The US Government Ponzi Scheme & Impending Collapse of Social Security, Medicare, and Medicaid

Biff Baker
Metropolitan State University of Denver

The financial instability from unfunded liabilities threatens the long-term viability of Medicare, Medicaid, and Social Security, demanding urgent reforms. An alternative to Social Security's tax-spend-borrow model is proposed: Mutual Funds managed independently of the Social Security Administration. Analysis shows that investing 15% of income in mutual funds over 50 years could yield a significantly higher retirement fund compared to Social Security, offering $14,000 monthly versus $1,400. This alternative would foster intergenerational wealth, unlike the current system, which resembles a Ponzi scheme and lacks genuine investment. Despite the Supreme Court's rulings upholding the constitutionality of Social Security taxes, the broader issue of its constitutionality remains unresolved. The SCOTUS decision in Flemming vs. Nestor (1960) highlights that taxpayers are obligated to contribute to FICA without guaranteed benefits, raising concerns about the program's fairness and alignment with constitutional principles. Urgent reform is essential to secure financial stability and align with the enumerated functions in the US Constitution: this should be discussed in every business college in our nation.

Keywords: Social Security, Medicare, Medicaid, OASIDI, Ponzi, insolvency, fraud, incompetence, fiscal policy

INTRODUCTION

Enacted in 1935, Social Security is composed of Old-Age & Survivors Insurance (OASI) and Disability Insurance (DI), referred to collectively as OASIDI (CRS, 2023). Established in 1965, Medicare is a federal program that pays for covered health care services of qualified beneficiaries; it is under Title XVIII of the Social Security Act to provide health insurance to individuals aged 65 and older, and it was expanded in 1972 to include permanently disabled individuals under the age of 65 (CRS, 2020). The Social Security Amendments of 1965 created Medicaid by adding Title XIX to the Social Security Act, 42 U.S.C. §§ 1396 et seq. Under the program, the federal government provides matching funds to states to enable them to provide medical assistance to residents who meet certain eligibility requirements. Medicaid covers several broad coverage groups, including children, pregnant women, adults, individuals with disabilities, and individuals 65 years and older. The following three parts of this introduction provide an overview of the (1) Social Security, (2) Medicare, and (3) Medicaid programs in the United States. We then focus on the impending financial insolvency of each program and close with a possible alternative to these programs.

Part 1: The Social Security Program

Social Security, a program now entrenched in American society, has had a contentious history marked by constitutional debates and ideological conflicts. Created during the Great Depression, its inception in 1935 under the Social Security Act represented a significant expansion of the federal government's role in providing social welfare. However, the constitutional legitimacy of such expansive federal intervention was hotly contested. At the heart of the constitutional debate surrounding Social Security lay the question of federalism and the scope of Congress's powers under the U.S. Constitution. Proponents of Social Security argued that it fell within Congress's authority to levy taxes and spend for the general welfare under Article I, Section 8, Clause 1 of the Constitution. Proponents contended that providing economic security for the elderly and vulnerable populations is a legitimate exercise of federal power in promoting the general welfare of the nation. Constitutional originalists contend that the term 'general welfare' has been twisted, supporting the concept of "*enumerated functions*" discussed in the Federalist Papers, but most prominently in Federalist No. 41 & No. 45, written by Madison:

- *Federalist No. 45*: Madison emphasizes that the powers delegated to the federal government are "few and defined," while those reserved to the states are "numerous and indefinite." This essay discusses the division of powers and the idea that the federal government's responsibilities are specifically enumerated in the Constitution (Hamilton, et.al, 1961).
- *Federalist No. 41*: Madison addresses concerns about the scope of the federal government's powers. He argues that the general welfare clause does not grant unlimited power to the federal government, but rather that federal powers are limited to those enumerated in the Constitution (Hamilton, et.al, 1961).

Constitutional originalists objected to Social Security, citing the Tenth Amendment and principles of limited government from the Federalist Papers. They argued it overstepped federal authority and infringed on states' rights and individual liberty. Critics also questioned the constitutionality of mandating participation in a federal retirement program. Despite these challenges, the U.S. Supreme Court upheld the Social Security Act in Helvering v. Davis (1937), with what some view as judicial activism, by broadly interpreting the General Welfare Clause.

Over the decades, both constitutional considerations and political realities have shaped Social Security's evolution. Reforms, such as those in 1983, temporarily addressed fiscal challenges to include measures like raising the retirement age and adjusting benefit formulas. However, constitutional debates about Social Security persist, focusing on its long-term financial unsustainability and implications for intergenerational equity. Critics argue that the program's unfunded liabilities and redistributive taxation raise constitutional concerns about generational theft and property rights.

Key Components and Benefits

Social Security operates through Old Age and Survivors Insurance (OASI) and Disability Insurance (DI), providing financial aid to specific population segments. Funded primarily by payroll taxes from workers and employers, proponents argue it aligns with Congress's authority to levy taxes for the general welfare under Article I, Section 8, Clause 1 of the Constitution. This taxing power requires strict scrutiny to ensure it serves a legitimate governmental purpose that benefits the nation.

The benefits structure aims to offer basic economic security. For retirees, these benefits supplement retirement savings, addressing Congress's duty to ensure the general welfare of the aging population. Survivor benefits support families after the loss of a primary wage earner, fulfilling societal needs while promoting domestic tranquility and general welfare. The Disability Insurance component aids individuals unable to work due to qualifying disabilities. Proponents argue this aligns with Congress's authority to regulate commerce, as economic hardships faced by disabled individuals can impact interstate commerce. Opponents, however, view this as an overreach and a violation of the 10th Amendment.

Ponzi Financing & Challenges

Social Security faces significant financing and sustainability challenges due to an aging population and employment fluctuations. The reliance on payroll taxes and the taxable earnings cap worsens funding shortfalls. Addressing these issues requires constitutional measures to ensure solvency without unduly burdening poorer citizens. Proactive policies promoting workforce participation and economic growth are essential for long-term viability. The structure and financial model of Social Security resemble a Ponzi scheme:

- A Ponzi scheme uses funds from new investors to pay returns to earlier investors, creating an illusion of profitability. Similarly, Social Security relies on current workers' payroll taxes to fund benefits for current retirees, rather than saving and investing contributions for future beneficiaries.
- Ponzi schemes collapse when new investment dries up, leading to insufficient funds to pay returns. Social Security faces demographic challenges with an aging population and a decreasing ratio of workers to retirees, making the system financially unsustainable and leading to deficits and benefit cuts.
- Ponzi schemes require a constant influx of new investors. Likewise, Social Security depends on continuous population growth and economic expansion to generate sufficient payroll tax revenue. Any demographic or economic downturn disrupts this cycle, jeopardizing the system's viability.
- In a Ponzi scheme, investors (taxpayers) have no control over their contributions and rely on the operator (the government) for returns. SCOTUS (1960) determined that Social Security beneficiaries have no ownership rights to their contributions and depend on government decisions for benefit levels and eligibility criteria, undermining accountability and transparency.

Opportunity cost is the value of the next best alternative that one foregoes when making a decision. Under Social Security, individuals face reduced saving incentives, because they expect future workers to fund their retirement. This results in less capital accumulation, leading to lower economic growth. In contrast, private investment plans, like those involving the S&P 500, would see higher long-run returns since they directly benefit from business performance and economic growth. SSA programs also reduce the incentive for people to remain in the labor market beyond the age of eligibility, and the payroll tax can discourage work over a lifetime. This increases labor costs and production expenses, further slowing economic growth. In light of these opportunity costs, private market returns are higher than public investment schemes.

Social Security might have begun with noble intentions, but its evolution exhibits Ponzi-like characteristics. Benefit levels have outpaced inflation, relying on future generations to fund increasingly generous benefits, creating an unsustainable intergenerational transfer of liabilities, and many disincentives for taxpayers.

Social Security Insolvency and Impact

According to the Board of Trustees' intermediate assumptions, Social Security's costs have exceeded its non-interest income since 2010, with total costs surpassing total tax revenues since 2021. The combined reserves are projected to decrease from $2.83 trillion in early 2023 to $590 billion by the end of 2032. OASDI costs have been rising more rapidly than non-interest income since 2008; it will continue to do so through about 2040, as the retirement of the baby-boom generation increases the number of beneficiaries faster than the number of taxpayers (BOT, 2023).

The unfunded obligation for OASDI is $22.4 trillion over a 75-year projection, $2 trillion more than last year's estimate. This shortfall is due to lower GDP growth, labor productivity, higher inflation rates, and lower-than-expected output growth. To keep the combined OASI and DI Trust Funds solvent through 2097, one of the following measures is required: (1) revenue must increase by an immediate and permanent payroll tax rate hike of 3.44 percentage points to 15.84 percent starting in 2023, (2) benefits must be cut by an immediate and permanent 21.3 percent for all current and future beneficiaries, or 25.4 percent for those becoming eligible in 2023 or later, or (3) a combination of these measures must be adopted (BOT, 2023).

At the end of 2022, the OASDI program provided benefits to 66 million people: 51 million retirees and dependents, 6 million survivors of deceased taxpayers, and 9 million disabled taxpayers and dependents (BOT, 2023). If Social Security becomes insolvent, the impact on retirees and disabled individuals will be severe. Social Security is a critical source of retirement income for many elderly individuals, often being their primary or sole financial support, covering essential expenses like housing, healthcare, and daily living needs. Bankruptcy would lead to a sudden loss or reduction in benefits, plunging many retirees into financial hardship and poverty. Without this safety net, retirees would struggle to meet basic needs, increasing reliance on family, charities, or government assistance programs. Disabled individuals relying on Social Security Disability Insurance (SSDI) would also be deeply affected. SSDI provides essential financial support and access to healthcare for those unable to work. Insolvency would strip these individuals of their primary support, worsening their financial and healthcare struggles and potentially leading to increased poverty or homelessness.

Social Security Fraud

The Supreme Court ruling in Flemming vs. Nestor (1960) established that while taxpayers must make FICA contributions, the U.S. government is not obligated to provide specific benefits in return (SCOTUS, 1960). The Court ruled that Social Security benefits are not contractual and can be altered or terminated by Congress, reinforcing the government's discretion in managing the program. This decision highlights the non-entitlement nature of Social Security benefits despite mandatory taxpayer contributions.

Using Generally Accepted Accounting Principles (GAAP), if a private entity operated like Social Security—collecting mandatory contributions without guaranteeing specific benefits—it would be considered fraudulent. GAAP requires private entities to disclose liabilities and obligations transparently. Promising benefits in exchange for contributions but not honoring them would be seen as misrepresentation or breach of contract in a civilian context. Taxpayers should question why the government is not held to the same legal and ethical standards.

Social Security taxes or FICA taxes (Federal Insurance Contributions Act) are withheld directly from an employee's paycheck, and are ***not*** deductible for income tax purposes. In 1984, FICA payments became subject to federal income tax as part of the Social Security Amendments of 1983: up to 50% of Social Security benefits became taxable for individuals with income over certain thresholds. Then, the Omnibus Budget Reconciliation Act of 1993, increased the taxable portion to up to 85% for higher-income beneficiaries: this is double taxation.

> Taxes collected by the federal government fund the three branches of government, all cabinet departments, and programs like Social Security, Medicare, and Medicaid. Excess revenues from Social Security and Medicare taxes were placed into a fake "lock box," then loaned to other government entities, creating the illusion of an investment. However, these trust funds can only be repaid by raising taxes, akin to a husband loaning money to his wife, who repays it with future money from the husband. This analogy underscores the circular nature of these financial arrangements and the inevitable mandate for future tax increases.

Part 2: The Medicare Program

Medicare aimed to affirm healthcare as a fundamental right. However, from a constitutionalist perspective, debates have arisen regarding federal authority in healthcare, traditionally regulated by states. Critics argue that Medicare oversteps federal powers, citing the Tenth Amendment and states' rights, and contend that the federal government lacks the constitutional authority to mandate a national healthcare program. Proponents argue that Medicare falls within Congress's authority to regulate interstate commerce and promote the general welfare under Article I, Section 8, Clause 3, asserting that providing healthcare to older Americans promotes social welfare and economic stability. President Lyndon B. Johnson signed the Social Security Amendments of 1965, establishing Medicare and significantly expanding federal authority in healthcare.

The constitutionality of Medicare has been challenged, with Constitutional Originalists asserting it overreaches Congress's enumerated powers. In Helvering v. Davis (1937), the Supreme Court upheld the constitutionality of Social Security, granting Congress broad authority under the General Welfare Clause, which allowed for programs like Medicare. Activist jurists see this as confirming Congress's spending power, but it raises concerns about states' rights and increased federal reliance for social welfare, conflicting with the original constitutional framework. James Madison emphasized in Federalist No. 45 that federal powers are "few and defined," while states' powers are "numerous and indefinite." In Federalist No. 41, he argued that the general welfare clause does not grant unlimited power, but that federal powers are limited to those enumerated in the Constitution. Social Security, established without a constitutional amendment and facing insolvency, exemplifies concerns highlighted in the Federalist Papers regarding the overreach of federal powers beyond enumerated functions.

Coverage and Eligibility Criteria

The Medicare program helps pay for health care services for the aged (over 65), disabled, and individuals with end-stage renal disease (ESRD) or amyotrophic lateral sclerosis (ALS). It has two separate trust funds, the Hospital Insurance Trust Fund (HI) and the Supplementary Medical Insurance Trust Fund (SMI). Medicare coverage is divided into four parts:

A. Medicare, Part A (Hospital Insurance) covers inpatient hospital stays, skilled nursing facility care, hospice care, and some home health care services. Most individuals qualify for premium-free Part A coverage if they or their spouse paid Medicare taxes while working.
B. Medicare, Part B (Medical Insurance) covers outpatient care, preventive services, doctor visits, durable medical equipment, and some home health care services. Enrollment in Part B is optional, but individuals typically enroll during their Initial Enrollment Period to avoid late enrollment penalties.
C. Medicare, Part C (Medicare Advantage) allows beneficiaries to receive their Medicare benefits through private insurance plans approved by Medicare. These plans often include additional benefits such as prescription drug coverage, dental, vision, and hearing services.
D. Medicare, Part D (Prescription Drug Coverage) provides prescription drug coverage via private insurance plans approved by Medicare. Enrollment in Part D is optional but encouraged for individuals with Medicare who do not have prescription drug coverage through other sources.

Eligibility for Medicare is mandatory at age 65 for most U.S. citizens or permanent residents who have worked and paid Medicare taxes for at least 10 years. However, individuals with certain disabilities may qualify for Medicare before age 65, such as those receiving Social Security Disability Insurance (SSDI) benefits and individuals with ALS or ESRD. While Medicare provides comprehensive coverage for many healthcare services, it does not cover all medical expenses. Beneficiaries are responsible for premiums, deductibles, coinsurance, and co-payments associated with their Medicare coverage and services not covered by Medicare.

Funding Sources and Financial Challenges

Medicare's funding streams include payroll taxes that finance Part A, which covers hospital insurance and is deposited into the Hospital Insurance (HI) Trust Fund. For HI, the primary source of financing is the payroll tax on covered earnings. Employers and employees each pay 1.45 percent of a worker's wages, while self-employed workers pay 2.9 percent of their net income. Starting in 2013, high-income workers paid an additional 0.9-percent tax on their earnings above an unindexed threshold ($200,000 for singles and $250,000 for married couples). There is no upper limit on earnings subject to the tax. These taxes cover costs, such as inpatient hospital care, skilled nursing facility care, hospice care, and certain home health care services. Additionally, Medicare Parts B, C, and D are financed through general revenues from the federal government, beneficiary premiums, and other sources. Part B, focusing on medical insurance, is funded partially through the beneficiary premiums and general revenues. Part D provides prescription drug coverage that relies on beneficiary premiums plus federal subsidies.

In 2023, Medicare covered 66.7 million people: 59.1 million aged 65 and older, and 7.6 million disabled. For all parts of Medicare, growth in the number of beneficiaries will be highest over the next 10 years, as the baby boom generation continues to enter Medicare, and slows continually thereafter. Total expenditures in 2023 were $1,037 billion, and total income was $1,025 billion that came from $1,015 billion in taxes and $10 billion in interest. The BOT (2024) projected that surpluses will continue through 2029, followed by deficits thereafter until the trust fund is depleted in 2036. Future Medicare expenditures will depend on several factors, including the size and composition of the population eligible for benefits, changes in the volume and intensity of services, and increases in the price per service (BOT, 2024).

Escalating healthcare expenses, propelled by burgeoning demand & medical advancements, strain Medicare's fiscal framework. Concurrently, demographic changes, such as an aging population and dwindling birth rates, exacerbate funding shortages by reducing contributors to the program – cost growth rates must be modified to account for demographic impacts, which reflect the changing distribution of the Medicare population by age, sex, and time-to-death. The near-term depletion of the Hospital Insurance Trust Fund that funds Medicare Part A poses a critical threat, necessitating future benefit reductions or increased tax financing from general revenues.

Medicare Insolvency and Impact

Medicare expenditures represented 3.8 percent of GDP in 2023. Under current law, costs increase to 5.8% of GDP by 2048, largely due to the rapid growth in the number of beneficiaries, and then to 6.2% of GDP in 2098. In 2018, 2019, and 2020, expenditures exceeded income, with trust fund deficits of $1.6 billion, $5.8 billion, and $60.4 billion, respectively. The large deficit in 2020 was mostly due to accelerated and advance payments to providers from the trust fund. In 2021, there was a small surplus of $8.5 billion as these payments began to be repaid to the trust fund, and this continued repayment resulted in a larger surplus in 2022 of $53.9 billion. There was another small surplus of $12.2 billion in 2023, and fund surpluses will continue through 2029. Deficits are projected to return beginning in 2030 and to persist for the remainder of the projection period, requiring redemption of trust fund assets until the trust fund's depletion in 2036 (BOT, 2024, p. 26). The Trustees estimate that, from 2024 through 2033, total Medicare income will increase at an average annual rate of 7.2 percent, which is lower than the growth in expenditures (BOT, 2024, p. 178).

Hospital Insurance Trust Fund (HI) $0.2 trillion to stay solvent, but the situation for the Supplementary Medical Insurance Trust Fund (SMI) is somewhat different. SMI expenditures for Part B and Part D are projected to exceed premium and other dedicated revenues by $50.2 trillion. To keep the HI and SMI trust funds solvent for the next 75 years requires general fund transfers of this amount and a formal budget requirement (BOT, 2024, p. 178). The accuracy of the projects should always be suspect due to political influences; for example, in 2009, the Board of Trustees said that by January 1, 2016, Medicare's unfunded obligation over the 75-year timeframe would be $32.4 trillion; using an infinite timeframe the unfunded liability is over $50 trillion (Foster, 2009). Yet, last year's Trustee Report (2023) projected that the infinite horizon unfunded obligation was $61.8 trillion in present value (PV) discounted to January 1, 2022 (Trustee, 2023, p. 209). All these government projections can be characterized as incredibly optimistic guesses (Haislmaier, et.al., 2021).

> In 2016, Presidential candidate Bernie Sanders promised to create a Medicare for All: "A single-payer, national health insurance program to provide everyone in America with comprehensive health care coverage, free at the point of service." This would have increased Federal spending from $4.2 trillion to $7.4 trillion per year, raising individual taxes from an average of 33% to 61% per year. Free healthcare? Nope!

Medicare insolvency occurs when financial commitments exceed available resources, making it unable to fully meet obligations. This situation can lead to immediate and significant impacts for retirees and recipients, including benefit reductions, limited access to healthcare services, and increased financial burdens for those on fixed incomes. Insolvency may also disrupt healthcare services and provider access, as facilities struggle with uncertain funding and reimbursement rates, potentially impeding patient care and increasing out-of-pocket expenses. The broader healthcare system could face escalated costs, diminished care quality, and service disruptions, affecting all Americans. Addressing Medicare's financial challenges is crucial to prevent insolvency and ensure the program continues to provide essential healthcare services while maintaining the stability of the healthcare landscape.

Part 3: The Medicaid Program

Medicaid was enacted in 1965 as part of the same law that created the Medicare program (the Social Security Amendments of 1965; P.L. 89-97). Medicaid and the Children's Health Insurance Program (CHIP) provide free or low-cost health coverage to some low-income people, families and children, pregnant women, the elderly, and people with disabilities. Some states expanded their Medicaid programs to cover all people below certain income levels. Medicaid is a federal-state partnership program providing healthcare coverage to low-income individuals and families. The genesis of Medicaid is intertwined with the broader movement for healthcare reform; however, from a strict constitutional originalist standpoint, questions still arise regarding the federal government's authority to intervene in healthcare matters traditionally regulated by the states.

Like Social Security and Medicare, the constitutional debate surrounding Medicaid revolves around the limits of Congress's enumerated powers and the principles of federalism enshrined in the U.S. Constitution. Critics of Medicaid argued that the federal government lacked constitutional authority to mandate a nationwide healthcare program for low-income individuals, citing the Tenth Amendment and the states' reserved powers. Nevertheless, proponents of Medicaid contended that the program fell within Congress's authority to regulate interstate commerce and promote the general welfare under Article I, Section 8, Clause 3 of the Constitution. Proponents argued that providing healthcare coverage to vulnerable populations was essential for promoting social welfare and economic stability, allegedly justifying federal intervention.

The Social Security Amendments of 1965 created the Medicaid program representing a massive expansion of federal authority in the healthcare sector, by providing federal funding to states to cover healthcare costs for eligible low-income individuals and families. The constitutionality of Medicaid was subsequently challenged in court, with opponents arguing that it exceeded Congress's enumerated powers encroaching upon states' rights. To a Constitutional originalist, it is important to emphasize that the U.S. Constitution does not explicitly provide for the transfer of wealth, and maintains that any significant policy shift, such as wealth redistribution, should be addressed through constitutional amendments rather than through judicial activism or legislative overreach.

The U.S. Supreme Court (1980), in Harris v. McRae, upheld the constitutionality of the Hyde Amendment (abortion funding), ruling that it did not violate the due process clause of the Fifth Amendment or the establishment clause of the First Amendment. The Court affirmed that while the federal government has the authority to create and fund social welfare programs like Medicaid, it also has the authority to set limitations on how those funds are used. SCOTUS never addressed the broader constitutionality of Medicaid itself as previously explained per the Federalist Papers' enumerated functions.

Over the decades, Medicaid has undergone various amendments and reforms in response to changing demographics, healthcare costs, and societal needs. Amendments such as the expansion of Medicaid eligibility under the Affordable Care Act (ACA) aimed to extend coverage to more low-income individuals and families, while also raising questions about its fiscal sustainability and constitutional implications. From a strict constitutionalist perspective, the evolution of Medicaid, including ACA, raises critical questions about the proper scope of federal power and the balance between individual liberty and government intrusion. While Medicaid has improved healthcare access for impoverished Americans, its constitutionality & solvency is debatable.

Target Population and Eligibility Requirements

Historically, Medicaid eligibility was limited to poor families with dependent children who received cash assistance under the former Aid to Families with Dependent Children (AFDC) program, as well as poor aged, blind, or disabled individuals who received cash assistance under the Supplemental Security Income (SSI) program. Today, Medicaid acts as a safety net program providing healthcare coverage to low-income individuals and families in the United States including some non-citizens (CRS, 2023, p. 5). The target population for Medicaid primarily includes:

- Low-Income Individuals & Families: Medicaid eligibility extends to low-income individuals and families, including children, pregnant women, parents, and adults without dependent children. Eligibility criteria vary by state, with income thresholds set based on federal poverty guidelines.
- Individuals with Disabilities: Medicaid provides healthcare coverage to individuals with disabilities who meet certain eligibility criteria, including income and functional limitations. This includes individuals receiving Supplemental Security Income (SSI) benefits due to disabilities.
- Elderly Individuals: Medicaid also serves as a vital source of healthcare coverage for elderly individuals who require long-term care services and support. Eligibility for long-term care benefits involves a combination of income, asset limits, and functional assessments.

Medicaid eligibility requirements are primarily based on income, household size, and categorical eligibility criteria, which may include factors such as age, disability status, pregnancy, or parenthood. Additionally, eligibility rules and income thresholds vary by state, as states may set their eligibility criteria within federal guidelines.

Medicaid Services

Medicaid provides healthcare services to eligible individuals, covering essential medical care, preventive services, and long-term care support. The services covered and administered by Medicaid include:

- Hospital stays, emergency room visits, surgeries, and other medically necessary services in a hospital.
- Coverage for physician visits, consultations, and medical procedures by licensed healthcare providers.
- A broad range of prescription medications prescribed by healthcare providers to treat medical conditions.
- Diagnostic tests, laboratory services, and imaging studies, such as X-rays, MRIs, and CT scans.
- Preventive care services including immunizations, screenings, and annual check-ups.
- Prenatal care, labor and delivery services, postpartum care for pregnant women, & newborn medical care.
- Mental health services, including therapy, counseling, psychiatric care & treating substance abuse.
- Long-term care services and support for eligible individuals who require assistance with activities of daily living, such as nursing home care, home health care, and personal care services.
- May cover transportation services to ensure eligible individuals can access necessary medical care.
- Some states offer optional coverage for dental & vision, for routine exams, cleanings, and eyeglasses.

Specific services covered by Medicaid vary by state since each has flexibility in designing and administering their Medicaid programs within federal guidelines. However, Medicaid mandates coverage of essential services, such as hospital care, physician services, and prescription drugs, ensuring access to comprehensive healthcare for eligible individuals.

Federal-State Partnership and Funding Structure

Medicaid operates as a federal-state partnership, jointly funded by the federal government and individual states without an upper limit. Medicaid is a federal entitlement to states – in federal-budget parlance, entitlement spending is categorized as mandatory or direct spending. The federal government sets broad guidelines and requirements for Medicaid, but states have flexibility in program design and administration. Federal funding for Medicaid is provided through matching payments to states based on a predetermined Federal Medical Assistance Percentage (FMAP); higher matching rates go to states with lower per capita incomes. States contribute their funds to Medicaid, with the federal government matching a percentage of state expenditures, e.g. in FY2021, Medicaid expenditures totaled $748 billion: the federal share totaled $518 billion (69%) and the state share was $231 billion or 31% (CRS, 2023, p. 18). This funding structure provides access to healthcare for eligible people while allowing states to tailor Medicaid to specific needs and demographics.

The Affordable Care Act (ACA), passed in 2010, substantially expanded the Medicaid program. Before the law was passed, some states did not allow able-bodied adults to participate in Medicaid, and many set income eligibility far below the Federal poverty level. Under the provisions of the law, any state that participated in Medicaid would need to expand coverage to include anyone earning up to 138% of the Federal poverty level beginning in 2014. In 2010, the costs of the newly covered would initially be covered in full by the Federal government but states' taxpayers would need to pay for 10% of those costs by 2020 (HHS, 2013). Taxpayers are always the billpayers: 'government-funded' is an illusion. People buying health insurance after Obamacare are financially worse off, with average premiums increasing by 129% between 2013 & 2019 (Haislmaier, et.al., 2021).

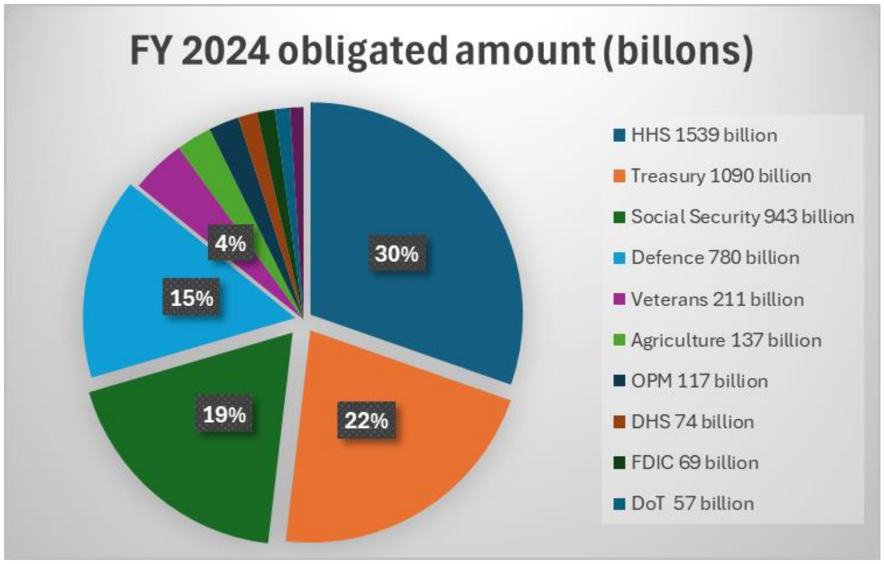
Medicaid Insolvency and Impact

Medicaid is expensive – the federal government alone spent 2.3 percent of GDP on the program in 2023, up from 0.7 percent in 1990. A major factor is surging enrollment: in 2021, there are 85 million program participants, 60 million more than recorded in 1990 (Capretta, 2024). Medicaid provided health care assistance for an estimated 70.0 million enrollees on average in 2015, including 9.1 million newly eligible adults in the first full fiscal year of the Affordable Care Act eligibility expansions, with an overall average of $7,492 per enrollee in 2015.

CMS (2016) wrote the expenditures were projected to increase at an average annual rate of 5.7 percent and to reach $957.5 billion by 2025; while enrollment was projected to increase at an average annual rate of 1.5 percent for 10 years and to reach 81.6 million in 2025 (CMS, 2016, p. v). Like all other Federal projections, this was vastly understated – Social Security (943 billion), plus Medicare and Medicaid (1.539 trillion), and interest on the debt (1.090 trillion) comprise the largest parts of federal spending, dwarfing defense spending, which is the only enumerated function (Figure 1).

Medicaid insolvency will occur when the program's financial obligations surpass available funds, jeopardizing its ability to provide promised healthcare services to recipients. Upon insolvency, Medicaid will face significant constraints, leading to reduced coverage, benefit cuts, or limitations of services; this will have a profound impact on recipients, particularly vulnerable populations reliant on Medicaid for healthcare access. Recipients may experience barriers to essential medical care, including preventive services, prescription drugs, and treatments for chronic conditions. Consequently, insolvency could exacerbate health disparities, worsen health outcomes, and increase healthcare costs for individuals and families. Addressing Medicaid's financial challenges is crucial to ensure the program's solvency and uphold its commitment to providing vital healthcare services to those in need (CMS, 2023).

FIGURE 1
FEDERAL SPENDING BY DEPARTMENT 2024



Summary

Social Security, Medicare, and Medicaid are government programs intended to promote economic equality by providing social safety nets, redistributing resources to support those in need, and reducing economic inequality; but all three programs face impending insolvency. So, recent calls to "tax the rich" and have wealthier people pay even more, are based on the idea of diminishing marginal utility, where money is less valuable to the rich than to those struggling. This approach faces challenges: inequality statistics can be misleading, non-monetary factors like job satisfaction contribute to overall equality, high progressive taxes can lead to political manipulation and complexity; and if all US billionaires' wealth was confiscated, it would fund the US government for less than a year! The 'Laffer Curve' by economist Arthur Laffer shows that excessively high tax rates can reduce government revenue by discouraging work and encouraging tax avoidance (Butler, 2024). Lastly, none of these wealth-transfer programs were established through a Constitutional Amendment leading well-informed younger taxpayers to question why *they* are being taxed to pay for Baby-Boomer retirements in a Ponzi scheme.

DISCUSSION

Before the Social Security program, families and communities cared for the elderly through multigenerational households and extended family networks. Elderly parents often lived with their adult children, and community support from neighbors and religious institutions played a significant role. Many elderly continued to work as long as possible, especially in rural areas, relying on savings, property, and community charities for financial support. Multigenerational wealth, houses, trades, and family farms provided stability and security for the elderly.

During this period, a mass exodus from farms to cities weakened traditional family structures. This migration disrupted the extended family networks that had been the foundation of elder care, making it more difficult for families to support their elderly members. Furthermore, the introduction of Social Security in 1935 significantly shifted the reliance from family and community to government-funded (taxpayer) support. This federal safety net changed the social fabric, increasing American dependency on government assistance and diminishing the traditional roles of family, church, and community in caring for the elderly.

The effectiveness of Medicare, Medicaid, and Social Security in achieving their respective goals had been provision of essential services and financial support to millions of Americans for 60 to 90 years. Social Security reduced elderly poverty, Medicare increased healthcare access for seniors, and Medicaid provided healthcare to low-income individuals and families. These programs met their primary objectives of enhancing the welfare of vulnerable populations but at an extremely high cost to future generations. The negative consequences of trillions in unfunded liabilities or "*generational theft*" for these programs cannot be overlooked. The looming fiscal shortfall poses a threat to the sustainability of promised services.

Unfunded liabilities increase the national debt, placing a financial burden on future generations – government figures include $22.4 trillion for OASDI and $50.2 trillion for HI and SMI trust funds. Yet, former SEC Chairman Chris Cox and former House Ways & Means Committee Chairman Bill Archer (2012) reported approximately $87 trillion in unfunded liabilities based on Medicare and Social Security Trustees' Reports, including Social Security, Medicare, federal workers' pensions, and the official debt. Boston University economist Laurence Kotlikoff (2012) calculates a "fiscal gap" of $222 trillion using the Congressional Budget Office's long-term budget forecast, considering the present value of all future expenditures minus projected taxes. To meet future obligations, primarily for entitlement programs, the government needs to invest $87 trillion to $222 trillion now at a positive rate of return (Kotlikoff, 2012; Cox, 2012). This debt will lead to higher taxes, reduced government spending on other essential services, and potential cuts to the very benefits these programs provide.

Index Funds as an Alternative

The financial instability created by these unfunded liabilities undermines the long-term viability of Medicare, Medicaid, and Social Security, necessitating urgent reforms to ensure their continued effectiveness and fiscal health. We propose an alternative to the tax-spend-borrow abuse of social security through Mutual Funds that are not run or managed by the Social Security Administration. A comparison of social security and mutual funds follows in TABLE 1.

The first column of this chart lists a year. The second column shows the average income in the United States derived from Census data. The third column is merely 15% times the average annual income; we used 15% to approximate the OASIDI and Medicare taxes on income. We placed the historical Standard and Poor's 500 Index returns in column 4 and completed the math (cumulative total) in column 5. So, line 1 of the figure shows a mean income in 1970 of $8734 times 15% which equals $1,310 total contribution. The S&P 500 return was close to zero that year, so the total after one year would be the payroll assessment of $1,311. In 1971, take the annual income of $9,028 times 15% which equals $1354. We add $1,311 plus $1,354 and multiply the sum by the 11% return from S&P 500 for a total of $2,953 at the end of year 2; we continue the same for the next 50 years.

If every taxpayer invested 15 percent of each paycheck in an index fund throughout 50 working years, then he/she/ze would become a millionaire! Instead, the federal government deducts Social Security taxes from our paychecks and provides those funds to today's retirees. The funds are not stored in an interest-bearing savings account and the Social Security lockbox is fictitious. So, what does this mean to us as taxpayers? It means a lot. The chart shows that total contributions to our retirement fund instead of Social Security, equals $267,432 over fifty years, which grows to $2,235,119 by retirement.

These funds could be used in the same manner that Social Security and Medicare are used today. Today, the average social security recipient receives $1400 per month. Using the power of the Stock Market, the average retiree could receive $14,000 per month, or a total of $178,809 per year without touching the principal. Upon death, the investors' funds would go to the surviving spouse, and upon his or her death the remaining principal would go to their offspring creating inter-generational wealth. If there are no children or grandchildren heirs, the principal could be transferred to an independently managed trust fund for people with disabilities, which is also invested in a Stock Index Fund. If one calculates interest on the accumulated total, the current rate of return from Social Security is less than 1% of the hypothetical $2,235,119. This low rate, when compared to the original amount adjusted for inflation, highlights our concerns of intergenerational inequity. The real question taxpayers must ask is whether we would rather have the Social Security "Ponzi" check for $1,417 per month or a mutual fund check for up to $18,695 monthly. The government not only confiscates 15 percent of our income, but we also lose the potential dividends and interest that could make every blue-collar American a millionaire!

The question of whether Social Security is constitutional has never been resolved. In 1934, the Supreme Court decided that Social Security's taxes were valid exercises of the taxing power in Article I, Section 8: the U.S. Supreme Court evaded the primary issue of whether Social Security is an unconstitutional government insurance program. Madison emphasized that the powers delegated to the federal government are "*few and defined*," while those reserved to the states are "*numerous and indefinite*." This paper discusses the division of powers and the idea that the federal government's responsibilities are specifically enumerated in the Constitution, and neither retirement nor medicine is found therein (Hamilton, et.al, 1961). In addition, the Supreme Court ruling in Flemming vs. Nestor (1960) established that while taxpayers are obligated to make FICA contributions, the U.S. government is not obligated to provide any specific benefits in return (SCOTUS, 1960). Social Security is fraud by ***any*** legal or ethical definition. As demonstrated by every socialist regime throughout history, controlled economies have never worked (Baker, 2021).

TABLE 1
PRIVATIZATION IS AN ALTERNATIVE TO SOCIAL SECURITY PONZI

	Mean Income	Tax* 15%	S+P Return	Total		Mean Income	Tax* 15%	S+P Return	Total
1970	$8,734	$1,310	0%	$1,311	**1996**	$35,492	$5,324	20%	$346,313
1971	$9,028	$1,354	11%	$2,953	**1997**	$37,005	$5,551	31%	$460,977
1972	$9,697	$1,455	16%	$5,097	**1998**	$38,885	$5,833	27%	$591,308
1973	$10,512	$1,577	-17%	$5,514	**1999**	$40,696	$6,104	20%	$714,087
1974	$11,197	$1,680	-30%	$5,056	**2000**	$41,990	$6,299	-10%	$647,339
1975	$11,800	$1,770	32%	$8,979	**2001**	$42,228	$6,334	-13%	$568,434
1976	$12,686	$1,903	19%	$12,966	**2002**	$42,409	$6,361	-23%	$440,466
1977	$13,572	$2,036	-12%	$13,277	**2003**	$43,318	$6,498	26%	$564,872
1978	$15,064	$2,260	1%	$15,701	**2004**	$44,334	$6,650	9%	$622,902
1979	$16,461	$2,469	12%	$20,407	**2005**	$46,326	$6,949	3%	$648,747
1980	$17,710	$2,657	26%	$29,007	**2006**	$48,201	$7,230	14%	$745,321
1981	$19,074	$2,861	-10%	$28,767	**2007**	$50,233	$7,535	4%	$779,432
1982	$20,171	$3,026	15%	$36,486	**2008**	$50,303	$7,545	-38%	$484,070
1983	$20,885	$3,133	17%	$46,460	**2009**	$49,777	$7,467	23%	$606,801
1984	$22,415	$3,362	1%	$50,520	**2010**	$49,276	$7,391	13%	$692,687
1985	$23,618	$3,543	26%	$68,298	**2011**	$50,054	$7,508	0%	$700,195
1986	$24,897	$3,735	15%	$82,563	**2012**	$51,017	$7,653	13%	$802,770
1987	$26,061	$3,909	2%	$88,228	**2013**	$53,585	$8,038	30%	$1,050,806
1988	$27,225	$4,084	12%	$103,758	**2014**	$53,657	$8,049	11%	$1,179,458
1989	$28,906	$4,336	27%	$137,550	**2015**	$56,516	$8,477	-1%	$1,179,264
1990	$29,943	$4,491	-7%	$132,723	**2016**	$59,039	$8,856	10%	$1,301,466
1991	$30,126	$4,519	26%	$173,351	**2017**	$61,136	$9,170	19%	$1,565,162
1992	$30,636	$4,595	4%	$185,883	**2018**	$63,179	$9,477	-6%	$1,473,547
1993	$31,241	$4,686	7%	$204,023	**2019**	$68,703	$10,305	29%	$1,912,390
1994	$32,264	$4,840	-2%	$205,646	**2020**	$67,521	$10,128	16%	$2,235,119
1995	$34,076	$5,111	34%	$282,647		Total =	**$267,432**		

By investing in the S+P 500, the "average" taxpayer can receive a retirement check for $14,900 per month

This Is a Big Government Spending Issue

Allegedly, if you drop a live frog into a pot of hot water, it will try to jump out; but if you put the frog into warm water and gradually increase the temperature, it will remain there and become boiled. United

States citizens are a lot like the frog – we have become boiled by our elected officials. If U.S. income tax enacted in 1913 had been based upon confiscation of 33 percent of income then U.S. taxpayers would have rioted in the streets of every major city. U.S. congressmen would have been hung from tall trees with short ropes for enacting that legislation; and the president would, most likely, have been tarred and feathered. American frogs would have jumped into action! However, the political elites in both parties grew the federal government by increasing taxation incrementally over the past 100 years.

The Revenue Act of 1913, which followed the ratification of the 16th Amendment, set the initial federal income tax rate of merely 1% tax on incomes above $3,000 for individuals (equivalent to about $85,000 in 2021 dollars). U.S. tax rates have risen to the point where most middle-class Americans work about one-third of each year for the local, state, and federal governments. For example, a single, self-employed taxpayer with an income of $70,000 pays $9,408 in Federal Income Tax, $9,891 in Social Security Taxes, $3,253 in Colorado State Income Tax (half as much as blue states like California, New York, or Hawaii), and typically 8% in sales tax $3,796 for a total of 38% of income, not including many others such as property tax, or gasoline taxes, etcetera!

Like the frog gradually acclimated to boiling water, American citizens have passively accepted an ever-increasing burden of taxation and government control from cradle-to-grave. The incremental expansion of federal programs and the corresponding increase in spending, borrowing, and taxes have eroded the foundational principles of limited government and individual liberty. The result is a populace that, while initially resistant to overt and abrupt changes, has become complacent under the gradual imposition of policies that undermine financial independence and constitutional freedoms. Taxpayers must recognize this slow boil and take action to reform these systems before we are irrevocably submerged in an unsustainable fiscal quagmire. Only by insisting on responsible governance and constitutional adherence can we hope to preserve the freedoms and prosperity envisioned by our founding fathers.

The Fiscal Policy & Monetary Policy Fiascos Collide

Fiscal policy involves government spending and taxation to influence the economy, typically managed by the legislative and executive branches. It aims to stimulate economic growth during recessions or cool down inflation during booms. Whereas, monetary policy involves controlling the money supply and interest rates, primarily managed by a central bank like the Federal Reserve. Its goals include controlling inflation, managing employment levels, and stabilizing the currency. While fiscal policy directly affects demand through government spending and taxes, monetary policy influences the economy by altering the cost and availability of money.

The Fiscal Fiasco

Deficit spending is not a growth tool: it leads to stagnation (Lacalle, 2024). The latest Congressional Budget Office (CBO) estimates reveal that the U.S. faces severe fiscal challenges. Despite anticipated economic growth and increased tax revenues from 2024 to 2034, the budget deficit is projected to rise from $1.9 trillion to $2.8 trillion. This increase is mainly due to soaring outlays driven by higher interest costs and mandatory spending outpacing revenue growth. Consequently, public debt is expected to escalate from 99% to 122% of GDP by 2034. The current Federal deficit is $2 trillion, and the Federal debt is $34.8 trillion and growing (Debt Clock, 2024). In addition, the negative consequences of trillions in unfunded liabilities or "generational theft" for these programs cannot be overlooked. Unfunded liabilities, including $22.4 trillion for OASDI and $50.2 trillion for HI and SMI trust funds, significantly increase the national debt, placing a financial burden on future generations.

Baker (2023) identified that if we had to choose just one event signaling the end of U.S. world supremacy, or "superpower" status, then it would be the moment in 2012, when the U.S. Federal Debt exceeded our Gross Domestic Product (GDP), largely due to Bush and Obama's Modern Monetary Theory (MMT) inspired growth of the money supply combined with unconstrained spending. Considering the staggering figures of $34.8 trillion, $22.4 trillion, and $50.2 trillion totaling over $100 trillion in debt and unfunded liabilities, it is clear that the U.S. federal government is teetering on the brink of bankruptcy.

The Monetary Fiasco

Modern Monetary Theory (MMT) has gained traction among the far left due to its claim to remove traditional constraints on government spending. While MMT reinterprets the creation of money, it fails to credibly justify increased deficit spending without causing inflation. Its proposal to use taxation as a monetary policy tool disregards the established separation between monetary and fiscal policy, which exists due to differing political motivations. MMT dismisses market-based countercyclical policies in favor of central control over resource allocation, relying on specific interventions and a government-guaranteed employment program. Ultimately, MMT represents an unrealistic attempt to finance socialist ideals and federal job guarantees by printing money, ignoring the necessity of improving societal welfare when shifting resources from the private to the public sector. Printing money does not create free lunches. The Biden Administration's MMT-based growth and unconstrained spending has exacerbated the situation, resulting in rampant inflation (Coates, 2019).

MMT can be described as "Keynes on steroids," suggesting that a government with sovereign control over the currency can print money to finance spending without immediate concerns about deficits or debt. Consequently, the M2 money supply has alarmingly doubled in just a decade, soaring from $10.2 trillion to $20.7 trillion (Fred, 2024). According to the Quantity Theory of Money, assuming all other factors remain constant, an increase in the money supply leads to a proportional increase in the price level. Simply put, if the amount of money circulating in the economy grows at a faster rate than the production of goods and services, it inevitably drives inflation. MMT failed in Venezuela and will not work in the United States (Baker, 2021). The current trajectory underscores a critical need for fiscal restraint and monetary prudence to avert further economic destabilization.

Dual Fiasco Summary – A Ticking Time Bomb

The U.S. faces severe fiscal challenges due to deficit spending, which stifles growth and leads to stagnation. The Congressional Budget Office (CBO) projects the budget deficit will rise from $1.9 trillion to $2.8 trillion by 2034, driven by mandatory spending and higher interest costs. Public debt is expected to escalate from 99% to 122% of GDP, placing a significant burden on future generations. Unfunded liabilities, including $22.4 trillion for OASDI and $50.2 trillion for HI and SMI trust funds, exacerbate this issue. Adherence to rule of law, and the Generally Accepted Accounting Principles (GAAP) could have helped identify these fiscal issues sooner by providing a clearer and more transparent view of the government's financial position.

Furton and Salter (2017) argue that the rule of law should apply to monetary institutions, similar to other public institutions. They contend that discretionary central banking fails to achieve macroeconomic stability and that rule-based institutions could outperform discretionary ones. They advocate for monetary institutions to be governed by the same norms as other public institutions in liberal democracies, emphasizing that macroeconomic stability emerges from a rules-based framework. Modern Monetary Theory (MMT) fails to justify increased deficit spending without causing inflation, evidenced by the doubling of the M2 money supply over the past decade. The Biden Administration's MMT-inspired policies have resulted in rampant inflation, underscoring the need for fiscal restraint and monetary prudence to prevent further economic destabilization.

The Youth of America Might Save America

The author surveyed 2000+ college freshmen taking "Introduction to Business" classes between 2017 and 2024. During a classroom exercise called "Uncle Sam" students' brain-storming solutions included:

1. Stop unnecessary spending now!
2. Make a balanced budget only for essential spending and stick to it.
3. Pay debt first; reduce the principal owed.
4. End all "welfare" for corporations and foreign states – no more handouts!
5. End all spending on unconstitutional programs, e.g. focus on enumerated functions.
6. End Congressional pay and benefits for any fiscal year that the budget is not balanced.

7. Mandate that all legislators participate in every program enacted including Social Security, Medicare, Medicaid, the Affordable Care Act (Obamacare), and any other burden placed on American taxpayers.
8. Privatize Social Security and Medicare now!
9. End the Federal Reserve – Congress should be in charge, not the Fed.
10. Create an "army" of independent, forensic accountants who would monitor all federal elected officials annually – with the threat of criminal prosecution for fraud, waste, and abuse; and forbid foreign donations to any elected officials and their immediate families.

College freshmen get it; so why don't 435 U.S. Representatives and 100 Senators? The goal of fiscal solvency must become a grassroots-level movement by the American youth, with a few understandable goals. E.g. A flat tax, a balanced budget, and privatizing Social Security together would offer a comprehensive solution for fiscal responsibility and economic growth: a flat tax ensures simplicity and fairness in the tax code, promoting compliance and efficiency; a balanced budget enforces fiscal discipline by aligning government spending with revenues, preventing deficit-driven economic instability; and privatizing Social Security empowers individuals to manage their own retirement savings, fostering personal responsibility and yielding higher returns through private investment.

If the federal government funded <u>only</u> the enumerated functions listed in the US Constitution, then the federal government would be drastically reduced in size. If the federal government shrunk both in size and number of programs, then the budget would shrink as well. Shrinking federal spending is the key to balancing the budget and averting fiscal apocalypse. The looming fiscal shortfalls pose a severe threat to the sustainability of essential, albeit unconstitutional services, underscoring the futility of balancing the budget through revenue measures alone. In the 1940s, President Harry Truman oversaw substantial cuts in federal spending dropping from $98.4 billion in 1945 to $33 billion in 1948. Truman aimed to balance the federal budget and reduce the national debt. Truman achieved a budget surplus by 1947 – it can be done!

The $2 Per Day Millionaire

Taxpayers must disempower the Federal government to regain control of our paychecks and retirement funds. As a starting point, allocate $2 per day times 365 days (2 x 365 = $730) for each American, and invest it into a Stock Index fund for each citizen's birthday. If this is done every year for 65 years, based on an average stock market return of 8% then every American citizen's retirement fund would have between $1,067,311 and $1,644,042 on their 60th birthday [using Excel =FV(8%/12, 60*12, 60) equals $1,067,311]; any variation depends on compounding interest per day, month or year. There would be no need for social security taxes as they exist today. If treated like a Roth IRA, this money would be 100% tax-free, and citizens could choose to invest $2 per day or increase the amount if they wish. Albert Einstein is often attributed with the quote, "Compound interest is the eighth wonder of the world. He who understands it, earns it; he who doesn't, pays it." Every American could be a millionaire with each fund stored in individual trusts inaccessible by greedy or unethical politicians.

Furthermore, if 330 million American citizens each invested $730 annually, this would equal $237.6 billion annual injection into the stock market through a privatized stock index fund. This would stimulate the overall economy by increasing stock prices and boosting investor confidence. This annual influx of capital would provide businesses with greater access to funds for expansion, research, and development, potentially leading to job creation and economic growth. Higher returns on these investments could enhance the financial sustainability of a privatized Social Security, reducing the long-term burden on taxpayers. Additionally, the wealth effect from rising stock prices could increase consumer spending and further stimulate economic activity.

CONCLUSION

Since 1935, Social Security, Medicare, and Medicaid have provided economic security and healthcare funding to millions, creating a safety net for the elderly, disabled, and low-income individuals. However, the trillions in taxes required for these programs represent a significant opportunity cost, as funds could have been used for personal investments, savings, or consumption, potentially spurring economic growth and individual financial freedom. This highlights the trade-off between collective welfare and individual economic potential, sparking debate over taxation and personal financial autonomy. These programs have reduced poverty among the elderly and ensured healthcare for seniors, but they have also increased government dependence. From a constitutional originalist perspective, their sustainability and legitimacy are concerning, as they were not established through constitutional amendments. Social Security faces trillions in unfunded liabilities, raising doubts about its long-term viability. Medicare and Medicaid confront substantial fiscal challenges and raise constitutional questions regarding federal overreach. To address these issues, reforms aligning with constitutional principles, such as privatization and investment in stock index funds, should be considered to balance program intent with limited federal government and greater state and individual autonomy.

If the U.S. economy is Superman, then federal debt is our kryptonite, and our political elites have gravely damaged the American economy. While Brazil, Russia, India, China, and South Africa (BRICS) have ranked among the world's fastest-growing emerging market economies due to low labor costs, favorable demographics, and abundant natural resources during a global commodities boom, they also see themselves as countering the traditional Western-led global order. BRICS member states aim to boost their influence worldwide and displace the US dollar as the world currency. President Biden's pursuit of unrealistic goals based on MMT and unconstrained spending mirrors Hugo Chávez's transition of Venezuela from capitalism to 21st Century Socialism resulting in hyperinflation, massive unemployment, and currency devaluation (Baker, 2021). Overspending coupled with MMT will end the U.S. dollar as the de facto international currency.

The loss of the U.S. dollar's status as the world's primary reserve currency, particularly in global oil transactions and other commodities, will negatively impact the U.S. economy. Reduced global demand for dollars will lead to dollar depreciation, causing inflation due to higher import costs. To maintain the dollar's value and attract buyers for U.S. Treasury securities, the Federal Reserve might raise interest rates, increasing borrowing costs and slowing economic growth. Higher interest payments on government debt would pressure the federal budget, necessitating higher taxes or spending cuts. The U.S. would also lose significant economic and geopolitical leverage, while the transition to a new global reserve currency could cause market volatility and investor uncertainty. Although this shift might not cause an immediate crash, it will lead to a series of adverse effects, resulting in a severe economic downturn within the United States. This paper serves as a warning to US business owners, business students, and citizens to prepare for the inevitable and impending economic collapse.

FUTURE RESEARCH QUESTIONS

1. How does participation in state retirement programs, rather than Social Security, affect the perspectives and teachings of higher education professors regarding federal fiscal policies & social welfare programs?
2. Which interest groups, ideological factions, and constituent demographics inhibit political leaders and voters from pursuing fiscal prudence, despite the looming threat of a significant financial crisis?
3. What specific incentives and pressures do these entities face that perpetuate their current spending behaviors, disregarding the long-term economic ramifications?

REFERENCES

Andrzejewski, A. (2024, March 4). The $175.3 trillion doomsday clock is ticking – That is the estimated unfunded Social Security and Medicare liability. *Open The Books Website*. Retrieved from https://openthebooks.substack.com/p/the-1753-trillion-doomsday-clock

Baker, B. (2021). Chávez's Bolivarian Republic viewed with a quality lens. *Journal of Management Policy and Practice*, *22*(3), 1–27. https://doi.org/10.33423/jmpp.v22i3.4679

Baker, B. (2023). Poor management policies and practices by U.S. politicians destroyed a superpower. *Journal of Management Policy & Practice*, *24*(1), 71–117. https://doi.org/10.33423/jmpp.v24i1.6030

Baker, B.L. (2009). *Tea Party Revival: The Conscience of a Conservative Reborn*. Outskirts Press.

BOT - Board of Trustees. (2023). The 2023 annual report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds. *The OASDI Board of Trustees (BOT)*. Retrieved from https://www.ssa.gov/oact/TR/2023/tr2023.pdf

BOT - Board of Trustees. (2024). The 2024 annual report of the Board of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds. *The Medicare Board of Trustees (BOT)*. Retrieved from https://www.cms.gov/oact/tr/2024

Buchanan, J.M. (1983). Social security survival: A public-choice perspective. *Cato Journal*, *3*, 339. Retrieved from https://www.cato.org/sites/cato.org/files/serials/files/cato-journal/1983/11/cj3n2.pdf

Butler, E. (2024). An introduction to taxation. *IEA*. Retrieved from https://iea.org.uk/wp-content/uploads/2024/07/Taxation-Interactive.pdf

Capretta, J.C. (2024, June 12). Who pays for Medicaid? *American Enterprise Institute*. Retrieved from https://www.aei.org/health-care/who-pays-for-medicaid/

CMS. (2016). Report to Congress: 2016 actuarial report on the financial outlook for Medicare. *Centers for Medicare & Medicaid Services (CMMS), United States Department of Health & Human Services*. Retrieved from https://www.medicaid.gov/medicaid/downloads/medicaid-actuarial-report-2016.pdf

Coats, W. (2019). Modern monetary theory: A critique. *Cato Journal*, *39*(3).

Cox, C., & Archer, B. (2012, November 28). Why $16 trillion only hints at the true U.S. debt. *Wall Street Journal*. Retrieved from https://www.wsj.com/articles/SB10001424127887323353204578127374039087636

CRFB. (2023, April 3). Analysis of the 2023 Medicare Trustees' report. *Committee for a Responsible Federal Budget*. Retrieved from https://www.crfb.org/papers/analysis-2023-medicare-trustees-report

CRS. (2020, May 21). Medicare overview. *Congressional Research Service (CRS)*. Retrieved from https://crsreports.congress.gov/product/pdf/IF/IF10885

CRS. (2021, February 22). Medicaid: An overview. *Congressional Research Service (CRS)*. Retrieved from https://crsreports.congress.gov/product/pdf/R/R43357/16

CRS. (2023, February 28). Medicaid: An overview. *Congressional Research Service (CRS)*. Retrieved from https://crsreports.congress.gov/product/pdf/R/R43357

CRS. (2023, April 5). Social security: Selected findings of the 2023 annual report. *Congressional Research Service (CRS)*. Retrieved from https://crsreports.congress.gov/product/pdf/IF/IF12375

Debt Clock. (2024). The debt clock. *Debt dot org*. Retrieved from https://www.usdebtclock.org/

Foster, R.S., & Clemens, M.K. (2009). Medicare financial status, budget impact, and sustainability—Which concept is which? *Health Care Financing Review*, *30*(3), 77–90.

FRED. (2024). M2, billions of dollars, monthly, seasonally adjusted. *Federal Reserve Economic Data*. Retrieved from https://fred.stlouisfed.org/series/M2SL

Furton, G.L., & Salter, A.W. (2017). Money and the rule of law. *Austrian Economics*, *30*, 517–532. Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2790213

Haislmaier, E., & Slagle, A. (2021, March 21). Obamacare has doubled the cost of individual health insurance. *Heritage Foundation*. Retrieved from https://www.heritage.org/health-care-reform/report/obamacare-has-doubled-the-cost-individual-health-insurance

Hamilton, A., Madison, J., & Jay, J. (1961). *The Federalist Papers*. Mentor Books.

Hayek, F.A. (1949, Spring). The intellectuals and socialism. *University of Chicago Law Review*, *16*, 417.

Hayek, F.A. (2011 [1960]). *The constitution of liberty: The definitive edition*. University of Chicago Press.

Heyes, J.D. (2011). Medicare bankrupt by 2024, says government. *Natural News*. Retrieved from https://www.naturalnews.com/032452_Medicare_bankruptcy.html

HHS Press Office. (2013, March). HHS finalizes rule guaranteeing 100 percent funding for new Medicaid beneficiaries. *U.S. Department of Health & Human Services*.

Kotlikoff, L. (2012, July 31). The U.S. is totally broke: Federal govt.'s fiscal gap is $222 trillion. *The Daily Ticker*. Retrieved from https://finance.yahoo.com/blogs/daily-ticker/u-totally-broke-federal-govt-fiscal-gap-222-135416602.html

Lacalle, D. (2024, June 29). The coming US budget disaster will impoverish Americans. *Mises Wire*. Retrieved from https://mises.org/mises-wire/coming-us-budget-disaster-will-impoverish-americans

Sanders, B. (2016). Medicare for all. *Sanders*. Retrieved from https://berniesanders.com/issues/medicare-for-all/

Scott, E.M. (2010, April 22). Government report: Unfunded liabilities of Social Security and Medicare. *OLR Research Report*. Retrieved from https://www.cga.ct.gov/2010/rpt/2010-R-0197.htm

SCOTUS. (1937). *Helvering v. Davis, 301 U.S. 619 (1937)*. Supreme Court of the United States. Retrieved from https://supreme.justia.com/cases/federal/us/301/619/

SCOTUS. (1960). *Flemming v. Nestor, 363 U.S. 603 (1960)*. Argued: February 24, 1960, Decided: June 20, 1960. Supreme Court of the United States. Retrieved from https://supreme.justia.com/cases/federal/us/363/603/

SCOTUS. (1980). *Harris v. McRae, 448 U.S. 297 (1980)*. Argued: April 21, 1980, Decided: June 30, 1980. Supreme Court of the United States. Retrieved from https://supreme.justia.com/cases/federal/us/448/297/