

## ON FISCAL REALITIES AND MAGICAL THINKING

by  
Mark R. Adelman

While we await our plunge over the dreaded "fiscal cliff" (please give me a break!), I have been musing about how many members of our society seem wedded to "magical thinking" and how few of our "leaders" are willing to speak out and help people "get real" about fiscal problems. What gives me the "right" to comment on such weighty matters, given that I have no formal training as an economist or fiscal expert? Simple common sense (and don't get me started on THAT chestnut) and the fact that I have always lived with my expenditures in balance with my income. Discussions of economic realities are NOT, *ab initio*, matters of rocket science.

Let me elaborate in a very simplistic fashion. In a manner that all of our leaders (of whatever political persuasion) should have been using for many months, even years now, but have grossly failed at doing - or even attempting. They have not spoken truth, perhaps because they perceive (correctly?) that "the people" don't want to hear the truth. And perhaps they are right about that, but if so, it is a piss poor excuse for NOT being a leader! [Oops - showed a little anger there and wasn't nicey-nice!]

I'm a liberal, and I voted for Mr. Obama - twice. And fundamentally approve of his actions. WAIT! Before you stop reading, give me a bit more time. With respect to our current economic mess, I am extremely disappointed in Mr. Obama and the democratic party "leadership" in general because they have been at least as asleep at the switch as have the republicans. As have ALL OF US!!!

Since I'm a liberal, let me start on the other side. We have too much debt. As a nation, as a government, as individuals. I am not going to get into the arcania of if/when/how some debt is good for the economy. And PLEASE do not lecture me on the details of economic theory, etc. We spend more than we take in. PERIOD. The question is how we "fix" this imbalance. And the fundamental flaw in the public discourse is the fact that we as a society seem unable (unwilling?) to accept - and act on - the truly simple reality: we cannot fix major problems in one fell swoop. We can only fix things gradually, in very small and thus inherently unsatisfying steps. My simplistic suggestions (below) will NOT fix our problems in a week or month or year. Maybe not even in a decade (but I bet they would); but they will be a start. As has been said by many, in various ways: when you are in a hole, you need to stop making it deeper and start filling it up.

So - on the deficit side. We spend more than we should. Let's start with two things (out of about a hundred that could be mentioned). Reduce slightly the amount paid by Social Security to people who are relatively well off. Start with people like me. I'm a retired academician. Reduce payments to people with my level of income (none of your business!) by ten percent. Reduce payments to people like Warren Buffet a LOT more (bet he'd agree to 75% reduction). People with fairly low income keep getting what they get now. A sliding scale. Pain distributed in proportion to one's ability to tolerate it. Do I want such pain? Hell no, but we've gotta start somewhere folks! Also, just to piss off the other end of the spectrum: reduce spending on defense toys by 10%. How about the multiple version fighter planes

of which we need only one version? Pick ONE and cut the order by 10%. And lastly, let's cut some unneeded subsidies to at least one industry: how about 10% off the subsidies doled out to the starving gasoline producers. PLEASE don't all start hollering at once. Somebody has to start the suffering process and somebody has to take a 10% cut "for the team".

Next - on the tax side. End those Bush era tax cuts for people with high income levels. Some people say above \$250K per year, some say above \$1 million per year. Split the difference (say \$625K?) and INCREASE taxes for those above that income level by 10%. Everybody unhappy now? Good! Then reduce any two deductions by 10%. Let's say charitable donations and deductions for business expenses: figure them the "old way", but then knock off 10%. That will generate a bit more income. And START revising and simplifying the tax code: all our leaders had better work on this together or we are NOT going to get out of the hole.

So - everybody unhappy? Good! Anybody really think that we can fix our problems all at once and with no harm to anyone? Then we all failed - me as a teacher and you all as students. If so, so be it. I don't really have a horse in this race. I'm retired, old, and will be dead soon. My retirement "wealth" dropped by about 40% a few years ago and I survived by holding my nose, cutting expenditures, and waiting for the stock market (in which I, like every other academician I know, am *de facto* invested) to slowly come back. Which it did. Not in 1 year like so many financial idiots were hoping, but in about 5 years (which was sooner than I predicted).

Magical thinking will kill us. Get over it.

*MRA, 12/22/12*