

Trillion is the New Billion

Remember when \$1 billion was considered a lot of money – even by the Defense Department? The cost of the programs designed to jumpstart the financial system has certainly changed our perspective: As calculated by the Milken Institute, bailout obligations alone could, in theory, exceed \$9 trillion. But in the surely mortal words of rock-song lyricist Randy Bachman, “You ain’t seen nothing yet.”

The figures below, assembled last December by the U.S. Treasury, show that the “present value” of the future cost of Medicare and Social Security, less the scheduled revenues to fund these programs, now tops \$100 trillion. To put it another way, every living American would have to fork over a bit more than \$300,000 today to cover the looming deficits of these two programs.

US\$, TRILLIONS

	HOSPITAL INSURANCE	MEDICARE PART B	MEDICARE DRUG BENEFIT	SOCIAL SECURITY PENSIONS	TOTAL
Net obligations to current participants	\$13.6	\$12.6	\$5.6	\$17.4	\$49.2
Net obligations to future participants	21.1	21.4	11.6	-1.5	52.6
Total	34.7	34.0	17.2	15.9	101.8

SOURCE: Table 6, 2008 Financial Report of the United States

