the "baby boom."

Beginning next year, and for 20 years thereafter, 78 million Americans will become pensioners and medical dependents of the U.S. taxpayer.

"The first baby boomer will reach 62 and be eligible for early retirement of Social Security January 1, 2008. They'll be eligible for Medicare just three years later. And when those boomers start retiring in mass, then that will be a tsunami of spending that could swamp our ship of state if we don't get serious," Walker explains.

To illustrate their impact, he uses a power point presentation to show what would happen in 30 years if the U.S. maintains its current course and fulfills all of the promises politicians have made to the public on things like Social Security and Medicare.

What would happen in 2040 if nothing changes?

"If nothing changes, the federal government's not gonna be able to do much more than pay interest on the mounting debt and some entitlement benefits. It won't have money left for anything else – national defense, homeland security, education, you name it," Walker warns.

Walker says you could eliminate all waste and fraud, and the entire Pentagon budget and the long range financial projections barely change, in what's shaping up as an actuarial nightmare.

Part of the problem, Walker acknowledges, is that there won't be enough wage earners to support the benefits of the baby boomers. "But the real problem, Steve, is health care costs. Our health care problem is much more significant than Social Security," he says.

Asked what he means by that, Walker tells Kroft, "By that I mean that the Medicare problem is five times greater than the Social Security problem."

The problem with Medicare, Walker says, is people keep living longer, and medical costs keep

rising at twice the rate of inflation. But instead of dealing with the problem, he says, the president and the Congress made things much worse just three years ago when they expanded the Medicare program to include prescription drug coverage.

"The prescription drug bill was probably the most fiscally irresponsible piece of legislation since the 1960s," Walker argues.

Asked why, Walker says, "Well, because we promise way more than we can afford to keep. Eight trillion dollars added to what was already a 15 to \$20 trillion under-funding. We're not being realistic. We can't afford the promises we've already made, much less to be able, piling on top of 'em."

With one stroke of the pen, Walker says, the federal government increased existing Medicare obligations nearly 40 percent over the next 75 years.

"We'd have to have eight trillion dollars today, invested in treasury rates, to deliver on that promise," Walker explains.

Asked how much we actually have, Walker says, "Zip."

So where's that money going to come from?

"Well it's gonna come from additional taxes, or it's gonna come from restructuring these promises, or it's gonna come from cutting other spending," Walker says.

He is not suggesting that the nation do away with Medicare or prescription drug benefits. He does believe the current health care system is way too expensive, and overrated.

"On cost we're number one in the world. We spend 50 percent more of our economy on health care than any nation on earth," he says.

"We have the largest uninsured population of any major industrialized nation. We have above average infant mortality, below average life expectancy, and much higher than average medical error rates for an industrialized nation," Walker points out.

Walker says we have promised almost unlimited health care to senior citizens who never see the bills, and the government already is borrowing money to pay them. He says the system is unsustainable.

"It's the number one fiscal challenge for the federal government, it's the number one fiscal challenge for state governments and it's the number one competitive challenge for American business. We're gonna have to dramatically and fundamentally reform our health care system in installments over the next 20 years," Walker tells Kroft.

And if we don't?

"And if we don't, it could bankrupt America," Walker argues.

You're probably expecting to hear from someone who disagrees with the comptroller general's numbers, projections, and analysis. But hardly anyone does. He is accompanied on the wake-up tour by economists from the conservative Heritage Foundation, the left-leaning Brookings Institution, and the non-partisan Concord Coalition. The only dissenters seem to be a small minority of economists who believe either that the U.S. can grow its way out of the problem, or that Walker is over-stating it.

"The Wall Street Journal for example calls you 'Chicken Little,' running around saying that the 'sky is falling, the sky is falling,'" Kroft remarks.

"Unfortunately they don't get it. I don't know anybody who has done their homework, has researched history, and who's good at math who would tell you that we can grow our way out of this problem," Walker replies.

Federal Reserve Chairman Ben Bernanke validated much of Walker's take on the situation at congressional hearings this year, and so did ranking Republicans and Democrats on the Senate Budget Committee. Senator Kent Conrad of North Dakota is the Chairman.

Sen. Conrad thinks David Walker is "providing an enormous public service."

Asked if he agrees with Walker's figures and his projections, Sen. Conrad says, "I do. You know, I mean we could always question the precise nature of this projection or that projection. But, that misses the point. The larger story that he is telling is exactly correct."

Conrad acknowledges that most people in Washington are aware how bad the situation is. "They know in large measure here, Republicans and Democrats, that we are on a course that doesn't add up," the senator tells Kroft.

"Why doesn't somebody do something about it?" Kroft asks.

"Because it's always easier not to.'Cause it's always easier to defer, to kick the can down the road to avoid making choices. You know, you get in trouble in politics when you make choices," Sen. Conrad says.

Asked if he thinks taxes should be raised, the senator says, "I believe first of all, we need more revenue. We need to be tough on spending. And we need to reform the entitlement programs ... we need to do all of it."

But he admits he doesn't think there's a consensus for raising taxes.

"Any politician who tells you that we can solve our problem without reforming Social Security, Medicare, and Medicaid is not telling you the truth," Walker told an audience at the University of Denver.

Over the next year, the nation's top accountant will be traveling to the early primary states, telling voters that we need to begin raising taxes or government revenues and put a cap on federal spending if we want to maintain our economic security and standard of living.

"If you tell them the truth, if you give them the facts, if you explain this in terms of not just numbers but values and people, they will get it and empower their elected officials to make tough choices," Walker argues.

Asked if he knows any politicians willing to raise taxes or cut back benefits, Walker says, "I don't know politicians that like to raise taxes. I don't know politicians that like to cut spending, but I think what we have to recognize is this is not just about numbers. We are mortgaging the future of our children and grandchildren at record rates, and that is not only an issue of fiscal irresponsibility, it's an issue of immorality."

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