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TREASURY SECRETARY SNOW: GOVERNMENT WILL USE PENSION FUNDS TO KEEP GOING

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As the Bush/Kerry campaigns heat up towards election day, little notice has been given to statements put forth by Treasury Secretary John Snow two weeks ago regarding the state of the economy. "The combination of a growing economy bringing in increased revenues, along with tight controls on spending, will enable us to reach the president's goal of cutting the budget deficit in half in five years," said Snow.

How will this be accomplished? According to Snow, for now he will use federal pension money to keep the government running. Snow notified Senate majority leader, Bill Frist, earlier this month that he was "immediately suspending payments to a federal employees' retirement scheme, the Government Securities Investment Fund (G-Fund)." Snow went on to say the money would be repaid later with no effect on the fund or retirees. Snow stated this emergency

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measure needed to be taken because Congress had not acted on his request for the government's legal debt limit be raised. Such a move say insiders, would disclose continued over-spending so close to the elections, which could have an impact on President Bush's bid re-election as well as incumbent members of Congress.

As the U.S. Treasury has no money in it, repayment of the pension funds will have to come from further borrowing by Congress from the privately owned Federal Reserve Banking System, increasing what is called the "national debt." Many Americans are unclear regarding certain aspects of the Federal government's banking system and what some call "creative bookkeeping."

The National Debt vs the Deficit

In the most simplistic terms, assume that for 2005, Congress and the President decide they want \$1.7 trillion dollars to fund the budget passed by Congress and signed into law by the sitting President. Most Americans believe that their income tax dollars fund these budgets. According to one report, this isn't true: 100% of all income taxes paid to the IRS go to the central bank (FED) for transfer payments and to pay down the national debt. According to a report titled, President's Private Sector Survey On Cost Control- A Report to The President (Reagan), January 15, 1984, page 12:

"Importantly, any meaningful increases in taxes from personal income would have to come from lower and middle income families, as 90% of all personal taxable income is generated below the taxable income level of \$35,000. Further, there isn't much more that can be extracted from high income brackets. If the Government took 100% of all taxable income beyond the \$75,000 tax bracket not already taxed, it would get only \$17 billion, and this confiscation, which would destroy productive enterprise, would only be sufficient to run the Government for several days.

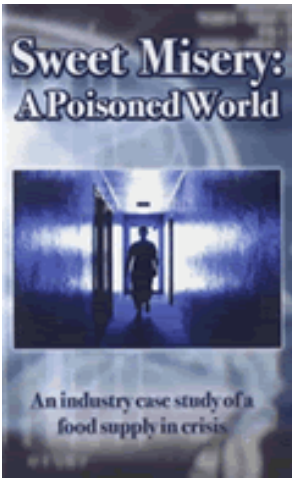
"Resistance to additional income taxes would be even more widespread if people were aware that: With two-thirds of everyone's personal income taxes wasted or not collected, 100% of what is collected is absorbed solely by interest on the Federal Government contributions to transfer payments. **In other words, all individual income tax revenues are gone before one nickel is spent on the services**

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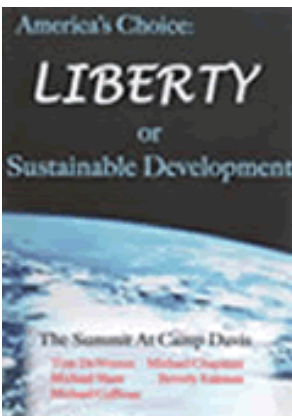


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which taxpayers expect from their government."



What other revenues does the government collect? Corporate taxes, social security taxes, constitutional revenues such as excise taxes on cigarettes, alcohol, tobacco, firearms, tires, etc., tariffs on trade, military hardware sales, and some minor categories. Let's say that those revenues will total \$900 billion dollars. The politicians want \$1.7 trillion to spend on their pet social welfare programs, wars and foreign aid, but have a short fall of \$800 billion dollars. This is called the deficit (or shortfall), created by Congressional spending with no money in the bank. Because there is no money in the U.S. Treasury, Congress then needs to borrow this shortfall creating what's called the "national debt." This is accomplished by Congress borrowing ink since no legal currency is ever exchanged. When that \$800 billion dollars of IOUs is transferred to the Treasury from the private banking cartel, the 'FED', it gets piled on top of the existing "national debt."

While it is only ink exchanged between Congress and the central bank, Americans are paying the privately owned Federal Reserve and their stockholders from the fruits of their labor via their paychecks. Several years ago, Congressman Ron Paul (R-TX) had something interesting to say about this process: "Strictly speaking, it probably is not necessary for the federal government to tax anyone directly; it could simply print the money it needs. However, that would be too bold a stroke, for it would then be obvious to all what kind of counterfeiting operation the government is running. The present system combining taxation and inflation is akin to watering the milk: too much water and the people catch on."

Economists continue to stress to the American people that the national debt can never be paid down for more than a few minutes at a time and can never be paid off ([search](#)) - regardless of whether a Democrat or Republican sits in the

White House. An example of this can be found by looking at the numbers from the Department of Treasury ([search](#)):

The National Debt by numbers and administrations (D) for Democrat, (R) Republican

07/01/1900 2,136,961,091.67 (R)

06/30/1949 252,770,359,860.33 (D)

12/31/1956 276,627,527,996.11 (R)

12/31/1968 358,028,625,002.91 (D)

09/30/1987 \$2,350,276,890,953.00 (R)

09/30/1988 \$2,602,337,712,041.16 (R)

09/28/1990 \$3,233,313,451,777.25 (R)

09/30/1991 \$3,665,303,351,697.03 (R)

09/30/1992 \$4,064,620,655,521.66 (R)

09/30/1993 \$4,411,488,883,139.38 (D)

09/30/1994 \$4,692,749,910,013.32 (D)

09/30/1996 \$5,224,810,939,135.73 (D)

12/29/2000 \$5,662,216,013,697.37 (D)

02/28/2001 \$5,735,859,380,573.98 (R)

08/08/2001 \$5,720,324,946,092.23 (R)

09/30/2002 \$6,228,235,965,597.16 (R)

09/30/2003 \$6,783,231,062,743.62 (R)

10/20/2004 \$7,429,511,697,284.39 (R)

The debt incurred by the Federal government has now reached \$1.67 billion dollars per day and grows exponentially as the privately owned Federal Reserve adds interest to each dollar bookkeeping entry. As pointed out in a recent article by Carolyn Lochhead ([search](#)), the first of the 77 million-strong Baby Boomer generation will begin to retire in just four years. The economic impact of this will skyrocket the federal debt to \$72 trillion dollars - something neither Bush nor Kerry have brought up on the campaign trail.

"Chilling" is the word U.S. Comptroller General David Walker uses to describe the budget outlook. Leonard Burman, a co- director of Tax policy for the Urban Institute weighed in with more ominous warnings: "The long-term budget projections are just horrifying. I've got four children

and it really disturbs me. I just think it's irresponsible what we're doing to them."

Laurence Kotlikoff, Economics Chairman at Boston University, who has written abundantly on this subject, offers up a shocking response on how to close a \$51 trillion dollar fiscal gap: "To give you idea how big the problem is, you'd have to have an immediate and permanent 78 percent hike in the federal income tax."

Today Treasury Secretary Snow is suspending payments to the federal employees pension fund to keep the government running. What will be done in a few short years to stop the big bubble from bursting? Voters might ask their Congressional representative before the November 2, 2004 elections.

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