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An Off-Budget Office?

By Thomas Sowell

<http://www.JewishWorldReview.com> | Under the headline "Costly Bill Seen as Saving Money," the San Francisco Chronicle last week began a front-page story with these words: "Many people find it hard to understand how the health care legislation heading for a decisive vote Sunday can cost \$940 billion and cut the horrendous federal deficit at the same time."



It's not hard to understand at all. It is a lie.

What makes this particular lie pass muster with many people, who might otherwise use their common sense, is that the Congressional Budget Office vouched for the consistency of the budget numbers that say you can add millions of people to a government-run system and yet save money.

The Congressional Budget Office does honest work. But it can only use the numbers that Congress supplies — and Congress does dishonest work. It is not the CBO's job to give their opinion as to whether any of the marvelous things that Congress says it will do in the future are either likely or possible.

The Congressional Budget Office is like a computer: Garbage in, garbage out. The numbers in the health care bill are especially smelly garbage.

Do we really need a government agency to give us a false sense of security? Don't we already have politicians to do that? Weren't they doing that at the height of the housing boom that preceded the collapse, which then brought down the whole financial system and the whole economy? Many warnings were brushed aside by Barney Frank, Christopher Dodd and many others in Congress.

What we really need — and will never get — is a Congressional Off-Budget Office. This would be an agency that does not have to accept whatever numbers Congress sends them and pretend to take those numbers seriously.

An independent agency could add up all of the government's financial liabilities, whether they are in the official budget or not. For example, the Federal Deposit Insurance Corporation, which guarantees bank accounts, has only a fraction of the money that it is supposed to have on hand to see that people's life savings don't get wiped out when a bank fails.

No administration of either party is going to let people's life savings get wiped out. That would be political suicide. FDIC is definitely too big to fail. But none of the billions of dollars that will be necessary to pour into FDIC at some point, as banks continue to fail and the FDIC's reserves continue to shrink, appears in the official budget numbers that the CBO sees.

It is a similar story with the Federal Housing Administration, which has what the Wall Street Journal calls "razor thin reserves" as it goes around the country, merrily guaranteeing ever larger mortgages for ever larger numbers of people, while 14 percent of those mortgages are already delinquent.

When the FHA is finally scraping the bottom of the barrel, trying to come up with the money to redeem all the reckless — but politically popular — guarantees it is making, where do you think that additional money they need will come from? From taxpayers — current and future.

But none of this money is in the official federal budget that the Congressional Budget Office sees. There are many other financial liabilities of the government that are "off-budget," which means that they do not show up in the official numbers.

What if an individual operated this way? If you are 80 years old, and your assets exactly balance your liabilities, you're in good shape, right? Wrong.

At your age, you know that there may be some big medical bills coming, somewhere down the road. If you have been following politics — which may be bad for your blood pressure — you know that the mountainous federal deficits that extend into the future, as far as the eye can see, are likely to set off inflation that will silently steal a big chunk of the value of whatever money you have put aside for your old age. But none of that shows up in the numbers measuring your current assets and liability.

Moreover, at 80 years of age, you are not likely to be able to resume a career and make anything like the money you once made. What can you do? Unlike the federal government, you cannot just send your official numbers over to the Congressional Budget Office and have them announce that you are in great financial shape.

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