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GSU Economic Forum Highlights The National Debt, The Unlocking Of Social Security's 'Lock Box'

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By Carol Dodd Porter

Editor's Note: The current economic crisis has produced many questions from a concerned public. In response to that concern, Morris Bank in conjunction with The Sir Shop, hosted an economic forum with a moderator and a panel of experts from Georgia Southern University (GSU) to explain the issues and field questions from the audience. The moderator for the event was Ronald Shiffler, Dean of the College of Business Administration, GSU. **Tony Barilla, Ph.D. an associate Professor of Economics, GSU,** and Edward H. Sibbald, a BB&T Executive in Residence in Banking in the College of Business Administration, GSU, served as the panel. This is the second in the three-part series that began on Saturday.

Defining a recession as two quarters in which the rate of unemployment grows by at least .4 percent and clearly demonstrating with facts and figures that the country was, and had been, in a recession for quite a while, **Tony Barilla** went on to break down the federal budget in layman's terms.

Using a chart (See below, 2007 Total Government Budget [Source President of US's Budget]) Barilla explained the federal budget by dividing up the expenses as if they were percentages of one dollar. For every dollar of money spent by the federal government most of that dollar is spent in ways pre-determined by prior obligations with a focus on the first four entries; Social Security, Medicare, Unemployment and Welfare, Medicaid and other health issues.

Dublin, GA

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Temp.	Wind
 42.8°F	6 mph

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The first column shows what was spent in 2007 by the US Federal Government, the second column reduces the entire budget down to one dollar to make it easy to understand how much of the consumers' money is allotted to each expenditure. The third and final column tells the total amount again, the percentage of the budget each item receives and describes where the funds are allocated.

Barilla pointed out the entry showing the interest on debt. The entire debt is not being paid off now, just the interest. Barilla reminded the audience of his minimum payment explanation* from before, to again highlight how the country got into and is getting further into the current economic crisis.

*"If you owed \$1,000 and you only made the minimum payment every month it would take you 42 years to get that debt to below \$100. It would take another 42 years to get it to \$1. Our current debt is \$10 trillion."

Barilla continued, "It is easy to see there is not a lot of leeway in the budget. What concerns me is the top four. They make up over half of our entire budget."

He expressed concern with Social Security being underfunded which brought up a round of heated questions from the audience demanding to know why. One audience member asked how its funds were allowed to be used for other budget items, and not just for Social Security as it was designed. Barilla was asked to explain what had happened to the money that many of the audience members had been contributing for decades.

As way of background information, Barilla stated that Social Security was created in 1937 by Roosevelt to combat the large and growing number of homeless senior citizens. It was designed as a program where people paid in as they worked, so that later they would have security in their senior years.

After World War II, a large number of soldiers came home from the war producing an equally large number of children which later became known as 'baby boomers.' As these 'baby boomers' grew and began to enter the workforce they began to pay into Social Security by much larger numbers than the amount of people that were taking money out of Social Security. This allowed it to become overfunded for that time period.

□

During the Reagan years, using the excuse that Social Security was overfunded, the once "locked box" of Social Security was opened. The funds were used for purposes other than Senior Citizens' retirement, creating a false debt structure. Politicians were at fault, but a public that was enjoying the new sources of the funds were complacent as well, he added. Barilla went on to explain that now that the baby boomers are beginning to be on the taking end of the Social Security budget the exact opposite of what caused the overfunding is occurring. There are now more people ready to take funds out than there are putting funds in. Barilla produced a chart (See below) showing where the "looting" of the "locked box" that was once Social Security had begun and how it affected the overall budget.

(A clearer view for newspaper publication was found at zfacts.com shown below.)

Barilla remarked that during the George W. Bush administration the national debt began to make a straight line up. A straight line up is not a good thing and has, regardless of its many causes, necessitated the bailout.

He then turned the discussion over to his colleague and fellow panel expert Edward H. Sibbald to address the bailout. His comments included the recent dissolution of investment banks like, Lehman Brothers; the bailout of Fannie Mae, Freddie Mac and the latest details of the federal bailout package. His comments will appear in part three of this series, in tomorrow's edition of Your Courier Herald.

Programs like Georgia Southern University's economic forum are important to the continued growth of our area. If any of our readers are planning an event, program, or performance that is open to the public and free of charge, or held for charge, but organized by a not-for-profit group, we would like to publicize the event.

To make sure the newspaper is aware of your event please call our offices at 272-5522 and leave your event tip with Jill or e-mail Carol Porter cporter@courier-herald.com.

Put notifying Your Courier Herald at the top of your "to do" list when planning your event. If you want an audience, we can bring it. Together we can keep Laurens County and our community green and growing.