

equivalent of all of the 10-year savings in Congressman Paul Ryan's budget, passed by the House in April, or in the Bowles-Simpson budget plan.

Third, it is increasingly clear that the long-run cost estimates of ObamaCare were well short of the mark because of the incentive that employers will have under that plan to end private coverage and put employees on the public system. Health and Human Services Secretary Kathleen Sebelius has already issued 1,400 waivers from the act's regulations for employers as large as McDonald's to stop them from dumping their employees' coverage.

But a recent McKinsey survey, for example, found that 30% of employers with plans will likely take advantage of the system, with half of the more knowledgeable ones planning to do so. If this survey proves correct, the extra bill for taxpayers would be roughly \$74 billion in 2014 rising to \$85 billion in 2019, thanks to the subsidies provided to individuals and families purchasing coverage in the government's insurance exchanges.

Underestimating the long-term budget situation is an old game in Washington. But never have the numbers been this large.

There is no way to raise taxes enough to cover these problems. The tax-the-rich proposals of the Obama administration raise about \$700 billion, less than a fifth of the budgetary consequences of the excess economic growth projected in their forecast. The whole \$700 billion collected over 10 years would not even cover the difference in interest costs in any one year at the end of the decade between current rates and the average cost of Treasury borrowing over the last 20 years.

Only serious long-term spending reduction in the entitlement area can begin to address the nation's deficit and debt problems. It should no longer be credible for our elected officials to hide the need for entitlement reforms behind rosy economic and budgetary assumptions. And while we should all hope for a deal that cuts spending and raises the debt ceiling to avoid a possible default, bondholders should be under no illusions.

Under current government policies and economic projections, they should be far more concerned about a return of their principal in 10 years than about any short-term delay in a coupon payment in August.

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