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## Where is the balance sheet?

By Richard W. Rahn

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If you spent more each month than you made and got deeper and deeper into debt, but had an asset equal to your debts, like a big expensive boat you never used, what would you do? If you were rational, you would sell the boat.

The U.S. government has spent more than it receives in tax revenue for most of the last 75 years, and, as a result, the national debt and the associated interest payments have gotten bigger and bigger. But what is not well known is that the U.S. government also has many trillions of dollars of assets, which may exceed the value of the debt. I say "may" because, in fact, no one knows because the government has no accurate balance sheet of what it owns and what it owes.

For instance, the federal government owns somewhere between 600 and 700 million acres of land, or about 30 percent of all U.S. land. But again, no one knows for certain if the federal government owns 630 million acres or 670 million acres or some other amount.

Private companies are required to produce accurate balance sheets for their stockholders, and, if they do not, their executives might be sent to jail.

We American citizens and taxpayers are the "stockholders" of our government, and hence we should expect and have the right to receive accurate accounting statements. It is a bit tiring to hear sanctimonious and hypocritical public officials say corporate managers should be punished for deliberate or even accidental accounting mistakes, when the most important legal entity for most Americans -- the government -- produces financial information so incomplete and inaccurate it would embarrass even an Enron accountant.

This issue of proper government accounting is important for many reasons.

As one example, the current debate about Social Security involves whether the government will raise taxes or cut benefits. The current system is a Ponzi scheme in which the taxes from the workers have been spent on both the current retirees and other government programs, and hence there is no money in the "trust fund." If a nongovernment official set up such a scheme, he would (rightly) go to jail for fraud. Like all Ponzi schemes, the time on this one has run out as Americans live longer and have fewer children. To prevent this type of fraud in the future, Americans must move to

individual trust accounts that cannot be raided by the politicians, whether managed by the government, or privately or some combination.

In the meantime, there is the multitrillion-dollar problem of the "transition" (or more correctly replacing funds taken from the trust accounts by the politicians) from the current fiscally unsound to a fiscally sound system. To take care of this "transition," there may be an alternative to either reducing benefits or increasing taxes, and that is for the government to begin selling assets, like land. However, before you can begin to sell your assets in a responsible manner, you must know what they are, which requires a correct government balance sheet.

The federal government owns less than 5 percent of the land in the Eastern and Middle Western states but about 57 percent of the land in the Western states (this does not count all the land owned by state and local governments).

Some environmentalists believe the government should own all of this land (because they have yet to figure out socialism does not work); but, in fact, only a small portion of it is needed for parks, environmentally sensitive areas, and military bases. I live in Virginia where we have many fine federal, state and local parks, and several very large military bases, but the federal government owns less than 5 percent of the state. Yet we are able to protect our environment.

There are hundreds of well-researched studies that clearly show it is a myth that the government better protects and manages the land than the private sector. Land prices have been driven up in the West because of the artificial shortage created by government ownership, making housing less affordable, which is particularly hard on low-income people. Most government land has not been put to its highest and best use -- or any use -- thus negatively affecting the economy and the environment.

Selling 1 percent or 2 percent of land the government holds per year over the next 50 years might well cover the Social Security transition problem (or at least greatly reduce it), thus avoiding either tax increases or benefit cuts. How much the government can obtain for land sales, of course, depends on what land is sold, and when and how. But the future value of such sales cannot even be reliably estimated until the government has an accurate inventory of what it owns.

Ask your family and friends if they would prefer the government to: (a) Increase their taxes; (b) cut their benefits; or (c) sell surplus government land.

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