

The following speech was delivered by John Boyle at the Annual Dinner (“Liberty Fest”) for the Libertarian Party of Michigan on November 18, 2006 in Ann Arbor, MI

## **NEEDED TO SAVE AMERICA – A THIRD PARTY, A COALITION FOR INTERGENERATIONAL EQUITY AND A TAX AVERSE MINDSET**

Thank you for coming tonight. I hope you will find my speech interesting and enlightening.

Years ago, I met a bartender in New York, who claimed he could tell the nationality of any customer after two drinks. The bartender explained : A Frenchman will want to make love; a Spaniard will dance, a German will boast, and an Irishman will want to fight, and an American will want to make a speech.

Well, I’m an Irish American, I’ve had my two drinks, and I am ready to make a speech and I’m ready to fight – fight to save America from becoming an economic pariah.

Still, I will try to follow the four rules I was taught about speech giving – Be focused, be interesting, be brief, and be seated. The “brief” rule may be modestly compromised – as I was advised that most Liberty Fest speeches last about 45 minutes, which I might point out is 15 times longer that the time spent by President Lincoln delivering The Gettysburg Address. If I avoid embellishments, I should be able to stay well within that time frame.

Nikita Krushchev, the Premier of the old U.S.S.R. in the 1950s and the 1960s, once said America will destroy itself from within. My talk today centers around the pending bankruptcy of government at all levels – Federal, most state, and most local governments – and will document that Mr. Kruchev’s prediction is about to come true.

Over the next 45 minutes, I am going to explain how the elected leaders of the Democratic and Republican Parties have set America on a course for Third-World status, why neither the Democrats nor the Republicans can alter their destructive habits, and why the Libertarian Party has a window of opportunity to help save America. And those who believe it is impossible to reduce the stranglehold of the Democratic and Republican Parties, need to get out of the way of those who believe America can be salvaged.

Before we start, I will need to define some modestly obscure terms :

1. Actuarial Science : The use of mathematics, statistics, and probability theory to determine, among other things, life expectancies and the present value of lifetime benefits such as pensions and retiree medical benefits. I am an actuary. By the way, do you know why God created actuaries ? ..... To make CPAs look exciting.
2. Defined benefit pension plan vs. Defined contribution pension plan (e.g. 401(k)) : A defined-benefit pension plan provides retirees with lifetime monthly payments based upon wages, years of service and, in some plans, age. Actuaries use very complex formulas with many esoteric assumptions to estimate the value of defined-benefit pension plans. Sound financial planning and common sense would suggest that an employee’s benefits should be 100% funded when he retires. As you will see the Federal, state, and local governments have ignored the principles of sound financial planning.

A defined-contribution pension plan provides for contributions during the years of employment, resulting in a lump sum distribution upon retirement and no ongoing payments. For defined-contribution plans, actuaries and complex formulas are not needed – as the value of the defined-contribution pension is the amount in the employee’s account at the commencement of retirement.

3. Unfunded liability : A liability that is currently owed but for which no funds have been set aside to pay the debt. Stated another way, an unfunded liability is the difference between (i) the present value today of debts that must be paid and (ii) the amount of funds set aside to honor those debts

Now, as a recovering Catholic, a recovering actuary, and a recovering former Ford employee, I have been through many 12-step programs. Despite that training, tonight’s program will be a mere 6-step program.

1. Step 1. Discuss current levels of taxation – on an individual-taxpayer level.
2. Step 2. Discuss some seldom-discussed American History.
3. Step 3. Convince you that the Federal and most state and local governments are effectively bankrupt today – because of unfunded liabilities for pensions and retiree health care benefits.
4. Step 4. Explain how these “unadmitted” bankruptcies will start to become obvious in the coming years – and put America in an economic death spiral.
5. Step 5. Explain why the Democrats and Republicans now lack, and will continue to lack, the moral fortitude to address these pending bankruptcies before they are 100% irreversible.
6. Step 6. Discuss options to save America – and the role that can be played by the Libertarian Party.

### Step 1

First, let’s briefly discuss levels of taxation. What % of your income is paid out in taxes ? Most of you think about your paycheck and, if you’re middle class, say “about 32 or 33% of gross pay”. That covers what you pay directly to Federal, state, and local taxes out of your paycheck. Let’s look a little more closely. Your employer matches your Social Security and Medicare payment (7.65 % of gross pay for most employees) and pays about 2.5 % of your wages for Federal and state unemployment taxes – that’s 10% you would get if it was not going to the government. Now add sales taxes at about 3% of you wages. Now add real estate taxes at about 4% of your wages. Now add parking fees; airport taxes; airline taxes; hotel taxes; cigarette taxes; liquor taxes; gasoline taxes; mobile-phone taxes; government fees, fines, and forfeitures – all adding up to another 4% of wages – and I’ve got the government take at about 54% of your gross wages.

Now, as you’re about to see, the current cash funding for government at all levels is 31.2 % of Gross Domestic Product. So, you ask, how is it that so many of us are paying 54% of our wages to the Tax Man ? Two reasons -- #1 : The 54% applies to the middle class. The rich and the poor pay a much lower percentage. #2 : Corporations pay only 7.5% of the Federal-tax grab. (Note : after WW II, corporations paid 40% of Federal taxes. Some will argue that corporate taxes are passed on to the consumer anyway – so the amount of taxes paid by corporations is irrelevant. This argument ignores the fact that corporate taxes are paid by **all** consumers; however, the corporate profits resulting from lower corporate taxes accrue mostly to the rich.)

**BUT WAIT !** Are you reading the newspapers and listening to Congress, the Michigan Legislature, the Michigan Education Association, and cities and counties all over the state. Despite record levels of

taxation in America, Government at all levels is pleading poverty and looking to raise the tax rates for existing taxes and to pass new taxes.

**(Examples From Just The Last Four Days – Show Newspaper Articles)**

- November 17, 2006 : State of MI Deficit for 2006 Fiscal Year at \$173 million, suggesting the need for additional tax revenue – after spending over \$44 billion of tax revenue to run the state.
- November 14, 2006 : City of Ann Arbor proposes to raise additional revenue without a vote by charging the City itself a property tax for the City’s water and sewer facilities and then adding that cost into the “automatic” formula for water and sewer rate thus coming up with higher rates and more revenue. (Mention growth of traffic – ticket revenue for Ann Arbor – from about \$500,000 in 1970 to \$7 million today.)
- November 18, 2006 : State of MI “Driver Responsibility Act of 2003” raised \$95 million for the state in 2006 FY and they still could not balance the Budget. This fine Act charges traffic violators additional fees on top of court fines and costs for the violation itself – and the DRA cost goes up as the number of “points” on your driving record goes up.

Despite record levels of taxation, Government at all levels is broke and has the attitude that your income should be reduced by whatever the government bureaucrats claim is needed to run our ever-expanding governments. And, as I will show you, the Government’s locked-in need for cash will consume a minimum of 53% of this country’s Gross Domestic Product. This will translate into a need to tax the middle class at 75% to 80% of wages. And, if something dramatic is not done to reverse this eventuality, we most assuredly will have a Second American Revolution.

More on this later.

**Step 2**

The U.S. exported its inflation from the end of WW II until the mid 1970s.

**(Discuss)**

- After WW II, 98% + of world’s car and major-appliance production – set selling prices
- Only major purchaser of raw materials – set buying prices
- Quality was not an issue, since U.S. was the only source of goods
- Profits could grow, wages could grow, and government could grow – and boy did our government grow !!
- But, the rest of the world was learning to compete with virtually no fat in their economies

In today’s global economy, the U.S must compete with countries that never enjoyed world domination and did not accumulate all the fat, legacy costs, and inefficiencies that accrued from world domination. Most U.S. corporations are busy trimming the fat. However, Federal government and most state and local governments are busy raising taxes and implementing “stealth” or “hidden” taxes in the form of unfunded liabilities, fines, fees and forfeitures.

### Step 3

America today is facing a challenge as big as the Cold War, and it will force the American people to make a very difficult decision. Either (i) slide slowly but surely into Third-World status or (ii) commence with the Second American Revolution by taking on the most powerful interest groups in America and removing the tax-and-spend Democratic leaders and the borrow-and-spend Republican leaders who are guaranteeing an intergenerational war by sending future generations -- our children and grandchildren -- tax bills that will reduce them to lives of abject poverty.

To understand the inevitability of one of these two scenarios, let's look at the cost of government – at all levels -- in the U.S. since 1950. (Hopefully, you can see the chart on the wall. If it is hard to see, I also am handing out copies of the chart.)

#### **(Briefly review the structure of the chart.)**

**Government Spending / Cost of Government \***  
(\$ Billions)

|   | Year           |                 |                  |                  |                   |                   |
|---|----------------|-----------------|------------------|------------------|-------------------|-------------------|
|   | 1950           | 1970            | 1990             | 2000             | 2003              | 2006 (est.)       |
| Federal Government Spending   | \$ 42.2        | \$ 195.8        | \$1,253.2        | \$1,788.8        | \$ 2,157.6        | \$ 2,770.0        |
| State and Local Spending  | 16.0           | 87.0            | 737.8            | 1,319.5          | 1,500.9           | 1,700.0           |
| Less: (Funds from Fed'l Govt.)  | --             | --              | (111.4)          | (247.3)          | (339.0)           | (384.0)           |
| <b>Total Government Spending Before Amortizing Unfunded Liabilities ("Cash" Cost)</b> | <b>\$ 58.2</b> | <b>\$ 282.8</b> | <b>\$1,879.6</b> | <b>\$2,861.0</b> | <b>\$ 3,319.5</b> | <b>\$ 4,086.0</b> |
| Cost to Amortizing Unfunded Liabilities Over 75 Years **                              | N/A            | N/A             | N/A              | N/A              | N/A               | <b>\$ 2,898.7</b> |
| <b>Total Cost of Government ("True" Cost)</b>   | N/A            | N/A             | N/A              | N/A              | N/A               | <b>\$ 6,984.7</b> |
| Gross Domestic Product ("GDP")  | \$ 292.5       | \$1,035.6       | \$5,743.8        | \$9,817.0        | \$10,988.0        | \$13,100.0        |
| Cost of Govt. as a % of GDP   |                |                 |                  |                  |                   |                   |
| w/o Amortizing Unfunded Liab.   | 19.9%          | 27.3%           | 32.7%            | 29.1%            | <b>30.2%</b>      | <b>31.2%</b>      |
| w Amortizing Unfunded Liab.   | N/A            | N/A             | N/A              | N/A              | N/A               | <b>53.3%</b>      |

\* Sources: Statistical Abstracts of the U.S. for 1950 through 2003, Budget for the U.S for 2006, Social Security and Medicare Annual Reports for 2006, 2005 Financial Report of the U.S. Govt., The Concord Coalition, and J.L. Boyle International

| ** Unfunded Liabilities (\$ Billion) | 1950 | 1970 | 1990 | 2000 | 2003 | 2006              |
|--------------------------------------|------|------|------|------|------|-------------------|
| Social Security                      | N/A  | N/A  | N/A  | N/A  | N/A  | <b>\$ 6,400.0</b> |
| Medicare                             | N/A  | N/A  | N/A  | N/A  | N/A  | <b>32,400.0</b>   |
| Fed'l Employees and Veterans         | N/A  | N/A  | N/A  | N/A  | N/A  | <b>4,500.0</b>    |
| State and Local Benefits             | N/A  | N/A  | N/A  | N/A  | N/A  | <b>4,400.0</b>    |
| <b>Total</b>                         |      |      |      |      |      | <b>\$47,700.0</b> |

Note : Prior to 2004, the Social Security Administration did not calculate the 75-year ("closed group") unfunded liabilities for Social Security and Medicare

As you can see, the "cash" cost of government has increased from 20 % of Gross Domestic Product ("GDP") in 1950 to 27 % of GDP in 1970 to between 29 % and 33 % of GDP from 1990 forward. ("Gross Domestic Product," as used here, is the estimated market value of all goods and services produced in the U.S. during a given year.)

This tax burden, even as it stands today, may not be supportable in an increasingly competitive world, as evidenced by the recent trade deficits for the United States – reaching a record deficit of \$725.8 billion in 2005.

Today, the United States is literally a beggar nation. Much of its life-sustaining “debt” – required to support our budget and trade deficits – comes from Japan and countries that America has long considered “Third World” – most notably, China and India.

The private sector in America is trying to compete with a millstone around its neck – a millstone in the form of taxes, hidden taxes (unfunded liabilities, fees, fines, and forfeitures), tens of thousands of laws, and mandated paperwork requirements imposed by bloated and increasingly-needy out-of-control federal, state, and local governments. **And** the cost of government in America is getting ready to skyrocket.

The problem is this. Although the “cash” cost of government has been relatively stable over the last 30 years, the “true” cost of government has been increasing at many times the rate of increase in GDP. This increase manifests itself in the form of unfunded liabilities for Social Security, Medicare, and for pensions and retiree-medical benefits for federal, state, and local government employees. As shown in the chart, today, these unfunded liabilities total \$47.7 trillion (\$6.4 trillion for Social Security, \$32.4 trillion for Medicare, \$4.5 trillion for Federal employees’ benefits, and \$4.4 trillion for state and local government employees’ benefits). To put this into perspective, this \$47.7 trillion in unfunded liabilities is equivalent to almost 13X total annual government receipts. (Note : Total government receipts for 2006 equal approximately \$3,736 billion after deducting the estimated \$350 billion federal deficit from total government spending.)

Just like a consumer, government must eventually pay off its debt. Let’s assume this \$47.7 trillion of debt is amortized over 75 years at a borrowing rate of 6%. The resulting payment would add a whopping \$2.9 trillion per year to the cost of government – reflecting the “true” cost of government and adding 71% to the “cash” cost of government. And, this calculation is conservative because it only covers benefits as of today. Government still must fund additional benefits being earned every year.

We now can look at the “true” cost of government. Once we include the \$2.9 trillion per year required to amortize government’s unfunded liabilities, the “true” cost of government in 2006 skyrockets from 31.2% of GDP to 53.3% of GDP. This “cost of government” will virtually destroy any chance America has to compete in the world – and will turn America into a financial pariah.

If we want to compare our “true” cost of government to the cost of government for Canada and Western Europe (where health costs are covered by government), we must add the cost of non-government-provided medical care. The total cost of medical care in 2005 in America was 14.3% of GDP (\$6,008 per person). Approximately 24% of medical costs are covered by government – leaving 76% to be covered by the private/individual sector. Thus, 10.9% of GDP would have to be added to current government expenditures to compare U.S. cost of government (including health care) to the cost of government for Canada and Western Europe – which brings America’s “comparable” tax take to a whopping 64.2% of GDP.

#### **Step 4**

It also is worthwhile to distinguish between the “haves” and “have nots”. While Social Security and Medicare are the largest unfunded government liabilities, the average monthly Social Security payment is only \$1,002 and the age at which unreduced benefits currently are available is 65 and 8 months.

By comparison, the average government employee is eligible for unreduced retirement benefits (defined-benefit pensions) well before age 55 – many with pension benefits of \$3,000 to \$15,000 per month. Many, if not most, government employees can obtain full retirement in their 40s (“25 and out”), and some, with full retirement available after 20 years of service (e.g., Federal judges; military personnel; and employees of Tampa FL, Wayne County MI, and Taylor, MI), can retire with unreduced benefits while still in their 30s or early 40s. And the vast majority of these retirements for government employees are accompanied by gold-plated lifetime retiree-medical benefits for employees, spouses, and dependents. A large percentage of these individual retirement packages are worth more than \$ 2 million at the commencement of retirement. As a matter of fact, if you are 45 and do not

have \$2.5 million in the bank, you should have been a fireman for the City of Ann Arbor – because that’s the value of an Ann-Arbor fireman’s pension and retirement-medical benefits after 25 years of service.

Consider the contract-guaranteed retirement compensation for Henry Bangser, the superintendent of New Trier Township High School District in Winnetka, IL. Mr. Bangser is expected to retire in 2007 at age 57. His current annual compensation is \$366,000 per year and his minimum annual pension will be \$221,000 per year with an annual 3% cost-of-living increase. (See “The \$366 Billion Outrage”, *Fortune*, May 31, 2004). Mr. Bangser’s pension and retiree-medical benefits are worth over \$5.5 million. Just Mr. Bangser’s retirement benefit cost the State of Illinois over \$150,000 for each year he worked. Not surprisingly, the Illinois Governor’s Pension Commission determined that the state of Illinois had an unfunded pension liability of \$35.1 billion and a Heartland Institute report (#106) estimates that the state of Illinois has an unfunded retiree health care liability of \$30 billion -- a combined liability of \$65.1 billion that the state of Illinois is sending to future taxpayers. (Note : This \$65.1 billion is just the unfunded liability for state employees and retirees – it does not include any unfunded liabilities for employees and retirees of local municipalities and school systems.)

It is worth noting that the age-old argument that government workers are entitled to gold-plated benefit packages because their salaries are lower than the private sector no longer holds water. According to the Bureau of Labor Statistics (2005), state and municipal government employees enjoy wages equal to 142% of private sector wages (\$24.52 per hour vs. \$17.23 per hour ) and Federal Government employees enjoy wages equal to 179% of private-sector wages ( \$30.85 per hour vs. \$17.23 per hour ). They also enjoy job security, gold-plated health insurance benefits, and early and well-funded pension and comprehensive retiree health care benefits. Such benefit packages are available nowhere in the private sector. These benefits result in an average benefit cost for local and state employees equal to 164% of average private-sector benefit cost ( \$11.64 per hour vs.\$7.11 per hour ) and a benefit cost for federal employees equal to 196% of private-sector benefit cost ( \$13.97 per hour vs. \$7.11 per hour ). This taxpayer-provided largesse is not sustainable – but, rest assured, neither elected Republicans nor elected Democrats, who are overseeing the downfall of America, will sacrifice the political capital necessary to address the imbalance between public-sector compensation and private-sector compensation.

To further put the magnitude of the cost for these benefits (for state and local government employees) into perspective, consider the following examples, two of which are from my home state of Michigan.

1. The Legislative Analyst’s Office for the state of California estimates that “California’s unfunded liability for providing health care benefits to retired [state] public workers could be as much as \$70 billion.” (Note : This \$70 billion liability is just the unfunded liability for health care for the state employees and retirees – it does not include any unfunded liabilities for pensions for state employees and retirees or unfunded liabilities for pensions and health care for employees and retirees of local municipalities.)
2. The Los Angeles Unified School District estimated its unfunded liability for retiree health care “has increased to \$10 billion.”
3. The City of Detroit, as of 2003, had 18,267 employees and 19,996 retirees with unfunded retirement liabilities of \$8.9 billion ( \$1.7 billion for pension benefits and \$7.2 billion for retiree health care benefits). That’s an unfunded liability of \$232,600 for each employee and retiree. (Source : “A Challenge Facing the City of Detroit : Funding the City’s Retiree Health Care and Pension Benefits”; April 20, 2005; J.L. Boyle International)
4. The Michigan Public School Retirement System has unfunded retirement liabilities of \$21.7 billion ( \$6 billion for pension benefits and \$15.7 billion for retiree health care benefits). With 282,324 retirees and vested employees, that’s an unfunded liability of \$76,900 for each employee and retiree. (Source : “Financing Michigan Retired Teacher Pension and Health Care Benefits”; September 2004; Citizen Research Council of Michigan (Report 337))

These are just four of thousands of underfunded state and local retirement systems which have an estimated \$4.4 trillion in unfunded liabilities – to be paid by future generations of taxpayers. More and more, state and local governments are seeking tax increases to support the regal pay and benefit structures for their employees rather than support the needs of taxpayers. (It is worth noting that, when proposals for additional taxes are voted down, states and municipalities increasingly resort to the implementation of “hidden taxes” in the form of unfunded liabilities, fines, fees, and forfeitures – including the aggressive use of eminent-domain laws to effect the forfeiture of private properties.)

The bottom line is that most government employees have the option of spending most of their adult lives in taxpayer-provided retirement enjoying retirement benefits vastly exceeding those available in the private sector. Again, these benefit levels are not sustainable – and the underfunding of pension and retiree-medical plans will wreak havoc on many states and municipalities long before the more widely discussed bankruptcy of Social Security and Medicare.

The ability of office seekers for state and local government to identify and quantify the underfunding of benefits (staggering liabilities that Republican and Democratic politicians have heretofore not disclosed to the public) will dramatically increase over the next several years because of recent financial reporting requirements mandated by the Government Accounting Standards Board (“GASB”). GASB Statement 45 requires all state and local governments, including public schools, public universities, and other government entities to determine the present value of postemployment benefits other than pensions (Other Post Employment Benefits or “OPEB”) -- the largest, by far, being retiree health care – but including life insurance, legal insurance, and other benefits. Third-Party Candidates must start using these reports to expose the fiscal irresponsibility of Republican and Democratic leaders.

All states require state and local government entities to report the present value of pension liabilities and to accumulate funds to pay off these liabilities – although most of these funds are underfunded (e.g., 93% of state retirement systems were underfunded as of 2004 (according to the 2004 Wilshire Associates’ Report on State Funding Systems)). However, very few states and local government entities have accumulated **any** funds to pay for OPEB. For many, if not most, states and local government entities, the liability for OPEB rivals the liability for pensions. However, again, in the vast majority of cases, there are no funds set aside to pay for OPEB.

“We [Americans] used to say the system is broken because it won’t respond until there is a crisis” said David Rothkopf, author of “Running the World.” Now, the system is so broken, it “can’t even respond to a crisis !”

When the unfunded liabilities for OPEB are publicized and combined with the underfunding for pensions, the numbers will be staggering. Many states and local municipal entities will be forced to significantly raise taxes, significantly reduce services, seek receivership and reorganization, or some combination of the three. This will be the legacy of the Democratic and Republican leadership across America – and it will open the door for a Third Party to reduce the cost of government and to restore fiscal sanity.

With regard to the unaffordable unfunded liability for Social Security and Medicare, make no mistake, this debt cannot be paid without destroying America. This problem cannot be addressed without significantly raising the retirement age for benefit eligibility, significantly reducing benefits, or some combination of the two. To understand the need to raise the retirement age, you need only consider the fact that, when the Social Security Act was passed in 1936, normal retirement age was 65 and life expectancy in America was 58.5 – so the normal retirement age was 6.5 years **beyond** life expectancy. Today, normal retirement age is 65.7 and life expectancy is 77.9 years – so the normal retirement age is now 12.2 years **less** than life expectancy.

## Step 5

On October 11, 2006, Lou Dobbs said to Larry King on *Larry King Live* : “I don’t know about you, but I can’t take seriously anyone who takes either the Republican Party or Democratic Party seriously because (i) neither party takes you or me seriously, (ii) both parties are bought and paid for by corporate America and special interests, and (iii) neither party gives a damn about the middle class.”

Americans are coming to realize that the Republican and the Democratic leaders care only about power, control and ever bigger government – and this presents an opening for a Third Party. If the Libertarian Party does not seize the opportunity, some other Third Party will.

Again, the Republicans and the Democrats are helpless to address this issue because they lack the courage to call for sacrifices that would incur the ire of their constituencies – constituencies that lavishly fund their candidates and are against any increase in retirement ages or other meaningful cost-reducing adjustments.

To tackle these issues, America will need leaders who are (i) independent of funded and powerful interest groups such as the AARP, the teachers’ unions, and unions representing municipal workers and (ii) willing to tell voters the truth. Both the Republican Party and the Democratic Party are incapable of separating themselves from these powerful interest groups. Further, to properly advocate for the needed reductions in the cost of government, the Republicans and the Democrats would have to admit the errors of their ways over the last 75 years. **They created the problem of unaffordable government, they are beholden to the beneficiaries of unaffordable government, they are addicted to the perks of big government, and they cannot now change course and have any hope of being elected to office.**

That leaves an opening for true leadership to those not affiliated with the Democrats or Republicans. To quote Micah Sifry, author of “Spoiling for a Fight: Third-Party Politics in America” – “There is an opportunity here for someone who will seize it.” To save America from financial ruin, the American voter must install bold new leaders who are not tied to the decisions of the past which put this great country on the path to bankruptcy.

Now is the time for a Third Party to fill that void. This Third Party must get the message out in a manner that can be clearly understood by the average American. It must offer solutions that will give America hope and faith that there is a responsible way to reduce the cost of government at all levels and reign in the unaffordable promises made by our fiscally-irresponsible representatives.

The most practical common-sense solution is to (i) tell the truth about the fiscal crisis facing America, (ii) increase the Social Security retirement age to reflect both increased longevity and the country’s ability to pay for retirement benefits, and (iii) reduce bloated and unsustainable labor costs and eliminate non-core programs from the budgets of Federal, state, and local governments.

As this Third Party’s dire forecasts inevitably prove reliable and its credibility rises, more and more of the Third Party’s candidates will be elected to office and the stranglehold of the two parties currently in power will be broken.

### **Step 6**

Still, a Third Party, advocating later retirement for Americans covered by Social Security and less-generous retirement for most government-provided pensions will have little success without a tax-averse countervailing force for the 35-million member American Association of Retired Persons (“AARP”). This need leads to a **Coalition for Intergenerational Equity (“CIE”) – a non-profit organization that is independent of any political party and, therefore, focused only upon “intergenerational equity” -- and whose primary function is to (i) educate Americans about the patently unfair enrichment of today’s retirees at the expense of tomorrow’s taxpayers and (ii) to reduce the burden being imposed on today’s workers and future generations of American workers.** This message will, in turn, require a tax-averse mindset which recognizes that many, if not most, state and local tax increases are not for roads, education, or parks – they are for the

continuation and escalation of wages and benefits for government employees which greatly exceed wages and benefits available in the private sector.

In an ideal world, this Coalition for Intergenerational Equity would grow its membership to approximate the combined total of (i) the membership of the AARP (35 million) plus (ii) the number of government employees and retirees (32.3 million) minus (iii) those government retirees who also are members of the AARP (6.3 million). That's a membership goal of 61 million. This would be the optimum optimum – but 40 million mostly-young members would most likely be sufficient to make CIE the dominant voting block in America. This is an immense challenge – but one that must be met if America is to have any chance for a prosperous future. To add to this challenge, CIE will, most likely, primarily consist of members of Generation X (60 million born between 1964-1979) or Generation Y (76 million born between 1979 to 1999) – a group not particularly noted for political activism or, for that matter, even voting.

At the Federal level, it is critical to recognize that political leaders fully recognize the unaffordability of the present Social Security and Medicare System – but they do not have the political will to do the “right thing” – as doing the “right thing” will get them thrown out of office by the AARP. With the 40 million+ member CIE, even pathetically weak politicians will muster the moral fortitude to do the “right thing.”

At the state and local level, the constant whining by politicians and bureaucrats that high taxes are needed for “survival” is a smoke screen for the status quo and wages and benefits vastly exceeding those in the private sector – and going up at many times the rate of inflation. For example consider, the constant demands by the leaders of Michigan's K-12 school systems for additional taxes.

The biggest problem facing Michigan schools is the fact that the state has a whopping 553 school districts to educate 1,760,000 students – resulting in an average of 3,200 students per district. That means that each of these mostly small school districts must support its own superintendent, assistant superintendent(s), accounting department, purchasing department, human resource department, security personnel, administrative support, bus system, IT system, etc., and all the brick and mortar needed to house this administrative overhead. By comparison, Maryland has only 24 school districts with an average of 35,100 students per district.

Add to this already-unaffordable overhead the fact that Michigan Public School Employees Retirement System has unfunded pension and retiree-medical liabilities of \$22 billion (Citizens Research Council of Michigan Report 337, September 2004). If this \$22 billion is amortized over 25 years, it would cost the state's taxpayers an additional \$ 2.1 billion per year (or about \$ 1,200 per student per year) Add this cost to an already-unaffordable cost structure and it becomes clear that the fundamental economics of the current K-12 school system in Michigan is not sustainable.

The truth is, little good will come from our state and local governments and from our current education system until the stranglehold of the public-employee unions is broken – and that will occur once the taxpayers force the government and school systems to live without tax-rate increases which will, in turn, force many into Chapter 9 reorganizations which, in turn, will force management to set aside union contracts. The goal, clear and simple, is to choke off the money from the taxing authorities which in turn will not allow them to give in to the unreasonable wage and benefit demands of the unions. This is a major part of the revolution that needs to take place in America if America is going to survive.

What Michigan taxpayers and state and local taxpayers countrywide must do is vote down each and every tax increase -- and, for those tax authorities who fail to enforce fiscal restraint, also vote down millage renewals.

Because of these unreasonably-high labor costs, there is no “dry powder” in government—Federal, state, and local—to provide for the services and safety nets that once were considered the essence of government. Yet there is money to pay wages which are 42% to 79% higher than in the private sector and to provide employee benefits costing 64% to 96% more than those in the private sector.

Now voting down tax increases and unwarranted millage renewals will bring about a forecasts of doom and gloom by politicians and bureaucrats. This is fear-mongering. This doom and gloom is not the result of the failure to raise taxes—it is the result of the failure by state and local government leaders to control costs which will require them to work harder, to be creative, and to take on the public unions and bring wages and benefits into line with the private sector and with the taxpayers' ability to pay. In addition, forcing a local or state government to "reorganize" to reflect the taxpayers' ability to pay is not to be feared and not the same as a corporate reorganization under bankruptcy. Unlike a corporate bankruptcy, a government reorganization will not appreciably affect revenue – tax revenue will continue to come in. What it will force governments to do, is to recognize economic reality. It also will force state and local politicians and overseers to cut costs. And, under a reorganization, these "leaders" will be able to set aside unaffordable union contracts – and negotiate wages and benefits that are affordable.

So, here's the game plan :

1. Become educated on the financial nightmare being foisted upon America by the vast majority of our elected leaders and their surrogates at all levels of government.
2. Educate others – Don't be afraid to make dire, but substantiated, predictions about the financial unraveling of America that is just over the horizon.
3. Vote against all tax increases, no matter the cause, and vote down all tax renewals that are not reflective of responsible governance.
4. Challenge those voters who agree that the Republican and the Democratic politicians are destroying America BUT feel they must vote for "the lesser of two evils" so that "their vote will count". Point out that voting for irresponsible government will hasten America's demise. Convince them to "vote their conscience".
5. As a Libertarian, emphasize issues that threaten America's survival. Gravitas is important if Libertarians want to be taken seriously.
6. As a Libertarian, stop thinking in terms of getting an ever higher but losing percentage of votes – and start thinking about winning elective office.

I hope you have found this talk interesting and insightful.

I would be happy to answer any questions – assuming I know the answer !

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