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Obama's new road to serfdom

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The media focus so much attention on the federal debt that many are missing an additional financial problem brewing in Washington: The government is running out of places to borrow money. Since its inception in the 1930s, Social Security has generated a surplus every year. Each year, as required by law, Social Security has lent its surplus to the federal government. But in 2010, something new happened. For the first time, Social Security's annual surplus started to decline and, according to the Social Security Board of Trustees, will disappear completely by 2020. As Social Security generates smaller and smaller surpluses, the government's need for a new source of moneys will become acute.

There are only four places the government can turn for loans: Social Security (and other government agencies that generate surpluses), foreigners, the Federal Reserve and American citizens.

Of the $17.5 trillion the government has borrowed to date, $5 trillion has come from Social Security and other government agencies. But in a few short years, Social Security will have no more money to lend. Since 2007, foreign governments have more than doubled their loans to the U.S. government, from $2.3 trillion to $5.7 trillion. But foreign governments seem less willing to purchase United States debt since the government's unprecedented loss of its AAA debt rating in 2011. The Federal Reserve tripled the amount of money it lends to the U.S. government from around $700 billion in 2007 to over $2 trillion today — largely through “quantitative easing.” But as the economy heats up, the Fed needs to unwind its “easing” or risk significant inflation.

It is against this backdrop of tightening credit that President Obama recently proposed a new type of savings account: myRA.

Officially, the plan is a new savings vehicle for Americans who don't have access to employer-sponsored retirement plans. But myRA offers nothing that Roth IRAs, available since 1997, don't already offer. The myRA plan differs from Roth IRAs in only one meaningful respect: unlike IRAs, which allow people to invest in stocks, bonds or Treasury bills, myRA permits investments only in Treasury bills. In other words, myRA is a government lending plan disguised as a worker retirement plan. The president's apparent goal is to create a new source of funding by forcing people to lend their retirement savings to the government.

But at a paltry 1.5 percent return, five-year Treasury bills can't even keep up with inflation, making myRA largely useless as a retirement plan. And if Americans don't want myRAs, Washington could run out of places to borrow money. What then?

In its October Fiscal Monitor Report, the International Monetary Fund recommended that Western governments impose “a one-off tax on private wealth … to restore debt sustainability.” In short, the IMF recommended that governments simply confiscate the money they need from citizens' savings accounts in order to continue their wanton spending. After all, the money has to come from somewhere.

The real purpose of myRA is to encourage Americans to lend money to the federal government. When the money isn't enough, the government will force Americans to lend by making myRA plans mandatory. When this still isn't enough, the government will follow the IMF's advice and tax our savings.

At that point, we will have lost the last of our economic freedom. Because at that point, the government will have finally declared that it owns everything. And we will no longer be free citizens but serfs.

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