



CREATING A BETTER FUTURE FOR AMERICA AND AMERICANS

By Hon. David M. Walker
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MEET THE AUTHOR

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Dave is a nationally and internationally recognized expert in fiscal responsibility, government transformation/accountability, human capital and retirement security. He has over 40 years of executive-level experience in the public, private and nonprofit sectors, including heading three federal agencies and two nonprofits and leading a global service line for Arthur Andersen LLP. His most recent full-time federal position was as the seventh comptroller general of the United States and CEO of the U.S. Government Accountability Office (GAO) for almost 10 years. This was one of his three presidential appointments, by presidents from both political parties. He has also been confirmed unanimously by the U.S. Senate three times.

He served on a part-time basis as the distinguished visiting professor and Crowe chair at the U.S. Naval Academy, where he taught the economics of national security. He currently serves on several government and nonprofit boards and advisory groups, including the Defense Business Board and the Federal Fiscal Sustainability Foundation.

Dave is also a periodic writer, speaker and media commentator. He has authored four books. His book, "Comeback America: Turning the Country Around and Restoring Fiscal Responsibility," achieved national bestseller status. His latest book is "America in 2040: Still a Superpower? (A Pathway to Success)." He has appeared in several major programs and documentaries, including being the primary subject in a "60 Minutes" segment and the critically acclaimed documentary "I.O.U.S.A."

A practicing CPA for many years, Dave has been admitted into two international halls of fame and has been awarded a number of international and domestic leadership and public service awards, including from two heads of state and two U.S. Cabinet secretaries.



America is at a critical crossroads, and there are real and growing threats to America's future, both internationally and domestically. These challenges, and the government's eventual response, will likely have significant implications for the country, every American and even the free world.

CHALLENGES WE FACE

International

From an international perspective, the United States has declined from about half of global gross domestic product (GDP) in nominal dollars after World War II to 24% in nominal dollars¹ (or 15.2% based on purchasing power parity or PPP²) and continues to decline today. The U.S. is still a superpower with global economic, diplomatic and military power, and cultural influence; however, its future is "at risk."

China is a new and major peer competitor that has already passed the U.S. in both GDP based on PPP as well as in the number of diplomatic missions around the world. China is also committed to matching or exceeding the U.S. in military capabilities in the future. Unlike the U.S., China has a long-range strategic plan and is executing it. For example, China's Belt and Road Initiative (BRI) has significant global economic, diplomatic, military and cultural implications.³

In addition, China, Russia, Iran and several other countries are aligning to counter U.S. influence around the world from an economic, diplomatic and military perspective.⁴



Domestic

From a domestic perspective, government spending, deficits and debt levels have increased dramatically since 2000 and were exacerbated by COVID-19. However, the U.S. was already on an imprudent and unsustainable fiscal path before COVID-19, and now the situation is much worse.

The Congress and the Federal Reserve engaged in a range of extraordinary and unprecedented actions to stimulate the economy and increase employment as a result of the declared COVID-19 pandemic. These actions resulted in excessive federal spending and increased the risk of greater inflationary pressures over time. In fact, inflation reached a 40-year high in June 2022 and has become a primary focus of concern among American voters.⁵ Interest rates have increased significantly and are expected to increase further given continued excess inflation levels.⁶

The flawed and failed Modern Monetary Theory, which, among other things, posits that the U.S. government should not worry about deficits and debt because it can print and issue as much money as it needs,⁷ absent excess inflation, provided an additional excuse for elected officials to spend more while interest rates were low and to continue to kick the can down the road on making the tough but inevitable fiscal and other policy choices needed to restore fiscal sanity and sustainability. President Biden's record \$6.9 trillion fiscal 2024 proposed budget includes some deficit reduction over time due overwhelmingly to a number of tax increases.⁸ However, it does not include a plan or propose a process to facilitate making the tough spending and tax choices that must be made to create a better future.

The U.S. faces a range of economic, political and societal divides that threaten both our economic security, national security and domestic tranquility in the future. The U.S. is not the first great power to face such challenges. However, in most instances, the other great powers have not stood the test of time.

LEARNING FROM THE PAST

The U.S. can learn from the past and others while taking a range of steps to help create a better future. In doing so, it needs to be true to the basic principles and values on which our country was founded and that helped to make us a superpower and a beacon of liberty and opportunity.

They include, but are not limited to, the following:

- Limited but effective government⁹
- Individual liberty and opportunity¹⁰
- Personal responsibility and accountability. As Thomas Jefferson said, “Responsibility is a tremendous engine in a free government.”¹¹
- Rule of law and equal justice under the law¹²
- Fiscal responsibility and intergenerational equity¹³

In my view, we have strayed from the above principles and values. We have also failed to heed the four warnings in President George Washington’s farewell address – namely, to avoid foreign wars, regionalism, factionalism (partisanship) and excessive debt.¹⁴

I believe we will pay a greater price over time if we are not true to our founding principles, values and Washington’s admonitions. Importantly, I believe we can do so while also striving to “form a more perfect union” in the future.



WHERE DO WE GO FROM HERE?

The federal government has grown dramatically, promised too much and lost control of its finances.¹⁵ Three of the most common options to address the dramatic growth are reforming social insurance programs; increasing revenues in an equitable, competitive and sustainable manner; and reprioritizing and reducing future spending. In my opinion, the math just doesn't work if all of these are not "on the table."

The COVID-19 pandemic has highlighted the need to address our country's fiscal problems. Since March 1, 2020, the Treasury Department has borrowed over \$6 trillion, largely to help finance the six pieces of legislation – with an estimated cost of \$5.3 trillion – that were enacted to provide relief to those affected by the pandemic.¹⁶ COVID-19 should serve as both a wake-up call and a call to action for addressing the many large and growing challenges that we face. I believe America will never be defeated from the outside, but our greatest threats are from within, and only we can address them.



HOW TO TAKE ACTION

You may ask, “What does this mean to me?” The answer is fairly simple. If current tax laws and spending trends remain generally unchanged, the Congressional Budget Office (CBO) projects that we will experience over \$1 trillion in annual structural deficits for many years into the future, record levels of public debt/GDP within 10 years and increasing thereafter. CBO also projects that the fastest growing federal expenses will be interest and that interest expense will exceed total defense spending within 10 years.¹⁷

Some states and municipalities also are in poor financial condition, due largely to huge unfunded pension and retiree health care obligations. Therefore, I believe the following things are likely to occur in the future. Basic math dictates that the longer Washington waits to act, the greater the changes will need to be:¹⁸

- Taxes will go up significantly.
- Social insurance programs will be restructured.
- Spending will be reprioritized and reduced.

In my opinion, current federal income tax rates are the lowest they will ever be. Therefore, now may provide a good opportunity to review and reconsider your own retirement planning with this in mind. For example, certain types of savings vehicles (e.g., Roth IRAs) and insurance products (e.g., permanent life insurance and annuities) may make sense.

As the government looks for ways to solve the issues with Social Security and Medicare, it makes sense to also consider ways to plan for the possibility of rising health care costs and the need for long-term care in the future. Other important questions to consider include: Will you have enough income to last the rest of your life and that of your spouse, if you are married? Will you be able to leave what you want to charities, your children and grandchildren, if you are fortunate to have them?





KNOW YOUR RISK

You also need to consider how much risk you want to take. Here are three major types of risk that need to be considered over time:


- **Investment risk:** What is your tolerance for volatility, excess inflation levels, and who will bear the investment risk?
- **Health status risk:** Health care is the single largest cause of personal bankruptcies,¹⁹ and long-term care is very expensive. Can you deal with these costs?
- **Longevity risk:** How long are you and your spouse, if you are married, likely to live, and will you have enough assets and income to last your entire lifetimes?

To answer these questions, you should consult a qualified and independent financial professional while conferring with your spouse and family. Key factors to consider include savings vehicles (e.g., retirement plans), insurance products (e.g., life insurance, annuities, long-term care), getting out of debt before retirement, and your end-of-life wishes (e.g., traditional will, living will, burial plans).

You and I cannot directly control what our elected officials do, but we can control what we do for ourselves and our families. This needs to be priority one.

What about our nation's challenges? If you love your country and family as I do, you will not be satisfied to just take care of yourself and say "to heck" with everything else. You should become informed and involved on key national, state and local issues.

You should exercise your privilege to vote in every election. You should vote for people who are willing to tell the truth and make tough choices to create a better future irrespective of their party affiliation, if any. You should also do everything you can to make sure our elected officials deal with large, known and growing problems before a crisis hits, and hold them accountable if they fail to do so.



MY CONCLUSIONS

In conclusion, based on the information presented as well as my professional experience, here are five key points to consider and recommendations for the nation's current fiscal situation:


1. Based on current statistics and its future path, the U.S. is a declining global power, and its future is at risk.²⁰
2. I believe the most significant economic, national security and domestic tranquility threat to the U.S. is fiscal irresponsibility.
3. The U.S. should reject the Modern Monetary Theory and remain committed to the basic principles and values on which it was founded and that made the country a superpower.
4. Since past budget controls have failed to constrain the dramatic growth in public debt/GDP, the U.S. should adopt a constitutional fiscal responsibility amendment that focuses on getting debt held by the public/GDP down to a reasonable and sustainable level and keeping it there. Congress should also create a statutory fiscal sustainability commission to engage the American people and make recommendations to put our finances in order that would be guaranteed a vote in Congress.
5. Individuals can take steps to take care of themselves and their families in light of the potential for eventual tax and spending changes by the government. They should also hold their elected officials accountable for what they do or what they fail to do to help create a better future.

It is my belief that our nation is at a critical crossroads in its history. It is time to wake up, America! We must all remember that it is "We the people" who are responsible and accountable for whom we elect and what they do or fail to do while they are in office.

We must do our best to help eliminate the nation's leadership deficit at all levels of government. I can assure you that I will do my part to help create a better future; all I ask is that you do yours. We all want America's future to be bright, so let's work together and make it happen!



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