“The Cliff, The Ceiling, and The Catastrophe” *(SB News-Press)*

(January 26, 2013) Over the last six weeks, much attention was given to the fiscal cliff – the December 31st deadline for austerity measures to kick in from the 2011 Budget Control Act – as politicians collectively walked the American people up to the edge of this infamous overhang, and we all looked directly at higher income taxes and mandatory cuts in federal discretionary spending. The prevailing temperament in the media was one of fear and impending doom. The deal to avoid the Cliff – the American Taxpayers Relief Act – actually came *after* the deadline (we were technically already over the edge) and was post-dated to January 1st. It allowed: the payroll tax to go back up by two percentage points, the post-9/11 Bush tax cuts to expire for high-income earners, the top capital gains tax to increase from 15 percent to 23.8 percent, and a 3.8 percent surtax added onto investment income for those making over $250,000. A wide range of economists immediately reported that because of this deal, 2013 GDP will be between 0.75 percent and 1.3 percent LOWER. The Congressional Budget Office, Ben Bernanke, and Goldman Sachs had previously projected GDP down by 3-to-4 percent if we went over without the deal.

But now that we’re supposedly saved from the treacherous Cliff (which makes no sense given that 77 percent of U.S. households will now pay *higher* taxes), our next concern is the debt Ceiling. That maximum point of government borrowing arrives in February, when federal debt will top $16.4 trillion, or 107 percent of GDP. The media tone however, does not sound anything like the weeks leading up to the Cliff. In fact, it’s rather calm, as if the Ceiling is merely a formality for the president and Congress to simply expand the credit limit on the nation's Visa and Mastercard (remember the last time in August 2011?). The Bipartisan Policy Center calculates that Mr. Obama needs upwards of another $1.2 trillion to cover his record-breaking deficit spending through fiscal 2013. That would ALLOW him to increase federal debt to $17.6 trillion this year. But to get through 2014, Obama will need an $18.7 trillion credit line (maybe add a Discover card to the mix?). All this deficit spending from a president who has not had a Congressionally approved budget in four years. With the anemic U.S economy limping along at 2 percent growth, debt-to-GDP will be 113 percent by the end of 2013, and 117 percent the following year. Obama's math is frighteningly simple: grow the economy by under $330 billion per year while adding over $1 trillion in new deficits. That 3-to-1 annual ratio guarantees we'll be at $21 trillion in debt with just a $16.5 trillion economy when Obama finally leaves the White House . . . 127 percent debt-to-GDP. So Congress will suspend the Ceiling until May 18th, and withhold House and Senate paychecks (starting April 15th) unless a formal budget and major spending cuts are approved.

While we have supposedly averted the Cliff, and will finagle the Ceiling amid political showboating, the nation (especially the media) remains oblivious to the truly perilous and impending issue that continues gaining momentum and crushing weight in its very predictable approach. My recent book labeled this a "Crisis," but perhaps Catastrophe is more *apropos*, because far more ominous than the Cliff or the Ceiling is America's triple threat of unsustainable entitlements (Social Security, Medicare, Medicaid), runaway debt (plus interest on that), and Obamacare. Like the perfect storm that is readily tracked by meteorologists before it makes landfall, so too the debilitating impact of these budget busters is clearly mapped and will arrive on schedule – and bring extreme devastation to the U.S. private sector. So why are the president and politicians doing nothing about it? The trajectory of entitlement spending will absolutely, definitely move from the current 43 percent of federal spending, to 48 percent in 2017, and 57 percent in less than ten years. The debt will be $21 trillion when Obama's second term is over and as Treasury rates must return to true market levels, interest on the debt will consume over 20 percent of spending. Obamacare's price tag has gone from its original $900 billion, to $1.3 trillion, to more than $2.6 trillion – which doesn't even include the huge negative impact its compliance (new taxes and fees) will have on the American labor market and reduced business productivity.

Political cartoonist Michael Ramirez captured this Catastrophe very well, with two people standing on a snowy ledge commenting "*Thank goodness we averted the fiscal cliff,*" even as on the mountain just above, an avalanche speeds right for them – with snow, ice, flying trees, and debris representing this very same triple threat. I usually get a laugh from the whit of his drawings, but there's no humor in this bleak reality. It is tracking for impact an entirely measured, predictable pace – every month, week, and day, even as we ignore it. There are no plans for entitlement reform, the President perpetuates trillion-dollar deficits, and the Affordable Care Act continues its methodical implementation of bureaucracy, regulatory controls, taxes, and fees. This Catastrophe is not 50 years out, but a near-term Crisis that will hit before the end of this decade (clearly detailed in my book). But unlike the Cliff and Ceiling, our elected officials have to fundamentally rein in government taxes, spending, and entitlements to avoid economic collapse. The only way out is not to raise taxes and government spending, but to free the private sector from these, and allow thriving economic growth to put more people back to work, increase incomes, and reduce costs. The Catastrophe CAN be fixed, but not with political posturing and maneuvering special interests. If we do nothing now, the ability to fix the problems will be lost, and we'll look back to 2013 and ask "Why didn't we deal with this before the economy collapsed?" On a related note, I strongly recommend watching the John Mackey (founder of Whole Foods) interview with Greta Van Susteren (see YouTube).