
Subject: Treasury Report: Federal Fiscal Shortfall is \$603,000 per Household
Posted by [CyberkNight](#) on Thu, 16 Apr 2015 21:02:04 GMT

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New data from the U.S. Treasury shows that the federal government has amassed \$74 trillion in debts, liabilities and unfunded Social Security/Medicare obligations. This amounts to \$603,000 for every household in the U.S., a fiscal burden that exceeds 90% of all the private wealth accumulated in the history of America.

Each year, the Treasury and White House are required by law to report on the "overall financial position" of the federal government. The law also requires the Government Accountability Office to audit the data, which is then published in the "Financial Report of the United States Government."

Unlike the federal budget, which primarily uses "cash accounting," this report uses "accrual accounting." The Government Accountability Office explains that this method of accounting "is intended to provide a complete picture of the federal government's financial operations and financial position."

Cash accounting is the simple process of counting money as it flows in or out. In contrast, accrual accounting measures financial commitments regardless of when cash is received or paid. For instance, as federal workers earn pension benefits, accrual accounting measures these obligations even though the money may not be paid out until years later. Cash accounting does not measure such liabilities until they are paid.

The federal government requires large corporations to use accrual accounting for their pension plans, because this is the "most relevant and reliable" way to measure their financial health. The same general standard applies to other retirement benefits like healthcare. The official statement of this rule explains that "a failure to accrue" implies "that no obligation exists prior to the payment of benefits." Since an obligation does exist, failing to account for it "impairs the usefulness and integrity" of financial statements.

Nevertheless, the media and politicians constantly cite the federal budget, which primarily uses cash accounting. Yet, they are virtually silent about the Financial Report of the U.S. Government, which uses the accounting standard that government imposes on large corporations.

According to this year's report, the federal government now owes \$6.7 trillion in pensions and other benefits to federal employees and veterans. Although these liabilities don't appear in the 2014 budget or national debt, paying them will require an average of \$54,000 from every household in the U.S.

A similar situation exists with Social Security and Medicare, because government funds these programs with taxes on workers who often don't receive benefits until years later when they are senior citizens. These programs differ from pensions because taxpayers don't have a contractual right to receive benefits. As held in a 1960 Supreme Court ruling, the government can change the deal at will. Nevertheless, paying these benefits is an implied commitment of the federal government, and the law requires that these programs be included in this report.

Government quantifies the unfunded obligations of Social Security and Medicare in several

different ways, but only one of them approximates the concept of accrual accounting. This is called the "closed group" obligation, which is the money needed to cover the shortfalls for all current taxpayers and beneficiaries in these programs. In the words of Harvard Law School professor and federal budget specialist Howell E. Jackson, this "measure reflects the financial burden or liability being passed on to future generations."

These burdens amount to \$25.4 trillion for Social Security and \$28.2 trillion for Medicare. Other obligations of the federal government are included in the report, like debt, environmental liabilities, and accounts payable.

The report also accounts for federal assets, such as cash, real estate, and corporate stocks. This excludes federal stewardship land heritage assets, such as national parks and the original copy of the Declaration of Independence. While these items have tangible value, the report explains that the government "does not expect to use these assets to meet its obligations."

Tallying the Treasury's data on assets and obligations, the federal government has amassed \$74.3 trillion in debts, liabilities, and unfunded Social Security/Medicare obligations. Spread over all U.S. households, this amounts to an average of \$603,000 per household. The actual burden may be even worse, because this estimate is based on certain assumptions that are shaky and optimistic.

Full article: <http://www.justfactsdaily.com/treasury-report-federal-fiscal-shortfall-is-603000-per-household/>
