Our Country's Constitution, Part 6 (703 words)

Promises, Promises, Promises!

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Promises for the future?

Our government often makes promises for the future that it has neither the skill or funds to deliver. Among the most difficult to finance are Medicare and Social Security. Actually no Congress can commit future Congresses to make these payments, but the outrage and pain among our citizens that would occur if a future Congress should rescind these payments is terrible to contemplate. The short time-horizon of many political types causes them to make these promises to pay when they often fail to save enough money for the benefits promised.

Government actuaries, since they have no penalties for overly optimistic reports, often yield to political pressures and produce reports that must be downgraded every few years. Outfits like the Congressional Budget Office routinely fail to take into account the motivating impact of legislation. They can just fall back on the excuse that they only use the numbers they are given. Unfortunately their rules come from Congress, the same folk that routinely over-promise benefits and under-estimate costs to make their programs politically palatable.

In fact Congressman who are unwilling to lie about the real solvency of the programs they are supposed have funded are derided by their colleagues. They are described as "partisan" and "unwilling to compromise" with their opponents.

The value of being able to promise future benefits without really making provision to pay for them is very attractive to any elected official who wants to be reelected. Term limits might reduce this tendency toward "lying for reelection," but other methods could also drastically improve the honesty of government economic numbers.

The solution.

Pay-as-you-go. This is not simple, but would provide a level of transparency that our federal government has never seen.

The technique would be to require purchase of any future benefit immediately. That means if the federal government promises a future benefit it is expensed at the time incurred. Purchase would be on the open market from private firms or individuals to get honest prices. For example, when you pay into social security, you accrue credit toward your future retirement. The government would be required to purchase that credit annually from a private firm. Thus when you acquire enough credit and you chose to retire, the firm will pay you the amount you have been promised. Since private firms don't exist to lose money they will have carefully calculated how much they must be paid to produce the required amount of benefit, plus hopefully a little profit. Normal competition will keep profits modest.

Purchase of private insurance and benefits would insure that full actual costs are paid in each year. In fact stipulation should be made that all benefits must be purchased within 90 days of the end of a calendar year to avoid undue procrastination.

Won't Congress just find a way around this requirement?

If the requirement were in normal legislation, there is no doubt that Congress would find an "emergency" or two requiring delay or stopping benefit purchases altogether. However, if the current funding of benefits is a constitutional requirement backed up with significant consequences that becomes less likely. I suggest that federal payments of any kind stop if benefit purchases are not made by the end of the grace period. Note, that previously purchased benefits like social security would continue without interruption because they are an obligation of a private firm. Thus the purchase of benefits on a current basis would eliminate the current disaster of "unfunded" obligations and the uncertainty that retirees will obtain their payments.

An amendment implementing "pay-as-you-go.

A possible amendment is:

> **The United States government may not promise any benefit outside the fiscal current year. If it chooses to incur obligations that require payment in future years it shall purchase that payment from private firms within the current year or at least no later than 90 days after its end. Failure to purchase the required payments within this period will cause all other federal payments including wages to be suspended until these payments are made.**
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> **This amendment will go into effect as of the beginning to the next fiscal year. Benefit obligations from past years will be covered by private purchases over 10 years with equal purchases in each year.**