**SCARECROWS AND ASPERTAME: THE DEBT DEBATE**

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***Grumpy Old Accountants, July, 2011***

Washington debates over the debt ceiling remind us why we haven’t considered careers in politics—we aren’t that irrational or narcissistic. We actually do care for the public welfare. As such, we offer our accounting expertise in general and our expertise specifically in budgeting to weigh in on the discussion. This is important because the unrestrained spending by both parties is real, but so much of their debate sand castles and wolf whistles.

First, Geithner’s August 2 date is artificial. We see this in part because he set one date and then he switched to a later date, seemingly to give his side more heft in the debate. The problem with either date is that the U.S. government has almost $2 trillion in discretionary spending. As discretionary means “optional, not obligatory, non-compulsory,” if no agreement is achieved by August 2, the Obama administration will not have to default on its bills. Instead, it can reduce the discretionary spending, just as ordinary families with strained budgets may have to forego eating out or going to the theater. Indeed, if the Treasury Department defaults, it will be due to a political calculation and a stubborn unwillingness to reduce discretionary spending.

President Obama recently stated that Social Security checks might not be sent out in August if the debt ceiling is not raised. This Social Security scare is artificial and part of the political rhetoric. Again, there is almost $2 trillion in discretionary spending and the White House merely needs to decide which things get paid and which things are delayed. We assume he thinks Social Security is a priority.

Moody’s and Standard and Poor’s both recently stated that they are considering the lowering of ratings on U.S. debt instruments. How ironic that they should consider this downgrade when they were unwilling to downgrade corporate America during the 2002 and the 2008 crises! This threat by the credit rating agencies is artificial because the U.S. does not deserve the highest rating offered by them. In Enron-like behavior, the government has gargantuan amounts of off-balance sheet liabilities. If these items are added to the discussion, the U.S. has $80-$100 trillion of debts. We already are in technical bankruptcy and ought to have a lower bond rating.

The warning about the pain we would suffer if a default occurs is artificial. Citizens are going to suffer no what what; it is only a question of when and by whom and to what degree. We Baby Boomers probably can shift this problem to our children and grandchildren, but if we do, it will be cruel and most unfair. We can suffer some now or they can suffer a lot later on.

We do have a problem that is not artificial: we are technically bankrupt now. Instead of ignoring the predicament, let’s have the courage to act. Besides, we caused this mess with our lust for entitlements.

The solution is simple: cut spending. Raising taxes has the same effect on budgets as spending cuts, but this observation is an illusion because it ignores the behavioral consequences. In the past, raising taxes has always been followed by more spending, thereby compounding the budget problem and proving that these decisions are artificial solutions. It will happen again if Washington raises taxes to “solve” the debt crisis. The fundamental problem is runaway spending, and only a cut in spending will solve the problem. Let’s act like adults and take our medicine.

*This essay reflects the opinion of the authors and not necessarily the opinions of The Pennsylvania State University, The American College, or Villanova University.*