

# PERSONALLY SPEAKING

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## THE AMERICAN DREAM: IS IT SLIPPING AWAY?

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Millions have been drawn to America's shores by the promise that if you work hard, pay your debts, live the Golden Rule, good things follow. When fulfilled, this promise engenders hope among parents that even better things are in store for their children. This is the American Dream. Alas, there are warning signs that the Dream is slipping away.

***Economic Warning Signs.*** The current economic crisis involves persons and families who borrowed and spent too much and then defaulted, along with financial institutions that sold toxic assets to the federal government in order to survive. Consider the following:

IRS 2007 tax returns: no taxes owed	33 percent
Unreported IRS 2008 adjusted gross income	\$2 trillion
Taxes owed on unreported 2008 income but not paid	\$447-490 billion
Number of bankruptcy filings 2009	1.4 million
Residential foreclosure filings 2009	2.82 million
FDIC-insured bank failures 2009	140
Total government payments to individuals 2008	\$1.824 trillion
FY 2009 federal budget deficit	\$1.413 trillion
Interest paid on public debt: FY 2009 budget	\$383 billion
Total public debt: February 2010	\$12.352 trillion
Mortgage backed securities held by Federal Reserve: February 2010	\$977 billion

Think of debt as a string of loaded freight cars pulled by a powerful engine. Burdened with additional cars coupled to the train, the private-sector engine no longer could pull the load, breaking down in September 2008. To get that train moving again, the government intervened, switching some of the freight cars to the public-sector train. What was once private debt became public debt. The bailout plan is to get the private-sector train underway, generating enough speed (GDP) to supply the fuel (pay the taxes) necessary to keep the public-sector train running. If that doesn't work, the only options are inflation or default. Inflation would derail the private-sector train; default would derail the public-sector train.

***Demographic Warning Signs.*** The Dream depends on enough children being born and growing into adulthood to support their parents in their old age either through their own individual efforts or through public programs such as Social Security retirement. Consider the following:

Children under age 18 in 2008 not living in husband-wife family	23.1 million
Children born to unmarried mothers 2007	1.7 million
Births per woman (total fertility rate) 2007	2.1
Never-married persons 25 years of age and older in 2008	34.4 million
Social Security trust fund holdings of special U.S. Treasury securities	\$2.519 trillion

At 2.1 births per woman and with elders living longer, the adult children of the elderly (including seniors who never married and had no children) will face the added burden of a Social Security retirement fund in which all of the assets will be depleted by 2037. Benefits paid to retirees will be reduced to match revenues flowing into the trust fund.

**Other Warning Signs.** While heated rhetoric and partisan politics flourish in Washington, the Dream depends on an electorate that is informed and motivated to vote intelligently. Consider the following:

Voting age population who did not vote 2008 presidential election	42 percent
Persons 12 years of age and older who used illicit drugs 2008	8 percent
Persons in 2008 who did not read yesterday's newspaper (print or online)	61 percent
Annual number of hours of TV viewing	250 billion
Persons 25 years and older 2008 who did not complete high school	26.4 million
Men unfaithful to marriage partner	20 percent
Women unfaithful to marriage partner	11 percent
Persons with no religious affiliation 2008	15 percent
Homeless persons accessing shelters, year ending September 2008	1.6 million

The very real prospect of losing the American Dream is heightened by functional illiteracy, infidelity, drugs, false gods, and a stupor induced by a "vast wasteland" of TV programming.

**Remedy.** There is one basic remedy for many of these problems. It is limit -- born of the practical virtue of moderation which tells an alcoholic to stop drinking and the Tenth Amendment which tells the federal government that its powers are restricted to those that are enumerated in the Constitution -- that is the key to addressing the excess in American life which is undermining the Dream.

As a first step, make the public debt ceiling a real limit subject to public referendum, rather than the sham that Congress raises whenever it cannot or will not constrain itself. Without that limit, the federal government will continue to grow until only the rich who cannot hide their income pay taxes -- richest 10 percent account for 71 percent of taxes paid -- and the government budget runs largely on borrowed funds. The American Dream quietly slips away as U.S. treasuries become junk bonds. It's happened elsewhere. It could happen here.