



VIPMOAA NEWSLETTER



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PREZ SEZ

““Nobody grows old by merely living a number of years. People grow old only by deserting their ideals.”

General Douglas MacArthur



I recently read an article written by Lt Gen Michael M. Dunn, President/CEO of the Air Force Association, which was quite sobering. The article put in perspective the great task facing our elected leaders in dealing with the mounting national debt. His article follows:

“Let us suppose that the government could reduce the budget deficit to zero. This would mean cutting not just \$1.5 Trillion over ten years ... but \$12 Trillion over the same time period.

And suppose we could pay \$100M per day ... every day ... to reduce our debt. How long would it take to reduce it to zero? Answer: over **404 years**.

But wait ... that assumes a zero interest rate. Presently 10 year treasury bills yield about 2%. If you assume that rate is constant over the next 400+ years, you will have to pay \$295B per year in interest over the first years ... and since \$100M per day only produces \$36.5B annually, you can't get there. \$100M per day actually grows the debt over \$250B per year in the first years.

So, let's change the amount and say you could pay \$1B per day. That produces \$365B per year and pays the interest of \$295B and a small reduction in the debt. But ... average interest rate on 10 year treasuries over a long period of time is more like 5%.

If you assume a 5% rate, you need \$738B per year in interest payments alone ... and \$1B per day allows the debt to continue to grow \$370B+ per year in the first years.

Bottom line – given the size of our national debt, if interest rates ever get back to “normal,” it would take \$2.21B every day to reduce the debt to zero over 50 years.

Remember, this assumes Congress and the Administration can first find \$12 Trillion in cuts to government spending to balance the budget over the next 10 years.”

My hope is that the Congressional “Super Committee of 12” and the Administration can come up with reasonable spending cuts and cost-saving measures to trim the federal budget without instituting drastic actions that hollow out our military forces, lessen our defense posture, or modify promised benefits or retirement programs that veterans and/or senior citizens count on for a quality life. National MOAA is hard at work advocating for retention of earned veterans benefits and I ask each of you to answer their calls to action when solicited by them, usually by their weekly Legislative Updates or the monthly MOAA magazine. If you are not receiving their weekly Legislative Updates, I encourage you to visit their website, www.moaa.org, and subscribe to their E-Newsletters. Now is a critical time for us to keep in contact with our legislators and let them know how we want them to act on our behalf. National MOAA prepared messages makes it a lot easier for us to accomplish that mission.

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