



## The Worst Threat to America: A Partisan and Self-Paralyzed Congress

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The next administration faces many critical national security risks in the coming years: the challenge from China; instability in Iraq, Afghanistan, Pakistan, Syria, and Mexico; the challenge of Iran; the unpredictable behavior of North Korea; and the continued threat of Islamic terrorism.

The uncertain threats in the outside world, however, may be far less critical than the threats that come from within the United States. The most obvious of these is sequestration. A partisan, self-destructive Congress passed a Budget Control Act that called for at least \$2.1 trillion in budget cuts between 2012 to 2021, with the provision that if the committee—whose members proved unable to act in the past—could not agree, \$900 billion in cuts would have to come from discretionary spending and half of that from national security, nearly doubling the \$487 billion in cuts that are already underway. It was a bill that effectively attempted to force Congress to fix itself by the threat of doing something so stupid that even this partisan Congress would have to come to grips with the national interest.

Instead, the bill's failure now leaves the threat of sudden Draconian cuts in our force posture that will destroy every element of a new strategy that already slashes U.S.

forces. The Department of Defense is now forced to plan for sequestration, and while actual cuts this drastic seem unlikely, the prospect of unplanned and highly political cuts to the FY2013 budget and U.S. capabilities seems all too real. If this happens, it will destroy the foundation on which our new strategy is based, force crippling changes in our national security efforts, and put the nation on a path that assumes that there will be no meaningful national security crisis during 10 years of budget cuts—an assumption that the risks outlined earlier make little short of absurd.

There is another near-term risk, however, that is symptomatic of the first. There is no guarantee that the coming election will end the partisan paralysis and political infantilism of the last four years. It is all too possible that neither the Democrats nor Republicans will gain enough votes in both the House and Senate to be able to take hard decisions and address the critical issues in entitlements, federal spending, and national security, and equally possible that the majority in Congress may be from a different party than the president. This has happened before, when Harry Truman had to confront a “do nothing Congress” in one of the most critical periods of the Cold War. Unfortunately, the last two years make it all too clear that a “bitter, partisan, do nothing Congress” will be even worse.

This is not simply because such a Congress will impose a mix of the “know-nothing” cuts that the far left and right want to make to foreign aid and our diplomatic and military advisory presence overseas, along with new forms of “pork” and special interest add-ons. It will be because the combination of partisan and extremist voices in such a Congress will be just as incompetent in dealing with the broader issues of entitlements, social programs, debt, and deficits as the last. It will fail America at a point where real reform is desperately needed and hurt both American society and American national security at the same time.

Neither party is currently being remotely honest about the need both to bring entitlement spending under control by altering entitlement benefits, and to raise taxes and revenues. It is far easier for Democrats and Republicans to pander to their political base, to polarize around each alternative on a narrow partisan basis, and chop at discretionary programs like national security to achieve relatively minor budget savings or trades-offs that do not deal with the underlying problems: the steady massive rise in the cost of entitlements.

So far, only a token few voices in Congress, and no presidential candidate, has been willing (or able) to address the reality that Democrats must make serious cuts in entitlements and Republicans must raise taxes. In fact, what is shaping up as the nastiest and most partisan political campaign in modern American history is also shaping up as the most dishonest.

This duplicity also goes far beyond the usual lack of honesty in the budget debate, and the unwillingness to focus on the fact that it is the rise in entitlement costs—not defense and other discretionary spending—that is driving our current fiscal problems and that will begin to reach the crisis point somewhere between 2014 and 2020.

## **It is the rise in entitlement costs— not defense and other discretionary spending—that is driving our current fiscal problems.**

No political voice seems willing to acknowledge that the underlying issues in entitlement spending involve fundamental social choices. The issue is not simply funding Social Security, Medicare, and Medicaid. It is how to deal with the overall problem of retirement and an aging society, and with the overall rise in the cost of medical treatment for all Americans.

The fundamental problem with Social Security is not that it already costs at least as much of the GDP as national security (4.8 percent) or that the retirement age needs to rise to 70 far faster. In fact, the Census Bureau reports that in 1940, the life expectancy of a 65-year-old was almost 14 years; today it's almost 20 years. By 2036, there will be almost twice as many older Americans as today—up from 41.9 million today to 78.1 million. Nor is the problem just that the population as a whole is aging. There are currently 2.9 workers for each Social Security beneficiary. By 2036, there will be 2.1 workers for each beneficiary.

Rather, the underlying problem is that Americans are not saving for retirement. At the end of 2011, roughly 50 percent of the present U.S. workforce had no private pension coverage, and 31 percent of the workforce had no savings set aside specifically for retirement. Far too many of the rest treated Social Security as if it were a pension plan even though it provides far too little money to meet their needs. In fact, some 74 percent of workers retired before they were even fully eligible, and beneficiaries over 85 years of age increased from 4.5 million in 2005 to 5.2 million in 2010.

The Social Security Administration states in its latest report that, in 2011, 54 percent of retired married couples and 73 percent of unmarried persons—some 35 million Americans or 69 percent of those receiving benefits—received 50 percent or more of their income from Social Security. Some 22 percent of married couples and 43 percent of unmarried persons receiving benefits relied on Social Security for 90 percent or more of their income. Another 9 percent of Americans over 65 had no retirement savings and did not receive Social Security benefits. In addition, 8.4 million disabled Americans and 2 million of their dependents (19 percent of total benefits) depended on Social Security, plus 6.3 million survivors of deceased workers (12 percent of total benefits).

Put simply, we cannot fix the broader social problem created by aging and retirement in a democracy simply by focusing on federal spending on Social Security. We either need to create private incentives and programs that force Americans to save more, or we must turn Social Security into the true national pension plan that far too many Americans believe it to be. We also need much sharper penalties for early retirement, and misuse of disability, or to sharply raise the premium. Finally, we need social adjustments that push the retirement age to 70 in ways that protect the right of seniors to fair employment practices.

Social Security, however, is scarcely the most serious aspect of the underlying problems the Congress and administration have long needed to address. Nor is national security, which has not put any additional pressure on the U.S. economy in spite of more than 10 years of war. The cost of national security has recently not averaged more than 5 percent of the GDP, substantially less than the average burden during most of the Cold War.

The driving factor behind the increase in federal spending has been the rising cost of Medicare and Medicaid (and potentially national medical care under the Affordable Care Act as of 2014). These costs, however, are driven by deep underlying problems in the overall cost of medical care in the United States. They are driven by massive rises in the total national cost of private and public medical care from around 6 percent of the GDP in 1970 to well over the 16 percent quoted for 2010. Costs rose 5.73 percent in 2011. Expenditures in the United States on health care surpassed \$2.3 trillion in 2008, more than three times the \$714 billion spent in 1990, and over eight times the \$253 billion spent in 1980. Without major changes in cost, projections by the Congressional Budget Office (CBO) and others warn that they could rise to some 20 percent of GDP in 2025–2030. Yet, U.S. medical spending now puts roughly twice the burden on the U.S. economy as medical spending in any European state with national health care. Moreover, CBO studies show that almost the entire rise in spending is driven by increases in cost and not by the aging of the population.

These costs are daunting for the roughly one-quarter of Americans who have no insurance and the many more with only partial insurance coverage. Even so, the average health insurance premium for family coverage has more than doubled over the past decade to \$13,770 a year. Some 45.1 percent of the workforce from ages 18 to 64 had no coverage as of September 2011, and many retirees lacked the savings to pay for any additional payments above Medicare. These figures did not include Americans who had not worked in the last 12 months, for whom coverage had dropped substantially since 2008. If one includes self-financed medical insurance, some 50 million Americans or 16 percent of the population had no coverage in 2010. In 2010, 31 percent of Americans

relied on the government for health insurance, up from 24.2 percent in 1999. A total of 9.8 percent of children under age 18 are uninsured despite the government programs.

Private or public, the fiscal problems involved in total U.S. medical spending are so deep and go so far beyond federal programs like Medicare and Medicaid that they cannot be addressed either by cutting or abolishing current federal programs, or by pretending that they can somehow be made adequate and affordable. Just as meaningful political solutions to Social Security must address the broader problem of retirement age and all retirement savings, dealing with the spiraling burden of medical costs must address total national costs and spending and not simply the government share.

In short, if anyone in Congress—or the current presidential campaign—wants to know what is the most serious threat to America, all they have to do is look in the mirror. We cannot solve our problems by sequestering national security and discretionary spending, by partisan polarization, or by focusing only on federal spending. We need to make very hard choices that focus as much on the underlying causes of the rise in entitlements and the need for both private and public action to deal with retirement and medical care. This can only come from honest public policy debates and analysis and bipartisan compromises and sacrifices, as well as from hard choice for the average American.

Unfortunately, one does not have to be a mathematician to note that the probability of that level of political honesty and integrity is damn near zero. And, until that probability changes, the resulting pressures on federal spending will be the most constant and serious threat to U.S. national security. ■