

Obama's Choice

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The U.S. will only default on its debt if President Obama makes a conscious decision to do so. Despite the over-the-top Nazi death camp analogies that the president's staff has used in relation to the debt ceiling increase, the U.S. can pay its necessary bills for a long time.

It is indeed true that the government will run about a \$160 billion deficit in the month of August, and it does not have the cash at the moment to cover it, but this does not mean the president is without options. The government is receiving an average of about \$6.5 billion a day in revenue and is spending \$11.8 billion a day. Interest on the debt, Social Security and Medicare/Medicaid payments just about absorb all the monthly tax revenue, leaving no money for other things, including the military. However, the federal government has trillions of dollars of assets that it can legally sell in order to pay its bills if it cannot issue more debt.

Imagine that your family has been living well but far beyond its income, to the point where creditors say "no more." You have a choice: radically reduce your spending and/or sell assets, such as your vacation home, expensive vehicles, art work, etc.

Assume that August 3rd arrives and Congress has not increased the debt limit. If you were president, what would you do? You are legally bound to pay the Social Security (SSI) checks because there are more than two trillion special purpose government bonds in the SSI trust fund that you can sell to get the cash to pay Social Security recipients (but which would require you to reduce other expenditures). You could stop paying federal salaries, including those of members of Congress, and expenses for government departments. Or you could start selling assets.

The federal government has about \$400 billion in gold, which the president has the legal authority to sell. The president also could sell many of the hundreds of billions of dollars of mortgages, housing bonds and other special purpose bonds the government owns. He could sell government equity holdings in companies like General Motors. The government also owns hundreds of billions of dollars of unnecessary buildings and military bases, as well as stockpiles of metals and other unneeded goods. Combined, this stuff is estimated to be worth more than \$2 trillion.

In addition, the federal government owns about one-third of all of the land in the U.S. Even after excluding national parks, national monuments and environmentally sensitive areas, the government still owns at least a quarter of the U.S. If this were sold in an orderly fashion over a period of years, it would likely bring in trillions of dollars in revenue. Plus, the privately owned land would be better managed and the owners would have to pay property taxes. (If you doubt that the private sector would manage the land better, take a walk through the forest lands owned and managed by responsible companies like Weyerhaeuser, and then walk through the lands managed by the U.S. Forest Service. The difference will be obvious.) The Obama administration, rather than holding up the sales of on-shore and off-shore oil and mineral leases, could reverse course and start aggressively selling them.

The extreme environmentalists will, of course, go nuts about proposals to sell any federal land, but if the alternative is shutting down popular government programs, it ought to be politically doable.

The basic fact is that the president has many options even if the debt ceiling is not increased. The hyperbole about default and the disabled people not getting their checks is nothing more than irresponsible scare-mongering.

A combination of both reducing spending on cost-ineffective and unneeded programs, coupled with a general trimming of all government activities, including many inflated government salaries and asset sales, could lead to a smaller, more effective and more efficient government. A win-win-win. The debt limit fiasco should be viewed as an opportunity to get things right rather than as a crisis.

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