

# WHERE DOES THE MONEY GO?

**YOUR GUIDED TOUR TO THE  
FEDERAL BUDGET CRISIS**

**SCOTT BITTLE  
& JEAN JOHNSON**

 HarperCollins e-books



# CONTENTS

<b>PREFACE</b>	<b>v</b>
<b>CHAPTER 1. The Six Points You Need to Know to Understand the Federal Budget Crisis</b>	<b>1</b>
<b>CHAPTER 2. So What's the Worst That Could Happen?</b>	<b>20</b>
<b>CHAPTER 3. A Little Clarification Is in Order</b>	<b>36</b>
<b>CHAPTER 4. The Tax Tour (or, Money Comes . . .)</b>	<b>55</b>
<b>CHAPTER 5. And Money Goes . . .</b>	<b>80</b>
<b>CHAPTER 6. Social Security and Medicare—and Why Closing the Deficit Isn't Enough</b>	<b>97</b>
<b>CHAPTER 7. If You Think Social Security Is Bad, Wait Till You Meet Medicare</b>	<b>117</b>
<b>CHAPTER 8. Glib Answers to a Tough Problem</b>	<b>128</b>
<b>CHAPTER 9. Do We Have to Throw Granny out on the Street?</b>	<b>137</b>
<b>CHAPTER 10. Waste Not, Want Not</b>	<b>157</b>
<b>CHAPTER 11. The Liberals and the Conservatives</b>	<b>186</b>

<b>CHAPTER 12. Politics, as Usual</b>	<b>192</b>
<b>CHAPTER 13. Has K Street Become Washington's Main Street?</b>	<b>212</b>
<b>CHAPTER 14. 2010—the High Noon of Budget Politics</b>	<b>235</b>
<b>CHAPTER 15. Tackling the Long-Term Problem One Bite at a Time</b>	<b>247</b>
<b>CHAPTER 16. OK, if You're So Smart . . .</b>	<b>264</b>
<b>CHAPTER 17. The "Where Does the Money Go" Voter Protection Kit</b>	<b>281</b>
<b>CHAPTER 18. The Last Word: Six Realities We Need to Accept to Solve This Problem</b>	<b>302</b>
<b>APPENDIX: PLACES TO GO, PEOPLE TO MEET</b>	<b>309</b>
<b>ACKNOWLEDGMENTS</b>	<b>321</b>
<b>About the Authors</b>	
<b>Credits</b>	
<b>Cover</b>	
<b>Copyright</b>	
<b>About the Publisher</b>	



## CHAPTER 1

# The Six Points You Need to Know to Understand the Federal Budget Crisis

**Finance Minister:** “Here is the Treasury Department’s report, sir. I hope you’ll find it clear.”

**Groucho Marx:** “Clear? Huh. Why, a four-year-old child could understand this report . . . Run out and find me a four-year-old child—I can’t make head or tail of it.”

—Duck Soup, 1933

**O**pen any newspaper, tune in to any newscast, and someone will be tossing around billion- and trillion-dollar estimates about government spending and squabbling about the nation’s finances. It certainly sounds important, but they don’t make it easy for people who aren’t policy wonks to understand. The numbers are mind-boggling, and the jargon is even worse. Unfunded liabilities, revenue neutral tax reform, entitlement spending, discretionary domestic

programs, baseline assumptions, percentage of GDP. Faced with phrases like these, most of us reach for the remote to see what's going on in TVLand. But this debate is crucial to our future. Deep inside, you know it matters; otherwise, you wouldn't have opened this book.

The budget issue is a sneaky, slow-boil kind of a problem, one that's easy to avoid, and Americans have been doing just that for years. Politicians don't like to talk about cutting programs or raising taxes—which we'll no doubt need to do in some form or another in order to fix this budgetary mess. Journalists aren't making the country's budget problems the top news every night, either. After all, there are plenty of interesting scandals, crimes, and celebrity melodramas that make better headlines. And yes, fellow Americans, we've earned our share of the blame, too.

Let's be frank. When was the last time you cast your vote for a candidate who campaigned on getting the country's finances back on the right track? What about one who wants to cut government programs you like and raise taxes (which no one likes)? What do we talk about instead? Who had the most glittering celebrities at their fund-raiser. Who had the best zinger in the debate. Which candidate is making the cleverest use of YouTube. What a candidate did or did not do when he or she was twenty-something. No wonder so few people want to run for office these days—how would you like to have to defend everything you did and said in your twenties, or your thirties for that matter? And what about that pet question from the pre-pre-election polls: Which candidate would be more fun to have dinner with? How many Americans actually have dinner with presidential candidates, anyway? Go ahead, ask Mitt Romney or Barack Obama to meet you at Chili's sometime. See what happens. Is this what we really want from these people? Why are we spending time on this?

The truth is that those of us who aren't in government or

politics—those of us who generally watch from the sidelines trying to make sense of it all—had better start paying attention to the debate about the federal budget and the huge expenses we face in the coming decades. What’s decided (or not decided) over the next few years will spell big changes for the way we live our daily lives. How the country solves or doesn’t solve this problem will affect our paychecks, our investments, our mortgages, our kids’ prospects in life, what kind of health care we’ll get, our chances of ever getting to retire—even whether we live in a country that’s fair, stable, and prosperous. And let’s not kid ourselves. Right now, the savvy and well connected are already strolling the halls of Congress pushing for solutions that benefit them. So ignoring this debate is really not a very good option.

Fortunately, once you strip away all the confusing terms and unnecessary shouting, the budget problem isn’t as hard to understand as the people in charge would like you to think.

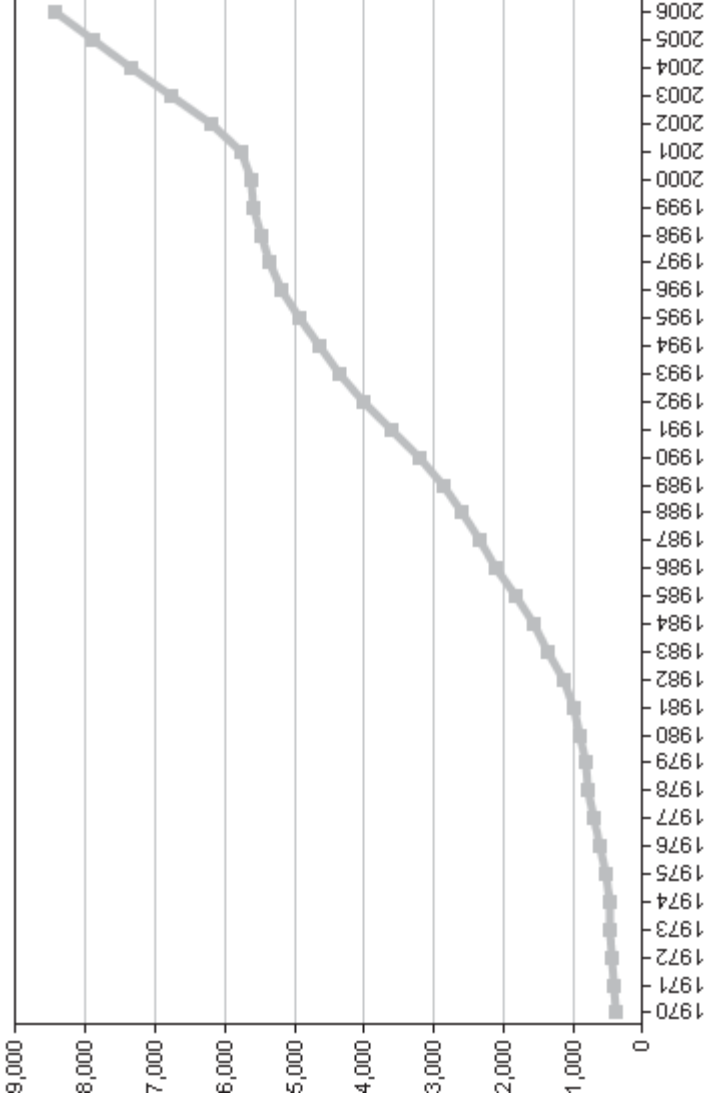
## THE BUDGET DEBATE, PARKING LOT VERSION

If you missed this on *Entertainment Tonight* or *Entourage*, a “parking lot version” is what Hollywood producer types call the shortest, simplest description of a movie or TV idea. Basically, it’s what you can say to a studio exec if you’re lucky enough to meet one in the parking lot, and you have to pitch your idea in the time it takes to walk to your cars. In Manhattan, which is short on parking lots, it’s called the “elevator version.”

We’ve reduced the budget issue to six essential points. Get these, and you’re a long way to understanding what all the hoopla is about.

1. For thirty-one out of the last thirty-five years, the country has spent more on government programs and services than it has collected in taxes.

## Gross National Debt (in billions of dollars)



The national debt always tends to increase, but as you can see, over the past few years the debt has leaped up, to the point where the U.S. government is now roughly \$9 trillion in debt. Source: Budget of the United States Government, FY 2008

2. Every year the government comes up short, it borrows money to cover the difference. We've now built up a very big debt—roughly \$9 trillion, and yes, that is *trillion* with a *t*.
3. The country will have humongous additional expenses over the next couple of decades as the baby boomers begin to retire and need more medical care.
4. There is no realistic way government can lower taxes (or even keep them at current levels), spend money on everything people want the government to do (at least according to the polls), and still end up with a balanced budget.
5. If we keep on going the way we're going, the debt will get bigger and begin to endanger the U.S. economy and our own personal finances and plans. And the government won't have enough money to pay for Social Security and Medicare for the boomers and still do what most of us expect government to do.
6. A substantial portion of the country's debt is held in foreign countries. Right now, these foreign investors consider U.S. government bonds one of the safest places in the world to put their money, but they could decide at some point that Europe or China or some other place is a better bet. This would be the global equivalent of a store clerk seizing your credit card and cutting it up.

If the country's state of financial affairs reminds you of people who spend more money than they make nearly every month, while cheerfully adding onto their credit card debt hoping that nothing will go wrong, you're not that far wrong. Obviously, government finances and family finances are different. For one thing, the government can probably raise taxes a lot more easily than most of us could just suddenly raise our own salaries substantially. The worst-case



scenario is also much different. The president isn't going to walk out of the White House one morning and find out someone's repossessed the armor-plated limousine. But the concept is pretty similar. You can live beyond your means for quite a while without too much fuss (as long as nothing goes wrong). But at some point, the amount you owe begins to take its toll on the way you live.

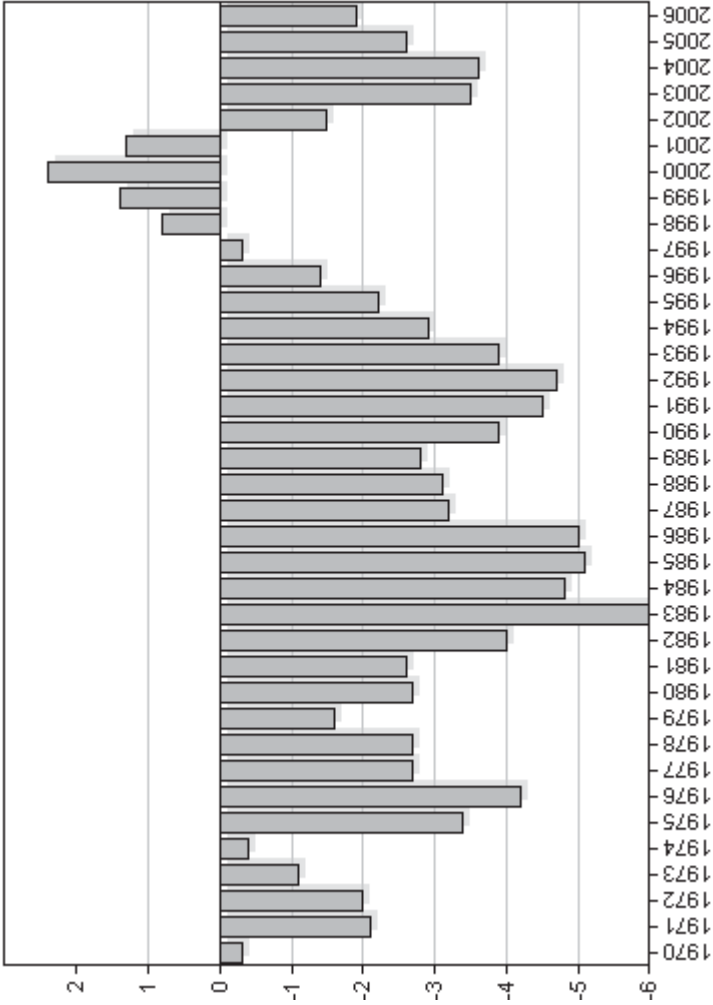
### **SO WHY DO THEY KEEP DOING IT?**

Given the dangers and the fact that everyone knows that the huge baby-boom generation is coming up for retirement now, *why* does the government keep on spending more than it takes in, you may ask in your best Cindy Lou Who voice. After all, politicians talk about balancing the budget and cutting the deficit all the time. The simple answer is there's always something people want more, whether it's tax cuts or better benefits or a stronger military. In some cases, that's a perfectly reasonable choice. During a recession, additional government spending can create jobs and rev up the economy, as Franklin Roosevelt did during the New Deal. The country also ran large deficits during World War II.

### **DEFICITS BEGIN TO FEEL NORMAL**

There are good reasons for the country to run a deficit every so often, but if you do it long enough (thirty-one out of thirty-five years, for example), it starts to feel normal. It's nearly always easier for politicians to add to the debt than raise taxes or cut popular programs. In fact, in Washington these days, they don't even seem able to cut *unpopular* programs—if some politically connected someone somewhere likes it, it stays in the budget. And like a slow-growing tumor in the national economy, the debt just keeps on growing until

Federal Budget Deficits/Surpluses



Deficit spending has become routine for the U.S. government, with the government running in the red for thirty-one of the last thirty-five years. Source: Budget of the United States Government, FY 2008

it becomes really dangerous—dangerous enough to affect the livelihood and lifestyle of nearly every single American.

What would actually happen if the country keeps on spending more than it takes in, and the debt continues to mount? According to one small group of optimistic experts, not much at all. They say we have a new global economy now, so there will always be people in other countries who have money to lend. They'll always be interested in buying U.S. government bonds (thus lending money to the U.S. government); they'll always want to keep the American government and economy humming along. The debt doesn't really matter. Of course, we were also supposed to be in a "new economy" during the lazy, hazy, crazy days of the Internet stock bubble. Remember how that turned out? A lot of us watched our modest little stock portfolios tank when people realized they'd poured their money into companies whose only real assets were a clever idea, a foosball table, and a popular sock puppet.

## **CAN THIS MUCH DEBT POSSIBLY BE OK?**

If we were you, we would take that comforting little "the debt doesn't matter" scenario with a giant lump of salt. Full disclosure here—based on what we've heard from everyone we've talked to and everything we've read, we just don't buy it. And we're not alone. Even experts from the Government Accountability Office (an agency that does exactly what it sounds like it would do) say that the nation's current financial path is "unsustainable," that we could face "a federal debt burden that ultimately spirals out of control."<sup>1</sup>

---

<sup>1</sup> Government Accountability Office, "The Nation's Long-Term Fiscal Outlook April 2007 Update: The Bottom Line," GAO-07-983R ([www.gao.gov/new.items/do7893r.pdf](http://www.gao.gov/new.items/do7893r.pdf)).

For us, it's much too dangerous to assume that being this much in debt is hunky-dory and that things will always go our way in the wide world of economics. We think it's just common sense and the better part of valor to assume that some of the risk is real. Risk is real. That's why we have auto insurance, home insurance, and health insurance and put money away for a rainy day.<sup>2</sup>

### THREE REALLY BIG RISKS

So here's a sampling of what keeps a lot of economists and policy makers awake at night (well, it may not really keep them awake, but it does keep them writing articles and making speeches about how important it is to get the U.S. financial house in order).

**No. 1: Monster expenses (that we know are coming) will wipe us out.** Unless there's some sort of "Hot Zone" plague that wipes out a substantial portion of the baby boomers before they reach retirement (since your authors are boomers themselves, we're not recommending that), the government is facing gigantic increases in Social Security and Medicare expenses over the next couple of decades. This is the one big threat to the budget and the economy that nearly every reasonably sane expert we can find agrees on. Unless something changes, we could see a time (around 2040, if nothing is done) when nearly every tax dollar collected will be needed to pay for retirement and health care for the elderly and interest on the debt.<sup>3</sup> There will be almost no money for anything else, except maybe a basic national defense. You can read the grisly details in the coming pages.

---

<sup>2</sup> Well, that last one, we meant to do that. Lousy Internet bubble.

<sup>3</sup> Government Accountability Office, "The Nation's Long-Term Fiscal Outlook April 2007 Update."

**No. 2: The economy goes down, down, down.** When the government borrows more and more money, it makes it harder for the rest of us to borrow because it drives up interest rates. This risk is widely accepted among mainstream economists,<sup>4</sup> and it's pretty clear to anyone who has ever shopped for a mortgage why high interest rates are a bad thing. But mortgages are just the tip of the iceberg. High interest rates jeopardize nearly every part of the economy. Businesses can't get loans. Their costs go up. When they get in a pinch, they start cutting jobs. When the economy goes into a tailspin, there are more layoffs, fewer raises, more cuts in benefits, more businesses failing, bigger consumer debt, people's investments getting savaged, and more. Think "very, very bad recession."

**No. 3: We'll come to regret relying on the kindness of strangers.** About a quarter of U.S. government debt is held by foreign governments, banks, and investors, and right now, they seem reasonably happy to keep sending their extra money here. But the truth is that international politics and economics sometimes change in what seems to be the blink of an eye (remember back when you had never heard of Osama bin Laden?). What would happen if some big debt holders abroad suddenly wanted their money back right away? Would there be a mad scramble to raise taxes?

---

<sup>4</sup> It's basically supply and demand. The risk is that all this government borrowing will crowd out other lending. There's only so much money out there to borrow, and every dollar investors put into Treasury bonds is a dollar that isn't available for stocks, corporate bonds, real estate, venture capital, or anything else in the private sector. So the rest of us have to jump higher hurdles and pay higher interest to borrow money.

Would Congress suddenly slash spending with no time for the country to think about how to do it fairly? Would the stock market hurtle downward? Would American investors also lose confidence and start putting their money elsewhere? No one really knows. In fact, while most experts said this was a worrisome possibility, they didn't agree on exactly what would happen (comforting, isn't it?).

Some of these dangers could rise up suddenly—like the iceberg that appears dead ahead in that *Titanic* movie. People around the world who are happily buying U.S. Treasuries now could get anxious or disenchanted pretty quickly. Tech investors started dumping Internet stock with head-spinning speed back when that little stock market bubble burst. Or the changes could be gradual. We might face a slow decline in our standard of living, an economy that just never recovers, a government that is less and less able to provide services that people value. But note the recurring theme here: if things go badly, it nearly always comes out of *your* hide, as the taxpayer and citizen. Either life gets a lot more expensive, or you have to make do with less help from the government, or most likely both at once.

The good news is that there's still time to avoid this. It's like seeing a traffic accident a half mile down the road. You've still got time to slow down or change lanes. And we know this problem can be addressed, because the government was able to balance the books just a few years ago, thanks to a strong economy and some bipartisan financial realism.

The bad news is that politics as usual—the gridlock, the polarization, the sloganeering, the inability to compromise or move ahead on much of anything—could be setting the country up for a real smashup.



## THE GREAT BUDGET DEBATE POP QUIZ

In this book, we'll try to avoid the wonk words and pie charts (well, we do have a pie chart or two). Even so, it's helpful to have a few facts in hand. So we'll start off with a pop quiz. If you've been watching C-SPAN and all those Sunday morning news shows, you'll probably ace this. However, if you're not as well informed, try the quiz anyway. You'll pick up a few things, proving once again that sleeping late on Sunday doesn't automatically keep you from getting ahead in life.

1. True or false? If it weren't for the war in Iraq, the federal budget would have been balanced the last couple of years.

**ANSWER:** *Not quite. The Iraq war has cost a lot of money, but the country wouldn't have balanced its budgets over the last few years even without the war (as amazing as that may seem). Through mid-2007, the country spent more than \$400 billion on the war<sup>5</sup>—it's actually hard to tell precisely (more on that later). That's not pocket change to be sure, but during the same four years, the country added over \$2.3 trillion to the debt (that's trillion with a t).<sup>6</sup> So it's not just the war—not by a long shot. You*

---

<sup>5</sup> Robert A. Sunshine, "Testimony on Estimated Costs of U.S. Operations in Iraq and Afghanistan and of Other Activities Related to the War on Terrorism," Congressional Budget Office, July 31, 2007 ([www.cbo.gov/ftpdocs/84xx/doc8497/07-30-WarCosts\\_Testimony.pdf](http://www.cbo.gov/ftpdocs/84xx/doc8497/07-30-WarCosts_Testimony.pdf)).

<sup>6</sup> Congressional Budget Office, Historical Budget Data, "Revenues, Outlays, Surpluses, Deficits, and Debt Held by the Public, 1962 to 2006 ([www.cbo.gov/budget/historical.pdf](http://www.cbo.gov/budget/historical.pdf)).



*can say that the Iraq war made the already-hefty budget deficits for recent years bigger. But you can't say that without the war, the country would have been in the black. And remember, just balancing the budget isn't enough to solve the long-term problems with Social Security and Medicare. It's a good thing to do, no doubt, but it's only the beginning.*

2. True or false? If we just rolled back the Bush tax cuts, we could solve all our problems with the federal budget.

**ANSWER:** *Nope, that's not true, either. President Bush and Congress enacted a series of different tax cuts—for families, investors, businesses—and most are set to expire at the end of 2010. In a democracy, it is much easier to give tax cuts than take them away, so hardly anyone thinks Congress will roll all of these taxes back to their Clinton-era rates. But even if that happened, it still wouldn't get us out of our financial jam. With the boomers beginning to retire, Social Security and Medicare costs are going to mushroom, and repealing the Bush tax cuts doesn't provide nearly enough money to cover the gap. All the major numbers crunchers agree on this one.<sup>7</sup> So you can be for 'em or agin 'em (much more on this in chapter 14), but you can't say that rolling back the Bush tax cuts will by itself solve the problem.*

3. Which of the following areas do budget experts worry about most—because its costs are so hard to control and could rise out of sight? A. The defense budget. B. The budget for FEMA, the agency that is supposed to help people when there are

---

<sup>7</sup> See, for example, Government Accountability Office, "The Nation's Long-Term Fiscal Outlook April 2007 Update: The Bottom Line," and testimony of Ben S. Bernanke, chairman of the Federal Reserve Board of Governors, before the House Committee on the Budget, February 28, 2007 ([www.access.gpo.gov/congress/house/house04ch110.html](http://www.access.gpo.gov/congress/house/house04ch110.html)).





floods, hurricanes, and other big disasters. C. Social Security.  
D. Medicare, which pays for health care for older people.

**ANSWER:** *D for Medicare. Its costs are skyrocketing out of sight. Right now, Medicare is 12 percent of the federal budget, and its costs are rising much faster than the rate of inflation. Since Medicare's costs are joined at the hip with the country's health care costs overall—that's what Medicare pays for, after all—predicting what will happen down the line is all the more complicated. Or as Federal Reserve chairman Ben Bernanke puts it, with the deadpan economist phrasing you have to have to run the Fed: "Projections of future medical costs are fraught with uncertainty."*<sup>8</sup>

4. True or false? Foreign aid is one of the top ten expenses in the federal budget.

**ANSWER:** *Not even close. Foreign aid is about 1 percent of federal spending each year.*

5. True or false? Money in the Social Security trust fund is only spent on Social Security.

**ANSWER:** *Nope. Money raised through Social Security taxes that is not immediately needed to pay Social Security benefits to elderly Americans can be lent (and has been lent) to the federal government to cover other programs and tax cuts. Sometimes people are distressed, even infuriated, when they learn about this, but the "borrowing" isn't illegal or even secret. In recent years, the huge baby-boom generation has been working and paying Social Security taxes, so there has been quite a bit of "extra money" in the trust fund. The rest of government has*

---

<sup>8</sup> Bernanke, testimony.



*depended on the Social Security piggy bank to avoid having to raise taxes or cut other kinds of government spending. Social Security does have IOUs for money that's been spent elsewhere (actually, Treasury bonds), but it will need to start redeeming them when the boomers start retiring. Since the U.S. government routinely operates in the red and is now roughly \$9 trillion in debt, coming up with the money to cover those IOUs is not going to be easy. See chapters 6 through 9 for the particulars.*

Got all five right? Congratulations! You're ready to start your own "let's balance the budget" blog. If you missed something, read on. There's a lot to learn and think about in this strange little corner of public policy.

If you enjoyed this little exercise, you might want to check some of the other budget quizzes and games available online. For example, you can find out how much you know about how the government spends tax dollars by playing the "Online Penny Game" on the Concord Coalition's Web site<sup>9</sup> (Concord is a non-partisan group focusing on budget issues).

---

<sup>9</sup> See [www.concordcoalition.com](http://www.concordcoalition.com).



## So Who's in Worse Financial Shape, the U.S. Government Or Michael Jackson?



*Credit: Library of Congress*



*Credit: Ronald Reagan Library*

We know, this seems like a nonsensical question. The U.S. government is huge, spending unimaginable amounts of money and providing services that touch every American. The numbers are so colossal that budget experts sometimes resort to little *t*'s for trillions and *b*'s for billions so the zeros don't run off the page. Michael Jackson is wealthy, to be sure, but his entire fortune wouldn't keep the U.S. government running for even a day. Lots of people listen to his music and are fascinated by his life, but only his entourage is really depending on him. And while the income and expenditures of the U.S. government are public (you can get the entire federal budget at [www.gpoaccess.gov/usbudget/](http://www.gpoaccess.gov/usbudget/)), Michael Jackson's finances are essentially private. What we know, we know from news reports based on court filings. Still, the comparison offers some tidbits to chew on.



**U.S. GOVERNMENT**

**Total Annual Income**  
\$2.407 trillion (2006)

**Total Annual Expenses**  
\$2.655 trillion (2006)

**Total Employees**  
2.7 million civilian employees  
1.4 million active-duty military personnel

**Wild, Bordering on Inexplicable, Spending**  
Has spent \$640 each for toilet seats and \$792 on a

**KING OF POP**

**Total Annual Income**  
Press accounts have estimated Jackson's lifetime earnings at \$500 million, and he was earning about \$50 million a year in the 1980s, but his income has been going down steadily.<sup>10</sup>

**Total Annual Expenses**  
\$35 million (again, as estimated in the press)<sup>11</sup>

**Total Employees**  
He used to have a hundred or so employees at Neverland Ranch,<sup>12</sup> but now his entourage seems to have dwindled. In 2006, the state of California labor board temporarily closed the ranch because Jackson reportedly owed his employees more than \$300,000 in back pay.<sup>13</sup>

**Wild, Bordering on Inexplicable, Spending**  
Reportedly once spent \$10,000 on in-flight purchases on one

<sup>10</sup> Edna Gundersen, "For Jackson, Scandal Could Spell Financial Ruin," *USA TODAY*, updated November 25, 2003.

<sup>11</sup> Steve Chawkins and E. Scott Reckard, "Prosecutor Says Jackson Is on the Brink of Bankruptcy," *Los Angeles Times*, March 12, 2005.

<sup>12</sup> Gary Strauss, "Jackson's Finances Are Solid, Adviser Says," *USA TODAY*, April 28, 2004.

<sup>13</sup> *The Saturday Early Show*, Russ Mitchell, anchor, "Michael Jackson's Neverland Ranch Shut Down by State of California," CBS News Transcripts, March 11, 2006.



designer door mat.<sup>14</sup> “Pork barrel spending” is in the eye of the beholder, but you can always find examples like \$50 million for an indoor rain forest in Iowa or \$750,000 for grasshopper research in Alaska.

#### **Unexpected Expenses**

September 11, 2001  
Hurricane Katrina

#### **Assets That Could Be Sold**

National parks, the air traffic control system, prisons, public lands with oil, timber, and minerals, and a lot of planes and ships with low mileage. However, the public probably wouldn't stand for much of this.

Swissair trip (granted, the in-flight movie can be pretty boring).<sup>15</sup> Contrary to creepy popular rumor, however, he never bought the Elephant Man's skeleton.

#### **Unexpected Expenses**

A criminal trial (at which he was acquitted), more civil suits than you can shake a stick at, not to mention fines for letting workers' compensation for his employees lapse.

#### **Assets That Could Be Sold**

He owns shares of a company with rights to music by the Beatles, Elvis Presley, Willie Nelson, and Pearl Jam, and he's been using them as collateral for loans.<sup>16</sup> As we write this, he still owns Neverland, but his Bengal tigers have been adopted by Tippi Hedren and his “people” are looking for homes for the other animals.<sup>17</sup> Frankly, we wouldn't be too surprised if both of these assets are gone before this book hits bookstores.

<sup>14</sup> Taxpayers for Common Sense, Senator William Proxmire's Golden Fleece Awards, 1985–1988, available at [www.taxpayer.net/awards/goldenfleece/1985-1988.htm](http://www.taxpayer.net/awards/goldenfleece/1985-1988.htm).

<sup>15</sup> Gundersen, “For Jackson, Scandal Could Spell Financial Ruin.”

<sup>16</sup> Strauss, “Jackson's Finances Are Solid, Adviser Says.”

<sup>17</sup> Michelle Caruso, “Former ‘Birds’ Actress Adopts Michael Jackson's Tigers,” *New York Daily News*, June 18, 2006.



### Long-Term Prospects

You can't underestimate having the exclusive rights to print money and tax the world's largest economy. But even that may not be enough if we keep on borrowing and postponing decisions on how to cover the retirement and health care costs for the boomers. However, if we make some sensible decisions sooner rather than later, our prospects are pretty good.

### Worst-Case Scenario

Crushing interest rates, steep tax increases, a tumbling stock market, a world financial crisis, and a government that can't do anything other than write Social Security checks and maintain an on-the-cheap national defense. Spending on everything else from national parks to student loans gets chucked.

### Long-Term Prospects

Not nearly as good. King of Pop he may be, but not many showbiz pros see another *Thriller* in Jackson's future. His legal troubles have made him much less marketable. Unfortunately for Jackson, rumors that he was getting \$10 million to attend a birthday party for the Sultan of Brunei's son turned out not to be true—or at least they were denied by the family.<sup>18</sup>

### Worst-Case Scenario

The entourage is out of work, and the animals go to a zoo. Jackson might wind up as the Jackson family mooch with Janet and Jermaine earning bigger bucks. But even if he is totally bankrupt or winds up in jail, no more than a few hundred people will actually be affected—not an entire nation.

<sup>18</sup> "Scurrilous: Chicago's No. 1 Couch Potato," *Chicago Sun Times*, June 8, 2007.