

Two Tales of Credit Counseling (SB News-Press)

(July 31, 2011) First, meet Mary and Steve, with their financial advisor, Janelle. “Good news – your problems are clear and easy to fix. Income is less than what you spend, most of what you spend got locked in years ago and is not sustainable, so we’ll update those for today; and your last four years of ridiculous borrowing have maxed your ability to manage debt.”

Next, meet Barry O. as he sits down at the Treasury with Tim. “Good news Barry – your problems are clear, and easy to fix. Your income is lower than what you spend; most of your spending got locked in years ago and is not sustainable, so it needs to be updated for today, and your last four years of ridiculous borrowing have maxed your ability to manage debt.”

“Okay Janelle, what do we do?” “Cut back spending back to 2008 levels, and in three years your budget will balance. Over 50 percent of your spending is contractual automatic costs added years ago that increase faster than your income, so I have a new formula to make them manageable within four years.”

“So T.G., what do you suggest?” “Your income is \$2.2 trillion so cut spending from \$3.8 trillion now, back to the \$2.9 trillion of 2008, and in three years your budget will balance.” “Tim, I don’t like where this is going.” “Sir, over 50 percent of your spending is locked to automatic costs that keep growing faster than income; but there’s this guy – Paul Ryan – who has a great new formula to cut and manage those costs within four years.”

“Janelle, we’d also like to get a credit line increase.” “Mary, Steve – that ain’t gonna happen; in four years you’ve run up \$642,000 of new debt, so your card is maxed at \$1.69 million – 6.5 times your \$260,000 income.”

“Tim, I’m in the middle of trying to get a bigger credit line.” “Barry, what are you thinking? In your four years you’ll run up \$5.4 trillion of new debt – \$1.35 trillion per year! Total debt is maxed at \$14,294,000,000,000 (6.5 times income), so you’ve incurred 38 percent of the nation’s total debt in just four years, while the other 62 percent took 80 years to happen.”

“Mary, Steve, whose advice got you into this mess?” “No one really, we just got lazy, stopped tracking income, got careless with spending, and here we are!”

“Sir, is it true you had five advisors get you into this mess?” “Yup, my crack economic team.” “Barry, don’t use ‘crack’ and ‘economic team’ in the same sentence, that’s a huge concession to the American people about the advice you got, and who are these folks?” “Pete did The Stimulator and my healthcare plan, but he left a year ago. Tina The Roamer left 2 months after Pete.” “What’s she doing now?”

“Teaching these same crack economic principles at Berkeley, same place as Rob Reich (or is it Rob Reiner?)” “Barry, remember what I said about ‘crack’ – never mind; who else?” “Larry left 4 weeks after her to teach at Harvard; Paul the old-timer left 7 months ago, and Austan is also back teaching in Chicago – same school I taught at.”

“So they experimented with highly questionable theories on real people, businesses, and markets, and when their advice tanked, they left and now teach this stuff?” “Makes me think about going back again too,

you know, to being a community organizer.” “A what?!” “You know, walk around a community...organize things, it’s what I did before this.” “But I thought you were a U.S. Senator before this.” “Hmmm, sounds familiar, but I can’t really remember anything about that.”

“Barry, your annual interest is \$385 billion (without paying any principal), the market won’t support lower rates; in fact, interest will have to go up soon.” “That’s okay T.G., I want to take people higher – higher taxes, higher rates, higher jobs.” “Barry, I think you mean ‘hire’ jobs.” “Yup, like my policies adding 18,000 jobs last month – almost 900 per state, that’s good, right?” “Not at all sir – in fact unemployment actually rose again to 9.2 percent. Barry, your current National Plutonium-Plus® credit is at its limit, but you say that’s still not enough!?” “That’s right T.G., I need Congress to vote me another couple hundred billion, or maybe a trillion, on top of that.” “So what exactly is your plan if you got that?” “Plan? I’d spend ALL of it.” “But that’s the problem, Barry – your ‘budget’ spends 173 percent more than your income. It won’t work for Mary and Steve, why do you think it’ll work? I checked with Doug at ‘CBO’ on your math, and...” “What’s ‘CBO’, Tim?” “It stands for ‘Can’t Believe (well) you’. Sir, General Accountability says the debt ceiling for this Tuesday only limits your ability to pay on existing obligations, but you can add more new debt if you want.” “That’s great T.G., I like this general already – it’s like a second ‘Surge’ – is he a friend of Petraeus?”

“Barry, I think Americans want you to stop runaway spending, add no more debt, reduce taxes and regulations, and balance the budget.” “But T.G., I’ve got plans for higher taxes, higher deficits, and higher debt. “But sir, taxing more from the private sector discourages people and businesses from economic activity; maybe take less out and leave them more to work with – to spend and invest.” “I’ve heard that

before, but I just don't understand that. So here's my plan, I'll raise corporate taxes, income taxes, gas taxes, death taxes, and capital gains, then I'll raise the debt ceiling, maybe another stimulator, then..."

To our readers: You wonder what happened to Mary and Steve? They put Janelle's simple plan in place: lowered spending, stopped borrowing, started paying down their debt, reworked their contracted spending, and made it work without increased credit. Barry O.? Well he's also out raising money for re-election because his audacious hope is to keep running things like this through 2016...then go back and teach this in Chicago.