# Americas Healthcare & The Budget - Part I - The Challenge

Sun, Jun 25, 2023 12:28PM   50:00

**SUMMARY KEYWORDS**

debt, david, inflation, years, spending, income, medicare, inflate, government, borrowing, economists, tax, solutions, social security, numbers, problem, functionally, discussion, today, model

**SPEAKERS**

Keith, David

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K Keith 00:00

We are pleased to provide this text from our podcast. As you know, the spoken word is often less formal and sometimes less precise than a written piece that may be carefully edited. I have also been known to sometimes jumble my words beyond recognition! Please let us know if you have any questions or concerns -- and thank you for supporting â€œAs I SEA It!â€ â€“ Keith DeGreen

K Keith 00:07

Hi, I'm Keith DeGreen. You know, recently I had a great discussion with my longtime friend, Congressman David Schweikert, about America's health care crisis and the national debt. Now, David is a genuine expert on this subject. Now, DeGreen.com is pleased to present that discussion as a two part podcast. In the first segment of our discussion on our public site, Congressman Schweikert outlines the challenges we face, and they are considerable. For example, the Medicare fund is projected to run out of money in 2026, the Social Security Trust Fund is projected to be empty in 2033. And projections are that Medicaid will be broke somewhere between 2026 and 2030. But there are solutions to the problem. And in the second part of our discussion, on our premium site, David outlines the several things that he says, and I quote, we must do all at once if we have the courage to save the system, in a country where 5% of the population consumes 50% of government health care costs, in a country where 40% of our population is now obese, in a country where each taxpayers share of the national debt is now about $250,000. And as America continues to age, the challenge and the solutions are of utmost importance to us all. So please join Congressman Schweikert and me as we explore this vitally important topic, welcome to this edition of as I SEA it, I am your host, Keith DeGreen. And today we got this very special edition, because I am joined by dear and close an old friend of mine, Congressman David Schweikert. Let me before David and I get gone because we get each other going in this can go on for a long time into some cool stuff. And really interesting stuff because David is a very respected guy's a big brain, as you will see. And he's always got very interesting things to say. Sometimes he even smiles. David Schweikert is serving in his fifth term in the United States Congress for what is now Arizona's first congressional district. His public service goes way back he served two terms and the Arizona state house of representatives from 91 to 94. He chaired the State Board of Equalization from 1995 to 2004. This is in Arizona, and he was elected Maricopa County Treasurer from 2004 to 2007. If that doesn't sound like a big deal, let me point out Maricopa County encompasses the Phoenix metropolitan area with a population now 4.4 million people. And way back in 1988, David worked for the campaign of Arizona's Republican candidate for US Senate, that would be me, who managed to parlay his youth and inexperience into a defeat. Now today, David holds a seat on the powerful ways and means committee and he serves as the ranking member of the Ways and Means Subcommittee on Social Security. I'm not sure that that's a vote of confidence in you or a statement by

D

David 03:19

worse, I'm now the chair of oversight and Ways and Means. Oh, really? Yeah. So it got even more interesting.

K

Keith 03:27

Oh, wonderful. Now look, prior to his service on the Ways and Means Committee, David served on the House Committee on Financial something, financial services, right. As a strong advocate for efficiencies in the 21st century economy, David collaborates with entrepreneurs and innovators in Arizona and around the world on ways to increase trade and drive economic growth. You're gonna find that David's kind of a geek, and a good geek. He really knows his stuff. He revealed to a group of friends recently that he thought he was going to become a quant and analytic analytics guy. And that's kind of where his head is at. And as you will see, he's got a lot to share. He's the co chair of the blockchain caucus, he has championed technological innovations as the solution to the problems over burdensome government regulations. He is married to the wonderful Joyce Schweikert. And they have two equally wonderful young children. David, how the heck are you

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David 04:20

very well, very well, I gotta find a way to make that introduction shorter, because it makes me feel

K

Keith 04:27

you, you wrote it, I pulled it off of your website needs

D

David 04:31

this update. And I also chair the House side of the Joint Economic Committee. So one of the great joys there is I have functionally five PhD economists, that work for me. And that's actually one of the greatest choice I've ever had in my life.

K Keith 04:49

Is that right? You know, even though the old joke if you place all the world's economists end to end, they would still not reach a conclusion.

D David 04:57

It is but it's interesting because We've been trying to shape this team to think a little bit differently saying we see the demographic and the stunning curve on our spending exploding. How do you build a handful of economists not to tell us what we already know? But to say, here's where you could disrupt what is, I mean, the wheels are starting to come off, and almost no one. Other than, you know, some editorials in the Wall Street Journal and The Economist magazine, seem to be blowing the horn on how bad the numbers are, and how fast they're moving to that bad.

K Keith 05:38

Well, you know, you look, there are a few people in Washington that have a better handle on the debt situation, and the headwinds that we are going to encounter, do you want to walk us through that trajectory,

D David 05:50

it is gonna take a lot. I don't think most people are aware, well, and Keith, you and I've had we need to disclose to everyone if we seem to have a high level of familiarity. He's been one of my favorite people for many, many years. And we go, we do this to each other. It's more than just the debt. It's it's the demographics, we're getting old very fast. It's our fertility rate. United States fertility rate has collapsed over actually, it's been collapsing for almost three decades. But it's took a sharp punctuation during COVID. Now we're down to 1.67, you need 2.1 replacement rates. The math basically means in 18 years, the United States will have more deaths.

K Keith 06:34

And I was dead wrong on that I predicted that after COVID, we would have a population explosion, because everyone was stuck at home,

D David 06:43

there were a number of economists who thought that, yeah, to the credit of our team. We didn't see any indications of that. So 18 years, United States will have more deaths than births, half the states already have more deaths than births today. So where I'm going with this, as it's not only the fact that our finance costs, our health care costs are exploding, and that's functioning 100% of the next 30 years of borrowing. The trust funds will be out of money in this 10 year window. So the transportation trust fund, the Medicare Trust Fund, and the big one, the Social Security Trust Fund will be empty. And because of those headwinds, we're now seeing some data saying productivity is flatlined. And with that flatline of productivity, we're now projecting GDP growth to have a long run near 1718. And that's a real real problem.

K Keith 07:48

Don't you think that decline in productivity a little bit was due to paying people to stay home and not work? Won't that won't that kind of work? Its way out?

D David 07:58

No. Because it we saw the pop in the loss of productivity when you paid people when he was functioning sequestered people to stay at home, right. But now what happens when those incentives are being pulled away, and we're still missing three and a half million prime age males out of the labor force. And when we get into sort of the solution, but one of the punch lines I'm going to give you as we walk through this, we've been trying to calculate, Okay, where did these young males go? And instantly, we always say things like drugs, and drugs are incredible problem. But above that, obesity, one of the things we're not allowed to talk about, but we're going to obesity exploded, if God forbid, I mix my metaphors during the time of COVID. So today, you have a society where you know, we're heading towards 40% of the population is technically obese. And it turns out, it is now one of the primary drivers of debt, because its relationship to diabeetus. Remember, diabetes is 33% of all healthcare spending? Yeah. So where I'm going to backup is some of the numbers. Really just take your breath away if you're someone who's willing to bathe in them and understand them. So we had our debt ceiling deal. We basically pulled the future debt to GDP. And understand when we're starting to deal with numbers of this size, it's not great to say it's a trillion dollars. It's much more elegant to say it's this percentage of the economy. So we should actually first sort of, instead of talking about the dollars talked about the percentages of debt to GDP. What happens if you and I live in a society, a country where our growth rate is 1718? That's the growth above inflation. Right, but our borrowing now is projected to be seven and a half percent of that economy. That difference is debt, its borrowing. And we're heading towards a model that starts and says, in just nine years, 10 years, there's going to be so much federal borrowing, you're going to start to see a crowding out effect. And with that consumption, even if the Federal Reserve is able to break the labor markets and some other things to start to pull inflation down, will the ravenous need to refinance and issue new US sovereign debt mean that US debt stays double what it was pre pandemic? And if it does, the interest carry starts to also become devastating. So here's the baseline numbers. And here's what part of the punchline of this discussion.

K Keith 10:53

Can I before you go too far? Can I I'm gonna double back on something that you said or I don't want to

D David 10:58

know No, don't do this. Because I can get into a ramble on this.

Keith 11:01

Let me double back to something that you said a moment ago, a few moments ago. That is the where, where have all the young men gone? As the song says, they're not working right now, a great book that you may be familiar with the myth of income inequality by Phil Gramm, Robert Eklund, and one other fellow. They detail very authoritatively, the fact that the government is using all the wrong data points to determine who needs supplemental assistance of any type from the government. And it is appalling to report based on that very authoritative book that households in the bottom so called bottom quintile of income, after transfer payments, welfare payments of what we would call welfare. And after the next strata pays taxes on what they actually earn, that the bottom 20% have about 3000 households have about $3,000 A month $3,000 a year more to spend, then the next quintile, the second lowest point, the working poor. And that's just appalling. A system having

David 12:14

worked with one of the economists who is part of that publication, that book, there's always been this weird number out there. We take our lowest to quintiles and we'll just do this quickly. They're poor, you know, let's be honest, that this is for no struggle, but their purchasing. So their their consumption is double what we model their income s. So you have a problem there? Yeah, I'm saying, Okay, so here's their income. But we know their consumption is double that. Yeah. And so it's been a very strange and, and that's not new. We've been seeing that data point for about three plus decades. Hmm. So on the big picture. A couple of weeks ago, Bloomberg intelligence there to lead economists put out a paper and said, Okay, wonderful, you just did this debt ceiling agreement, it looks like you will pull down debt to GDP at the 10 year window from 119% of the economy being equal to the US debt, down to around 113. Okay, that's those, consider in 10 years, we're supposed to have a $39 trillion economy, that those numbers are real, they're huge. But then they came back and said, but you got to understand they model a higher interest rate on US debt for those 10 years. They, they model a dramatically higher health care expenditure, particularly for Medicare. They also model a slowdown in GDP growth, because here's one of the great ironies, just the baseline, not not outside the caps, and some of the other rules that were part of that debt ceiling agreement, you functionally have 11% of the spending, we were allowed to negotiate on. Remember, you can negotiate on defense, and 70. Think of three quarters of spending is on autopilot. That's Medicare, Social Security, Medicaid, veterans benefits, things like that. So out of that 11%, that's about $700 billion. We're going to just remove 100 billion of it. So now it's $600 billion spending that $100 billion of reduction equals in their model, reducing GDP growth by a full half a percent. And here's one of the great ironies of those of us who are desperately trying to bend the debt curve is we're having to also model the fact is when you take away that government spending for at least a while there's an influx Should you actually also slow down the economy? Because that spending today, borrowing today and letting our kids and our grandkids and our great grandkids pay it back in the future? So you start to see the fear that within the decade Do you start to get into an there's not a crash, it's it's you inflate the currency is the way you deal with things like this, which wipes out people's value, and they're saving

K Keith 15:25

for inflation is the debtors friend. So inflation is the debtor. So

D David 15:29

in that Bloomberg intelligence paper, our model two weeks ago, after the debt ceiling was, hey, we're going to be at 113% debt to GDP, the nation's highest was during World War Two is was about 118. And Bloomberg came back and said, with all these headwinds, their model has us at 130% of debt to GDP. If that's true, that means in 10 years, just the interest will approach $2 trillion here. That's more than we spend on all defense, and all discretionary spending today.

K Keith 16:10

What are the what's the impact of all this in the real world, if you if you're an investor, or if you're trying to save money, or if you own a business,

D David 16:21

if you own a business, there's going to be intense pressure to start to dramatically raise taxes in and we're already seeing it today. And whether it be for those hoses, Republicans saying we need to free spending, and yet you have lines of people at your door, demanding more spending, whether it be the folks demanding more defense spending or other types of projects. And if we're going to hold the budget caps, you need offsets. I'm going to cut somewhere over here, or there's going to be new taxes over there. The left still has, you know, this fantasy of modern monetary policy, which MMT fantasy, you would have thought would have been washed out of their brains when they saw inflation for the last couple of years. Yeah. And they still but for many of them, it's still a religion, because they've given so many speeches of if we just tax rich people more, and spending doesn't actually cause inflation, except when it does. These numbers are brutal. Even Moody's Analytics had a much more optimistic number, but they had his head 221% of debt to GDP. And remember, this isn't the nine year budget window. And all that growth and spending. We're talking trillions and trillions and trillions and trillions, you're talking a government, that if you take the Bloomberg number, we go from functionally 25 26 trillion of publicly borrowed money. When you hear someone say, Well, we're at 32 trillion, that delta from that 26 to that 32. That's when we're borrowing from trust funds and other types of things. And my fear is there's this fantasy still out there. And it's many of us in the political class, who haven't told the truth, if they're on the left, if we just tax rich people more over $400,000. Keith a trivial question for the entire United States, folks that make over 400, what percentage of the population are they?

K Keith 18:34

Over? 400,000 a year? It it's 1% and 2%.

D David 18:40

Two, I'm in prayer say you're my very first person ever to get that right. Thank you.

K Keith 18:44

Yes. Well, you're welcome. So it's 2% consult with me more often daily, but that's a that's a sidebar.

D David 18:52

But but the reality, we can take every dime they have, and I can find it doesn't matter for several months, and then it's all gone.

K Keith 19:01

Well, here's another one if you take all I think we have 4000 billionaires now, if you take all of their income for a year, it would run the government for something like two hours.

D David 19:13

It's yeah, there's some distortions that we know when we talk about income and wealth and those things. Yeah, that's actually why there's gonna be fascinating see what the spiritual work

K Keith 19:23

you get people, the Elizabeth Warren's of the world are going to be emboldened due to inflation, because everyone's paper wealth increases. So because their assets inflate even though they don't buy as much you so you

D David 19:38

beat to the punch line. And that is you sort of ask what happens to investors, individuals and those businesses? Yeah. If this insatiable appetite for spending on the left, how are you going to get enough cash? You can't get it from an income tax system. So the proposals we keep hearing from the left back in Washington are things like taxing unearned income, which I'm someone who believes that's unconstitutional. And it does look like the Supreme Court will know shortly if they're going to take a case of whether you're able to tax unearned income or not. Yeah, that's

K Keith 20:21

the couple is a good one. And they've been working it for years. This this one couple and good for them.

D David 20:30

Yeah. Why that's important is if under the 16th Amendment as it's designed, where it's a tax on income, not functionally on wealth, and the urine, unearned incomes, Racz of the Democrats claim that, well, they have a way to finance, you know, Medicare for All and all this large s by just stripping people of their wealth by taxing it. If the Supreme Court goes that direction, you're going to suddenly see a pivot of a demand for a national Value Added Tax. Things of that nature on top.

K Keith 21:08

In other words, excuse me, if the if the Supreme Court sustains your position and mind that taxing on earned income or unrealized gains is not constitutional, then you're saying you're going to see a pivot to the value added side because at

D David 21:26

some point, the my brothers sisters on the Democrat side, and Lee least they tried to say, well, here's how we would do it. Right now. The funny thing I believe if we put up a vote tomorrow, saying, Okay, go tax this much income out of people's retirement accounts, or their business wealth or these things. They I don't know if they'd actually vote for it. But they sure use it as an excuse of why they're allowed to keep spending. This is tough stuff. Yeah, there's today our model is

K Keith 22:00

David, the irony, of course, on the left, is that a value added tax is highly regressive. Oh, yes, highly regressive. Meaning that, you know, if you're, if you have to spend everything that you make, and you don't have the luxury of saving or investment, then a larger percentage of your income is being spent on stuff to which a value added tax would apply, because it's nothing more than essentially than a sales tax.

D David 22:24

So I'm making a circle in the conversation. So okay, the my friends on the left sit, think they can find a path to tax. None of that math works. For us on the right. We've also been duplicitous. We will say things like it's waste and fraud, it's foreign aid. Because it's really uncomfortable getting in front of our audiences and saying it's demographics, we got old. It's interest on the debt, but it's mostly healthcare costs. And if in nine years, we choose to backfill, the emptying of the Social Security Trust Fund, because we have this huge moral dilemma coming. And I'm enraged on this, and this is what I'm incredibly angry about. In nine years, the secured trust fund is empty, meaning every Social Security recipient country will take a 25% cut, K

Keith 23:16

everybody who's paid in all this money over the years. Remember, folks, Social Security is an earned benefit and benefit medic, like Medicare is an earned benefit you pay into Medicare is just another form of insurance. Social Security, disability is just another form of insurance, we all pay into it throughout our whole working lives. And your reporting, David, that within 10 years now,

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David 23:40

it's nine years now.

K

Keith 23:41

Now, you know, as you know, I made my living as an investment advisor for decades. And if as a fiduciary, I rated someone else's trust account, well, I would go to jail.

D

David 23:53

But But here's here's the punch line there that we sometimes don't tell the truth about, because it's it angers people for Well, first, if that 25% Cut comes we will double senior poverty in America.

K

Keith 24:12

That's, and therefore, you know, it's going to be a more than 25% hit on the upper strata of Social Security recipients, perhaps the implementation of means testing and so on, so that people who did what they were supposed to do and accumulated private savings and private wealth, in addition to contributing to Social Security will again be penalized the system already excuse will we already supplement the already

D

David 24:40

means mean test Medicare and run those in the upper income. There's some pretty tough skewing there. So that's for Medicare, the average couple today for Social Security, they would have made a lot more money if they their money had gone in the mouth. Are they you know, President Bush's, you know, sidecar concept. But you get all your money back plus about a $70,000 spiff horrible rate of return. But you get all your money back. Right? This driver, the shortfall really is Medicare, you put in that average couple in America, we'll put in about 106 $64,000. And with the medical inflation, our new calculations are getting it close to 600,000. Back out. So you it's those four plus $100,000 separation, or a couple per couple per couple per couple. Yeah. So now you multiply that there's 76, or excuse me, 67 million baby boomers divided by two those, but you start to understand why just Medicare has at $90 trillion shortfall over the next 30 years when you add in its interest costs. And incidentally, Keith 26:03

I want to remind our viewers, our listeners as the case may be. And if you happen to be listening to this on one of the dozens of different podcast outlets, I'll remind you to go to D green.com. You can watch the video of this. So you can see David's handsome face and see me when I raised my eyebrows and so on. And anyway, it's D green.com. And I'll also remind you that our plan was David and I had discussed in advance that as after we define the problem and significant, then I want to yield the floor as David addresses. And what will probably be part two of this discussion, a pathway to hope. And you can decide there are there are other solutions. Yeah, yeah. Well, well, we'll get we'll get there.

David 26:54

But it's but Keith, one of the reasons I'm doing this rambling a lot of this you already know, is I'm still stunned. Look, I'm blessed. I represent one of the best educated districts in America, one of the most successful districts in America. Right. Um, and still I will get up in front of audiences where the entire room has, you know, you know, postgraduate degrees, and you're walking through your sewing, you're showing your slides. And they they never processed what had happened were beginning in the early 90s When fertility rates began to fall. So the number of replacement workers, so at the end of this decade, you're down to two to 2.3 workers for every one person on retirement. And we weren't supposed to hit numbers like that for another 18 years. And so now with longevity. For seniors, remember us lifespans have been falling, but it's more because our young, substantial, young male workers have been dying of obesity, dying of drugs dying of suicide. It's actually devastating, uncomfortable. When you look at the math, yeah. But this separation here, and every day, forgive me, I'm not to sneeze.

Keith 28:17

That's right, go ahead and stay sorry.

David 28:18

Every day, we don't do something, it gets worse. And then we had President Biden can do the State of the Union. And during his State of the Union basically said, Okay, we're not allowed to talk about Social Security or Medicare. So you're saying

Keith 28:33

look, as a, we're looking at numbers that are so large, that they really are hard to grasp. The dollar would have to inflate enormously for the government to be able to, you know, inflation is the debtors best friend. Yes. If I can pay you with a inflated dollar a year from now. I'm going to be better off. If the dollar inflates by 3%. And I owe you 4%. It only cost me 1% To borrow the money. So

D David 29:07

Keith, if I came to you right now and said what's actually the largest tax hike functioning in US history?

K Keith 29:17

I not sure I know the answer

D David 29:19

that I would say inflation for the last two years. Oh, sure.

K Keith 29:23

And most people don't Oh, absolutely. Yeah. 24% inflation since Biden took off.

D David 29:28

So if you take that and say you can swear everyone is listening. I'm just in your head. Think about this. There's 30 trillion now today, it's actually 32 trillion of total debt. Right. 26 trillion of publicly held but but you still couldn't pay back the debt to the trust funds also

K Keith 29:48

$250,000 per taxpayer.

D David 29:51

So if I have two ways, government has two ways to pay that back. You know, we can tax you For the interest and then eventually the principal or I can inflate, reducing the value of your savings and your income, and then pay it back with cheaper dollars. Right? So functionally, we have swept everyone who's saving and everyone, it's working a stunning amount of your income, and we will now pay back that debt. With those inflated dollars.

K Keith 30:29

You know, I harken back to the Weimer republic in Germany after World War One. The Treaty of Versailles, Versailles had imposed upon Germany after World War One, these enormous penalties and costs that they were to repay the industrialists in Germany and the government got together. And they said, Fine. Fortunately for us, they articulated this in German marks.

Therefore, let's inflate the hell out of German mark. And that's, and that's exactly what they did. But But to the point where their debt became meaningless, but people starved in there. And

D David 31:13

that actually is a brand history lesson. So when I'm doing some of these presentations on with my slides and the debt, you get people who will say it's going to blow up, they'll be in a Black Tuesday or Black Monday tight and No. So you don't wake up that at least our economists vision is you don't wake up one day, and things go kaboom. In some ways, it's actually worse. It's a rot the math, according to this congressional budget office in 23 years, United States would have to double every tax in ports income corporate, just to maintain baseline services.

K Keith 31:58

Now, is this but what what at what projected rate of economic growth? Would that be based upon?

D David 32:05

I think the one eight, that's our long term run right now. And actually, in about a decade, it actually steps down a little bit from that, because a lot of our most productive workers have actually moved into retirement years.

K Keith 32:21

The. Okay, fair enough. What I was thinking of is that you have these workers that are moving into retirement years. But you also have, I think, a surprise to some people, that the generation right behind the boomers is actually slightly larger than the boomer generation, because we had kids at a slightly higher rate than ourselves. Yeah. But it's still it's still, you know, pretty dicey. It's still pretty nice. It's okay. Do what you got to do. No, no, no,

D David 32:53

we're just cheat sheet my Joyce is here helping us plug in, we were getting low on power. So

K Keith 33:00

thank you, Joyce. Thank you, Joyce.

D David 33:06

So look, you walk through,

K Keith 33:09

we can't we can't we can't walk, we can't just, we cannot just inflate our way out. Obviously, we could

D David 33:15

just create stunning amounts of misery. And poverty, particularly for seniors would be devastating. And you get the barbell effect, you also wipe out my kids. Right? I mean, and this is just what we're looking at. So right, you have a situation here, where so what's the solution? We have all these promises we've made as a society, whether it be Social Security, Medicare, that are the primary driver of borrowing. Almost every cut, we make helps, but it also will slow down some GDP growth. Go ahead. So I'm sorry, I was doing something backwards on the power cord. So if I came to you right now, and this we probably should use as part of our second half of the discussion of, okay, if healthcare is our primary driver of debt. Productivity is one of our primary drivers of the failure of growth. What could you and I come up with that says, I need population stability, because my fertility rates have collapsed? I need adoption of technology, because we don't have the cash flow to maintain the size of the bureaucracy we have. Over here. We know that obesity, diabetes are the primary most expensive things in our society. And you start to walk through even down to the tax code that would encourage investment it in capital items, that if we're really on that edge of a technological revolution where we could be much more productive. And when I say that I'm talking things from biology, you know, the stem cell therapies that look like they're going to cure all the way down to what AI could do in the manufacturing process.

K Keith 35:20

We're bumping up now against solutions. Yeah.

D David 35:24

Because, but I'm going to talk but I'm going to tie this back into how do you culturally though, if if debt is exploding around you. And almost no one's willing to actually talk about it, and you still have the economic folklore, for the left, it's raise taxes for the right, well, we can just trim a few things, and we'll be fine. Right. And so that's why it's so important to lay the scale out of the scale of the problem. And the fact that some of the solutions that we'll talk about more depth in the second half of this are going to create real disruptions. And when I say disruptions in work life disruptions and how some people make money, what you choose to invest in, but there is a path.

K Keith 36:13

And we're going to bump up, we're gonna get into that just in a minute or two, I want to hit you with a sidebar issue. As we're talking about how challenging things are right now, the reins amendment reins, the REINS Act, the budget deal that was recently concluded. Initially, it does amendment reins, the REINS Act, the budget deal that was recently concluded. Initially, it does include a provision that regulations, federal regulations impacting the public have to be approved now by Congress. But that was section 236 of the Act, to Section 239 takes it away. Well, and

D David 36:56

the other section is if there's a declared emergency. So it still

K Keith 37:01

didn't, the lady already saw one of the bureaucrats on electric bureaucrats say she's going to declare the emergency right away. Well, so you there takes you out of the game again.

D David 37:10

But here's parts of where there's sort of intellectually the fraud. Two years later, or a year and a half later, a new Congress changes the rules. The real battle is actually these appropriations documents. Because whether you like it or not, I get people who say, Well, you didn't cut enough, well, they cut to the author of authorized spending. So it's one thing to create a cap.

K Keith 37:39

And you remember David's on the Ways and Means Committee and occupies a

D David 37:42

number four ways and means now. So you, you have your spending cap, and then you get this thing called the budget, the budget isn't like your home budget, the budget is a box, saying, Okay, here's what the spending will be, except an appropriations deal. can bust the budget. So we get these budgets all the time? Well, thank you, little girl. And yet, the appropriations bills, the 12 of them. There's a reason they almost have never been completely completed all 12 of them completed in decades. Because in some ways, it's easier hiding behind well, we'll on that portion of the government, we'll just use a continuing resolution and spend what we did spend last year, but we'll plus up parts of it. So there's a battle that has begun, as of last week, on those appropriations bills, where Congress, if you actually visit the Capitol, the hallways are full of people who will walk in your door tell you how conservative they are, how much they care, but their approach

K Keith 38:47

and how much they want money, and how much they want. Right? You know,

D David 38:51

and it's and you just, they're wonderful people, you still want to strangle them. But they're, I mean, they mean, but they see the whole world through the way their charity, or their business or their government or this makes money. And so the thought process where there's a reason I'm going through this, if you're the town council, if you're the county government, if you're the state government, if you're the university, all these think of the hundreds of levels of government that partially live off of federal largest, right, they need to rethink their cash flow. You think they know your family rethink that they have hidden behind? Well, we're not going to raise local taxes because the feds are going to borrow money and ship it to them. This is one of the great scams in society is that road that freeway that building that university project this and that if they're getting grants and

K Keith 39:53

cost us a thing didn't cost us a thing and yet the truth is

D David 39:57

those dollars lived on bar old money that we're paying interest on, that ultimately your kids and grandkids pay for, or your retirement will ultimately end up paying for.

K Keith 40:10

Yeah, it's the phenomenon of diffusion of responsibility, diffusion of responsibility, which is so much government needs to be as local as possible, because then you have to look people in the eye and explain where the money is coming very

D David 40:22

much. So but because the federal government had the authority to borrow more, most state governments actually have to have a balanced budget. Right? You start to see the layer. So we're how does that affect someone who both invests. You know, you if you're gonna buy muni bonds, I love muni bonds. And when I was county treasurer, I issued how many of them? But now you want to look at those reps and warrants on how much of that is coming from local taxpayers, local real estate taxes, other things are, how much is it tied to, you know, grant programs or other types of federal dollars. So you could start to understand, it's not only just the debt and the fact it's consuming much of the capital stock in the United States in the world, it's even down to as you start to live in the new caps, what's going to be the effect down to even local governments?

K Keith 41:21

So I think, I think, summarize what you're saying at that level is, there is a hidden or overlook, I should say, flow of income that's being financed through the debt that's filtering down through the states and local governments, and they love it. Because then they don't have to account for that money. They don't have to go back to their people and say, we're going to raise your taxes. No, we're just going to increase your debt. But that's someone else doing that. You don't have to worry about, you know, don't look over there. Look over here.

D David 41:51

Yes, it's one of the great the great scams in America is most folks don't have any concept, particularly over the last couple of years, the COVID times, how much of your state budget was actually federal money?

K Keith 42:04

Right. Right, David, let's do this. This has been a good discussion and a depressing discussion. I think for a lot of folks who may not have been as familiar with some of these overwhelming numbers as they would like to be. What I'd like to do, folks is launch what we'll call part two of this interview. I will probably reintroduce David, for those of you who only catch part two, as part of the process, but we have been discussing the monumental budgetary challenges with the fourth ranking member of the Ways and Means fourth, you don't call it ranking ranking is

D David 42:47

we're in the majority now. So we're no longer right. Yeah.

K Keith 42:50

Right. But you're the fourth. Yeah, that Yeah, yeah. And they put you in charge of solving social security, which again, either says they respect you, or they just don't like you. And actually,

D David 43:03

it's more than that. No, I'm pursuing the chairmanship of the debt commission. We had a solution for Social Security, it was bipartisan. And the President blew us up during the State of the Union address, because the politics were more powerful, at least to the left than the actual solution. And I know really mean and vicious, but I can prove it. I can I can show you the facts that happened back last January.

K Keith 43:30

So and we're having this discussion, I might add, what is it the 17th of June and 2023. The things we are discussing, unfortunately, are not entirely time sensitive, because the problem is just going to get worse. Until we get some real solutions. In in place, or until tech technology in some of the free market innovation starts start catching up and accelerating our rate of growth. Because we can either inflate our way out of this debt problem or we can grow out of this debt problem. You cannot tax your way out of the debt problem.

D David 44:08

You can't tax your way out of it. And the other punch line, it needs to be understood. So we're in the 2023 budget cycle. Right? Our borrowing we were only supposed to if you and I went back a year and a half ago. Projected borrowing for this year was about $900 billion. Still stunning amount of money. Right? Looks like we will be double that.

D David 44:33

Or you say that again. For me. We are heading towards

D David 44:35

about a 1.8 1.9. I have one of my economists that thinks we could get up to $2 trillion of borrow in this budget year. You must understand why that's so devastating. We're no longer COVID bracha This is spending from when the Democrats were in charge, whether it be from the chips act or their inflation Reduction Act, you know handing out money and those things. So the spending side of the ledger just grew immensely. But with that you were also running into some fascinating tax receipts. When you've had a time of inflation, how many people want to sell something where the capital gains tax are going to pay, it's mostly inflation. And the asset you would move your your receipts to, right is another inflated asset because of inflation. So we've actually seen capital tech capital gains tax collections crash over the last couple of months,

K Keith 45:34

which actually, because people are not people are not selling correct, because

D David 45:38

I'm gonna pay this much capital gains on something that truly isn't an actual gain. It's just everything got. So I'm going to be taxed on inflation.

K Keith 45:47

Now on passive investments, you can also understand people that have their money in the market. And I'm not talking about someone who's trying to sell a business or a building or something. But people have their money in the market, they see the market increasing right now accelerating, which historically, incidentally, it's very interesting. Every after every midterm election for the past 40 years, the s&p has risen by an average of 15%. Go figure who the heck knows why, yeah, but it's happening. It's happening yet again, of course, we're coming off of a horrible 2022. So I can understand why market participants are not necessarily selling out right now. It's perhaps the most unloved rally I've seen in the last couple of decades. But people still acknowledge their stock prices are going up. I'm not gonna get out right now. You know, life, life's good. But the person that owns the business, who was thinking about selling, the person that owns a building that was thinking about selling, they know that a big, big chunk of their game is attributable to nothing more than inflation. And so it's not a real game. So when you

D

David 47:03

balance all the suddenly healthcare costs Medicare costs, in the first seven months of this budget year, were up 16%. In the first seven months delay,

K

Keith 47:18

and this fiscal year since October, yeah. So

D

David 47:21

so the first seven months of this fiscal year, were my receipts, tax receipts, we they're not revenues, governments don't have revenues, we have tax receipts have fallen by 10%. So that's, you see that. But the reason I'm making this point in the current budget year? Yeah, let's say we get up near that 1.91 point 8 trillion borrowing in this year, that functionally equals the entire defense budget. And the rest of the government's budget, what we call

K

Keith 47:54

discretionary. You mean all the entire amount of discretionary plus plus? Military? Yep. or

D

David 48:01

non defense discretionary defense? So as people say, we'll just cut something. I can walk. Sorry, we can wipe out all government and all military right now. And we functionally a year from now have still be borrowing money. Yeah. I hope that actually creates a mental visual of how bad the problem is the clown show out there it goes, just cut foreign aid or just do this or do that. And that balance is it. You know, and you should see the look of faces. When I'm doing it. I'm at the Kiwanis Club or the economics club, and I'm showing the slides. And these are really well educated people saying, Look here, where we're at today, I can get rid of all of government. And I still have to borrow money. And they just stare at you like that can't be I was told waste and fraud would take care of it.

K

Keith 48:56

Yeah. Yeah. And all right. So we've got clad No.

David 49:00

So this is sort of laying the chess pieces of problem stunningly uncomfortable. Yes, really, really huge and difficult. But there still is hope. And that's what we want to do in the second part.

Keith 49:16

Well, as David explained, America's health care system is in crisis. But there are solutions. In part two of our discussion available to our premium members, Congressman Schweikert and I discussed very specific proposals to effectively address this challenge. Now, as you may know, premium membership is really inexpensive and offers many additional benefits. So I hope you choose to join us see you there.

Keith 49:42

Keith 49:43

We are pleased to provide this text from our podcast. As you know, the spoken word is often less formal and sometimes less precise than a written piece that may be carefully edited. I have also been known to sometimes jumble my words beyond recognition! Please let us know if you have any questions or concerns -- and thank you for supporting â€œAs I SEA It!â€ â€“ Keith DeGreen