

Re: The actual US deficit..... (into the trillions last year, entirely fatal, US GAO)

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- *From:* RogerDodger <none@xxxxxxxxxxxx>
  - *Date:* Mon, 07 Jan 2008 20:46:57 -0500
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On Sat, 5 Jan 2008 21:52:39 -0800 (PST), Lysander <lysander@xxxxxxxxxxxx> wrote:

On Jan 2, 3:53 pm, RogerDodger <n...@xxxxxxxxxxxx> wrote:

On Tue, 1 Jan 2008 15:27:50 -0800 (PST), Lysander

<lysan...@xxxxxxxxxxxx> wrote:

On Dec 29 2007, 3:02 am, RogerDodger <n...@xxxxxxxxxxxx> wrote:

On Sun, 23 Dec 2007 15:56:04 -0800 (PST), Lysander

So, you feel more comfortable with \$0?

0 is more likely to be closer to accurate than the BS numbers you are spouting.

You mean the numbers that the Congressional Budget Office and GAO spouting.

Peter Orszag is an economist, last I looked.

Did you say you are an economist? Of course, anybody can claim anything on the Internet, eh?

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The cash flow cost of paying down these obligations

Do we want to pay them down? The Federal debt is not like personal debt. The government can not go bankrupt. Is the cost of paying down the debt worth the benefit? How much debt is retired due to bonds maturing that in Fed possession?

Um ... Nobody said a single thing about paying down the "Federal debt", dummy. Now it seems you can't read either. It's paying pension and health care liabilities. You want your Medicare benefits don't you?

What CBO, and GAO, the SS Trustees, etc., are all saying is that the cash flow cost of paying accrued SS, Medicare and Medicaid benefits will rise by 6 points of GDP by 2030.

As such a well trained economist, you \*are\* aware that these spending programs are paid for with cash flow from tax revenue, right???

So the cost of them goes up by 6 points of GDP by 2030, while today's entire federal income tax collections amount to 11% of GDP ... for the required increase in income taxes, can you do that math???

(BTW, if you think it'll be a bad idea to pay down the SS Trust Fund bonds as required by law to pay promised future SS benefits, go over to the AARP message boards and tell all those retirees that!  
<http://community.aarp.org/n/pfx/forum.aspx?webtag=rp-issues>  
They'll find out where you live and come burn your house down.)

will require an  
increase in general revenue of six points of GDP by 2030s?

6 points? Do you mean 6%.

No, I mean six POINTS, dumbbell. My God, how oblivious to the issue can one be?

And that's what Orszag at CBO and Walker at GAO and everyone else who isn't innumerate about the budget means too.

For those who are innumerate, that's 1.9 points of GDP for SS, 1.2 points for Medicare HI, 1.6 for Medicare SMI, and more than a point for Medicaid.

And that doesn't count the other stuff like military and federal

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employee pensions, etc.,

What assumptions are being made as to the growth of GDP over the next 22 years?

Gosh, golly, have you clicked on the link to the GAO report giving this very information? Here it is for you for the third time:

"The Fiscal Year 2007 Financial Report of the United States Government"

<http://www.gao.gov/financial/fy2007financialreport.html>

As such a well trained economist, are you incapable of reading the "Index of Tables" to find the one labelled as answering your question?

You know, simply clicking on the link and learning something would actually be \*easier\* than cutting the link every time it appears to hide your ignorance, and then asking the same question over and over as if the answer hasn't been provided to you repeatedly.

So even sloth isn't an excuse for you not clicking on that link.

You have the same problem the peak oilers have.

You mean CBO, GAO, the SS Trustees, etc, have the same problem.

And you obviously know far more about their work than they do -- which is why you so quickly snip every link to it without ever having any answer for any of it. ;-)

You are trying to apply simple math. to a complex situation that has many variables. It didn't work for Malthus and it will not work in this case either.

Malthus used Monte Carlo techniques? ;-)

You are saying here that the SS actuaries use Monte Carlo simulations without any variables. ;-)

Hey, I asked you about Monte Carlo techniques before and you snipped that too. I don't think you know what they are either.

It's fun watching people who posture and patronize others as experts show \*themselves\* up as the dufuses they are. Nobody else ever has to

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show them up. They show themselves up every time.

(on current law that requires an income tax increase across the board, both individuals and businesses, of 55%). That's just of for Social Security and Medicare.

Again what inflation rate and what growth rate are being assumed here.

(<g> the crowd whispers: "click on the link instead of cutting it and you will learn ... click on the link instead of cutting it and you will learn..." <g> )

I am little easier about assuming constant GDP growth. Growth will raise revenue without raising taxes. I am not convinced any assumption about inflation is right. The series is a random walk. Seignorage could be a big issue.

Bwah! The cash flow cost of accrued retiree liabilities is driven to a random walk. "Seignorage could be a big issue." !!! ROTFL.

Hey, you've heard the word "seignorage". Good for you!

Now, if as a well-trained economist you know what it MEANS, you can give us ....

- 1) A credible estimate of the amount of seignorage's contribution to total federal revenue (hint: you can find it on the Fed's web site), then
- 2) Compare that to the 6 more points of GDP needed to cover retiree and medical benefits circa 2030, then...
- 3) From the scale of the two numbers relative to each other, determine whether seignorage REALLY COULD be a "big issue" relative to those 6 points of GDP.

I could give this as a freshman econ 101 homework assignment and get good empirical dollar-amount answers from the whole class.

Could \*you\* give us one?

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Inflation raises tax revenues as well. Are their any assumptions about GDP growth or inflation in these numbers.

Gee, what do ya think?

(<g> ..."click on the link instead of cutting it and you will learn...  
click the link instead of cutting it and you will learn..." <g>)

But you believe that because there is some modest measure of uncertainty in its exact size, a liability that will cost about 6 points of GDP annually (and rising) that soon should be counted as \$0?

Your assumption

Stop being dishonest, dumbo.

Admit one time that it is not \*me\* assuming anything, but the analysis of CBO, GAO, the SS Trustees, etc.

Direct your criticisms \*to them.\*

Try being honest.

about the percentage of GDP involves an assumption of GDP growth. I would like to know what that assumption is and if the numbers are even close to right.

("click on the link instead of cutting it and you will learn ... click on the link instead of cutting it and you will learn...

"But HEY — he \*doesn't want\* to learn, or he'd have clicked on the dang link long ago!")

Just because it is a government number does not mean it is right. Government agencies issue hedonic number on the value of life. There is a big difference in the numbers depending on the agency.

Geeze, you like to change the subject. ;—)

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To avoid being misleading???

Yes. Your numbers may be just as misleading as 0.

You mean again the CBO, GAO, SS Trustees numbers.

Try being honest for once.

I realize the conservatism principle exist in accounting but as an economist, I am not convinced over estimating liabilities is any better than underestimating them.

So, as an economist, you believe that estimating liabilities at \$0 is better than possibly overstating them with a best estimate.

Do you apply this belief to private sector accounting as well?

Are you going to go out and invest in companies that adopt your rule and switch to carrying their retiree pension and health benefits as a \$0 liability? Because they present an opportunity to investors with their superior accounting. ;-)

The problem is this is that things like social security, welfare, and medicare are not like pensions in corporations.

??

The SS retirement benefit, which is 85% of Social Security,\*is\* a defined benefit pension. Nothing else.

You snipped all of why it is different. Corporate defined benefit programs are not tied to inflation.

Geeze, you take a swing at everything in sight (seignorage, hedonic life valuations, etc.) while trying to change the subject from the actual linked-to data \*and its explanations\* that you keep snipping -- -- and you are wrong every time!

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E.g, genius, who told you that a corporate defined benefit pension plan can't pay a benefit that's inflation-adjusted?

And you beleived them??? ;—)

SS is tied to inflation. Corporate medical benefits predictions are predictions on insurance cost. Medicare is insurance.

Yeah, corporations predict insurance cost.

Medicare is insurance at the cost of the government.

So the government predicts its insurance cost too.

Oh, wait... that's best predicted at \$0. ;—)

The liability numbers for it are as rock solid as for any other defined benefit pension plan, GM's or IBM's or anyone else's.

These do not have COLAs

You are \*so\* ignorant.

and they are not rock solid.

And you still can't read. Did you see the word "as" in there?

But wait, maybe your point is that since corporate projections aren't rock solid, they should be \$0. ;—)

Firms are costly adding adjustments to service cost when conditions change. I do not believe you know how pensions are accounted for today.

The actuaries of SS, Medicare, the military pension system and the rest caclulate their accrued liabilities to retirees and future retirees as accurately as do the actuaries of any private sector firm that owes retiree pensions and retireee health benefits. The

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liabilities are reported in the annual Trustees Reports of SS, Medicare, etc.

Yeah if you say so.

It's tough being the actuaries of SS, Medicare, the military pension system.

You just get no respect from expert useneteers.

Sorry but inflation is a unit root process. SS payments are tied to inflation. You can not predict a unit root process.

Oh, gosh, the SS Trustees and actuaries really know \*so much less\* about projecting SS costs than you do.

Inflation is a "unit root process". Wow. The idea probably never occurred to them. Will that have as big effect as seignorage?? ;-)

You can not predict a unit root process.

Well, so much for monetarism! Inflation can't be predicted from the central bank monetary policy. Burn all my old textbooks!

Yet while private firms are required to report these liabilities on the books with their present value charged against income, the government ignores them.

No their present value of the liability is not counted against income.

God you are a posturing dufus.

OF COURSE the present value of an entire liability isn't counted against current income. The liability is a \*balance sheet\* item. The change in the amount of the liability is an \*income statement\* item.

It is MUCH more complex than this.

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Here comes the lecture on accounting from the guy who started the thread with "No, cash basis accounting isn't illegal for major corporations".

LMAO. Can't wait for it! ;-)

The present value of service cost  
is just a beginning.

[http://www.actuary.org/pdf/pension/fundamentals\\_0704.pdf](http://www.actuary.org/pdf/pension/fundamentals_0704.pdf)

Hey, you \*can\* click on a link when you want to!

Pension expense is counted against income and IT IS NOT THE PRESENT VALUE OF THE LIABILITY. Pension expense is a very complex process that involves calculating service cost and service years. Firms subtract gains from the pension fund for the service cost, they add losses. It is a multi step calculation to get to pension expense. It is not simply the present value of the liability.

<http://www.nysscpa.org/cpajournal/2006/1106/essentials/p22.htm>

And it looks like you can go Google-mining into unknown fields too, when you want.

Which is when you want to change the subject. ;-)

"Pension Expense

Accounting for pension plans requires the measurement of pension cost and then the allocation of such cost to appropriate time periods. The determination of pension cost is a complicated task because it is calculated by netting five factors:

- \* Service cost;
- \* Interest on the projected benefit obligation;
- \* Expected return on plan assets;
- \* Amortization of prior service cost; and
- \* Effects of gains and losses.

The income statement reports the net amount as pension expense. Each of the components is disclosed in the footnotes accompanying the financial statements."

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Furthermore in pension expense it is ONLY EARNED PENSION EXPENSE THAT IS COUNTED not future expenses.

Wow, I'm impressed with that all caps stuff!

That really explains how entities with really big pension liabilities like General Motors, IBM, and the Federal Government can best carry them at exactly \$0 ... to avoid misleading anyone!

I also have more than principles level knowledge of accounting. Due to changes in my life plans I never sat for the CPA exam but have most of the coursework needed for it.

OK, so you missed the course, "ABCs of Accounting", that opened with "A: All non-trivial entities (revenue over \$1 million, or with any inventories) must by law use accrual accounting". I see why you didn't take the CPA exam.

Though you did attend the course that said: "All major pension and health benefit accrued liabilities, because of their inherent error margin, should be accounted for at \$0, to avoid being misleading."

But, you know.... Well-trained economist that you say you are, and as well-trained in accounting as you say you are, having nearly almost taken that CPA exam, to convince me of your skills you still have something very SIMPLE to do!

That is: Answer all \*your own questions\* about projected inflation, GDP growth rates, productivity growth rates etc., by CLICKING THE LINK to...

"The Fiscal Year 2007 Financial Report of the United States Government"

<http://www.gao.gov/financial/fy2007financialreport.html>

... and finding your answers right there!

SPECIFICALLY, look up the "Low Cost Scenario" for SS and Medicare costs and all of its \*\*most favorable cost-reducing projections\*\* for inflation, GDP growth, wage growth, etc, then tell us the number it provides and you see there for Trillions of Dollars Accrued Liability.

Then give us your expert critique of why all those lowest-cost projections are in fact so far \*too high\* that those trillions are best reduced to \$0.

Tell us the errors that the actuaries, economists, accountants at SS,

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Medicare, CBO, GAO, etc have all made in thinking that cash flow needs of the gov't will go up 6 points of GDP by circa 2030.

While you're doing that, you can also tell us all the erros in the OTHER report you snipped without answer as if it didn't exist --- the S&P report projecting the credit rating of the USA falling from AAA to Junk in just the 10 years from 2017 to 2027 on current law. (Do you imagine they project that because of a mere 6% increase in retiree benefit expenditures? ;--)

You can follow the notes at the original link to their full analysis. Surely a well-trained economist and near-CPA can do that.

But I'll make it even simpler for you. Here's a link to the latest SS Trustees Report with all the SS analysis.

<http://www.ssa.gov/OACT/TRSUM/trsummary.html>

And here's GAO's Long Term Budget Outlook:

<http://www.gao.gov/new.items/d07389t.pdf>

And, for a dumbed down version, here's from the blog of Peter Orrszag, CBO Director: <http://cboblog.cbo.gov/?p=41> Quote:

"several key points:

"Under any plausible scenario, the federal budget is on an unsustainable path over the long term... under current law, federal spending on Medicare and Medicaid measured as a percentage of GDP will rise from 4 percent today to 12 percent in 2050..." etc., etc.,

Tell him and 'em all what dumbasses they are.

I warn you though, if you come back posing the expert while still \*wondering\* about assumed inflation this and assumed GDP that, while giving us your own made-up reasons why trillions of dollars of accrued liabilities should be reported as \$0, instead of talking \*real numbers\* and \*real analysis\* out of these reports, you can stop pretending to be any kind of economist or pseudo CPA --- you'll just close the coffin lid of credibility on yourself, slide your box into the hole and pull all the dirt on down.

Inflation and GDP growth can reduce > \$50 trillion present value of liabilities to a best estimate of \$0. Sure. ;--)

And if you come back --- don't forget to tell us the value of seingorage in percentage-of-GDP terms!

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