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Managing Deficits and Debt
The Individual, Households, Business and Government

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Note: Footnotes in black are content footnotes and should be read concurrently with the text.
CHAPTER 1

INTRODUCTION

*Debt (n.) something, especially money, owed to another.*

*Deficit 1. n. the account book entry of a sum owed*

*Webster's Dictionary of the English Language*

This report essentially is in two parts. First considered are deficits and debt in the context of the individual, households, and private sector business entities. Second is an examination of our national deficits and debt and how each are managed by Congress and the Executive Branch of Government.

Each entity, the individual, households, business and government will be considered in terms of options, constraints and consequences in the context of deficit and debt management. Chapter 2 examines the individual and households. Chapter 3 looks at private sector business. Chapter 4 considers national government deficits and debt. Chapter 5 reviews the previous chapters in terms of choices, consequences, and lessons learned.
CHAPTER 2

DEBT AND DEFICITS:

INDIVIDUALS AND HOUSEHOLDS

The Individual: Deficits

Once an individual establishes a residence, rent or own, becomes employed (social security number on file with employer), applies for and receives one or more credit cards, and opens a bank account, checking, savings or other, he/she enters the world of deficits and debt.

Here, a deficit will be defined as an amount owed to another and due within a specified period of time. Examples would include utility, telephone, water bills and various types of repair bills. As a general rule the above type services are provided without payment beforehand, but payment expected at a specified time, typically a month. Before this type of credit is extended a deposit is generally required and the individual's ability to pay for such services is ascertained, i.e. his/her credit worthiness.

The Individual: Debt

Debt is a part of financial life. Like deficit management, debt only becomes a problem when the debt contract is not fulfilled. A past due utility bill at some point becomes debt. A house mortgage, a car loan, a home improvement loan are all long term debt and, like deficits, when managed in a competent manner are not a problem. In fact, long term debt management is an important factor in determining credit worthiness.
One requisite to good financial management is to monitor income and expenses. When an individual's expenses exceed his income, it is time for him/her to prioritize deficit accounts and long term debt obligations. In simple terms, what must be cut back or given up? In time past it was called living within one's means.

The question now is---what are the consequences of living beyond one's means? In the 17th and 18th century one consequence was debtor's prison until the debt was paid. Another was transport to distant colonies as a means of settling and securing the colony. e.g. Australia. What are the consequences in the 21st century? Certainly not as harsh. One consequence is a lower credit score, a sufficiently high credit score being a prerequisite to obtaining a mortgage, a credit card, car loan or other major purchases. (1) Another is being taken to court by one's creditor and, no matter the outcome, one's standing in the community suffers. A major consequence for the individual is the need to file for bankruptcy, generally under Section 7 or 13 of Bankruptcy Code of 1978. (2) While most debt is forgiven under a bankruptcy proceeding, the fact that the individual filed for bankruptcy remains on his/her resume and can be obtained by a potential creditor. In 2012 non-business bankruptcies totaled 1,267, 167.

In a 1934 decision the Supreme Court made this observation about the federal bankruptcy law.

"It gives the honest but unfortunate debtor….a new opportunity in life and a clear field for future effort, unhampered by the pressure and discouragement of pre-existing debt." It should be noted, however, that The Bankruptcy Code has been amended several times to discourage abuse of the process.
The final question is---are the above consequences, and others, sufficient to insure individual prudence and responsibility when managing one's finances.

**Households: Deficits**

In general, the same comments made about individual deficit management, also applies to household deficit management. A significant difference, however, between the individual and household is the number of individuals providing input into deficit management decisions. While no data exists in this respect it can be reasonably assumed there is more than one input, i.e. husband and wife, grandparents, of age children, or other combinations. Thus, deficit management would tend to be a matter of compromises. Each member of the family having priorities, but at the same time realizing compromise is necessary if the household is to remain a viable entity.

A second relative point is that in many households there may be two or more income earners. This, of course, is offset by greater household expenditures. As in the case of the individual, failure to management deficits (living beyond the household's means) ultimately leads to debt and its consequences.

**Households: Debt**

In October 2012, it was estimated that in 2010 there were 114,800,000 households in the United States of which 66 percent were family, 34 percent non-family. The median household income in 2011 was $50,054. (3)

The consequences of a failure to manage household debt are lower credit scores for the income earners in the household, court action, possibility leading to the garnishment of wages/salary and the ultimate stigma of bankruptcy.
No data exists for households filing for bankruptcy *per se*. The nearest thing to a household filing is in Chapter 12 of the Bankruptcy Code that provides relief for family farmers and fisheries with a regular income. It would seem, by inference, this relief would be extended to other kinds of family endeavors. In a Chapter 12 proceeding the debtor presents a repayment plan, one not to exceed five years.
CHAPTER 3

DEBT AND DEFICITS

PRIVATE SECTOR BUSINESSES

Introduction

In 2010 the number of businesses in the United States approximated 7.4 million of which of which 98 percent were defined as small businesses. (4) These small businesses accounted for approximately 55 percent of all U.S. sales. Seventy five percent, however, had no payroll. They accounted for about 3.5 percent of all business receipts.

Business: Deficits

As stated earlier, deficits are account book entries of sums owed. In the case of individuals and households, deficits are defined as amounts owed within a specified time, usually a month for household bills. For the small, unincorporated business (income and expenses reported on individual tax return) deficits are similar, i.e., monies owed within a relatively short period of time.

For the large firm, expenses are listed either annually, semi-annually, quarterly or all three. In a typical annual report, accrued expenses (and other liabilities) are shown for a particular calendar year.

Business Debt

Few large corporations are without debt, short or long term. In this respect, at the end of 2012, only 25 companies listed in the Standard & Poor 500, had no long term debt. A typical, large
corporation annual report would show short term borrowing and long term debt.

Unlike the individual and households where there are relatively few government constraints on how debt and deficits are managed (5), the large firm faces many constraints, all rationalized as being in the public interest.

Government Constraints on Business

Includes individual and household restraints cited in note (5). The below is not an exhaustive list.

*Department of Justice. Constraints on monopolies and mergers and related fraudulent activities.

*Securities and Exchange Commission. Regulation of market exchanges. e.g. NYSE. Investigates and enforces civil fraud cases.

*Federal Drug Administration. Regulates pharmaceutical industry with respect to developing and marketing prescription drugs.

*Federal Trade Commission. Regulates fraudulent and misleading advertising by business firms, and other related activities.

*Environmental Protection Agency. Regulates activities that have impact on the environment.

*National Labor Relations Board. Regulates activities that impact on labor employment. e.g. rules with respect to union activity.
*Congressional Hearings. Subpoena power. Can require individuals to testify before Congress. e.g. business executives.

*Required Annual Report to Shareholders. Information on firm's finances, i.e., expenses, revenues, debt, pending litigation, and forward outlook. Also required is notice of annual and special stockholder meetings.

*Foreign and international regulations and treaties. UN regulations ratified by the United States.

*Statues. Child labor laws, minimum wage law among others.

*Dodd-Frank Wall Street Reform and Consumer Protection Act. Regulates business financial practices. Examples include regulation of credit cards, loans, mortgages and oversight of non-bank institutions among others. (6)

Private Sector Constraints on Business

The three main private sector constraints on business are:

(1) Shareholders of publicly traded companies. In many cases, a large portion of the stock in publicly traded firms is held by large financial entities such as insurance companies and various equity funds with large blocks of stock. As such they can influence the policies of a particular firm. In many instances they become part of a coalition seeking changes in firm's policy and direction. The small individual stockholder becomes important when contending groups of stockholder are closely divided over one or more issues.

(2) Rating organizations that offer opinions about the general credit worthiness of a creditor. These ratings can apply not only to private sector businesses but also to nations and their political subdivisions.
There are three major credit rating organizations; Standard and Poor's (S&P), Moody's Investor Services, and Fitch Ratings. This report will use Standard and Poor's as an example. (7)

A credit rating is S&P's opinion on the general creditworthiness of an obligator, or the credit worthiness of an obligator with regard to a particular debt security, or other financial obligation.

Standard and Poor's rating are based on letter combinations from AAA (the highest) to D. For example, investment grade equities are rated as AAA, AA+, AA, AA-, A+, A, BBB. Non investment grade ratings are from BB to D.

(3) Better Business Bureau. Collects and provides free business reliability reviews on approximately 4 million businesses. There are 113 local Better Business Bureaus. The Better Business Bureau is not affiliated with any government agency.

Summary

Individuals, Households, and Businesses manage their debt and deficits within boundaries (constraints) set by governments and the private sector. Failure in this regard can lead to a sell off of the firm's assets or a reorganization of the firm under Chapter 11 of the Bankruptcy Code (8). Either indicates the failure of a firm to manage its debt and deficits, no matter any excuses offered by the firm's management.
CHAPTER 4

DEBT AND DEFICITS

GOVERNMENT

Federal*

Deficits

Federal deficits and surpluses are recorded annually. As of January 11, 2012:

$3,538,446,000,000 Expenses

2,449,093,000,000 Income

1,089,353,000,000 Deficit

The individual share of the above deficit is $644.00 (national total divided by number of employed Americans. (9)

Federal deficits occur when Congress appropriates funds for various federal departments and agencies that, in total, exceed total income for a particular year. e.g. Department of Defense.

Congressional Restraints

One constraint on Congressional overspending is a presidential veto, one, however, that can be overridden by a 2/3 majority in both the Senate and House of Representatives. (10) From time to time Congress has imposed restraints on itself through legislation. e.g. The Budget Control Act of 2011. Note, however, what Congress does, Congress can also undo.
A second constraint on Congressional spending is the electorate. Historically, when there is surplus in a particular year or years, the electorate tends to remain silent with respect to Congressional spending, i.e. fiscal prudence becomes a lesser virtue. In years of deficits, a senator or congressperson becomes prudent with respect to overall spending, but, for the most part, that prudence ends with respect to projected spending in the senator's or congressperson's state or congressional district. How to restrain Congressional spending in times of deficits is a conundrum of the first magnitude.

A third is the Congressional Budget Office (CBO). One of its functions is to forecast the outcome of proposed Congressional financial legislation.

A fourth is the General Accountability Office (GAO). A member of Congress may request the GAO to investigate and report on any subject under the purview of Congress, including the estimated cost of a particular program.

**Debt**

Unlike a presidential veto with respect to the federal budget, only Congress has the power to increase the national debt, i.e., to borrow money on the full faith and credit of the United States. (11)

In March of 2013 the national debt was approximately $16,746,693,927,564. The estimated U.S. population was 314,638,903. By division, the individual's share was $53,225.

In FY 2013 total interest on the national debt was $168,446,206,078, which in turn became part of the national debt.

One third of the national debt is intergovernmental, i.e. owed to some 230 national government agencies. e.g. Social Security Trust
Fund. Two thirds is public debt owed to investors, individuals, corporations, the Federal Reserve and others.

Two questions are important. The first is how debt is created? The second is debt is managed? With respect to the first question, debt is created when fiscal year (FY) expenditures exceed revenues, the difference becoming debt. The second question--how is debt managed is more complicated.

One option is to default on the national debt. Unlike individuals and businesses, the federal government cannot seize government assets and distribute them to its creditors. An exception is the General Services Administration selling bits and pieces of government owned real estate, an action having little, if any, impact on the overall debt problem.

The consequences of default include a significant downgrading of the credit worthiness of the national government. It follows that those entities that buy government debt instruments will demand a higher interest rate, if indeed, they buy at all.

With respect to present debt holders there will be, so to speak, a "run on the bank," i.e. cashing in their debt instruments. Also, the value of the dollar on international exchanges will fall. e.g. it will take more dollars to buy a British pound. Taken together, the above will lay the groundwork for domestic inflation.

Accepting that default will not occur in the near term, the question becomes--how can the federal government manage its debt?

A second option is to print money without any restraints or obligations, i.e. debase the currency. An oft cited consequence would be debtors chasing creditors. A likely end result would be a revaluation of the currency, for example, ten old dollars for one
new one. This option would exact a high price for those with fixed incomes, not to mention the international consequences.

A third option is to *significantly* increase federal taxes across the board, i.e. individuals and small businesses as well as large corporations. One expected result would be individuals and capital fleeing the country. An unintended consequence would be a lower tax base and lower tax revenues.

A fourth option, actually a derivative of the higher tax option, is confiscation of individual and corporate wealth by taxing bank accounts. This option was proposed by the European Central Bank and the Cyprus government as one step to avoid Cyprian bankruptcy. (14)

A final option would be *draconian* cuts in federal spending. This option was discussed under "Congressional Restraints" on creating national debt. Here, it is not considered likely.

**Monetizing Debt**

Monetization: Converting securities (or something else) into legal tender. The Federal Reserve Bank (Central Bank) monetizes U.S. debt when it buys securities (U.S. Treasuries) issued by the Department of the Treasury. (15)

**State and Local Governments**

States and their subdivisions may issue debt instruments as well as borrow and make loans. But unlike the federal government, a state cannot print legal tender, i.e. currency. (16) Nor can a state declare bankruptcy. However, a state may sell state owned assets. In the case of state subdivisions, i.e. municipalities and counties, bankruptcy is an option. In April of 2013 a federal judge approved
the bankruptcy of the city of Stockton, California, a city of 300,000, under Chapter 9 of the Bankruptcy Code.

The consequences of a state or local government mismanaging its deficits and debt are considerable. First, its securities will be downgraded by the different rating agencies. e.g. S&P. Mismanagement of its deficits and debt will also impact on the state's ability to attract industry and create jobs among other negative consequences. These actions, for the most part, have disciplined the management of state debt and deficits.

*Data with respect to federal debt and deficits, interest on debt, shares of the national debt, for example, are always changing. Given different time periods of measurement, reported data will not be consistent. In this respect, this report uses the latest, reliable data available on the internet.*
CHAPTER 5
DEBT AND DEFICITS

REVIEW AND CONCLUSIONS

Introduction

Projected U.S. deficit for 2013 is forecast to be between $875 billion and $900 billion. And it is not that Congress has not been warned of deficit and debt consequences and their causes.

Congressional Budget Office (CBO)

Congressional Office Budget projections are based on current law and present political circumstances and as such do not allow for changes down the road. Recognizing this disclaimer, the CBO Budget and Economic Outlook for 2013-2023 forecast the deficit in 2013 to be 5.3 percent of Gross Domestic Product (GDP) or $845 billion. In 2015, 2.4 percent, then increasing due to an ageing population health care costs, expansion of federal subsidies, and growing interest on the national debt. By 2023 debt will equal 77 percent of GDP. For the 2014-2023 period, deficits in CBO's baseline projections total $7 trillion. With such deficits, federal debt would remain above 74 percent of GDP-far higher than the 39 percent average seen over the past four decades. (17) Gross Domestic Product in 2012 was $15,685 trillion.

CBO forecasts are in the public domain.

General Accountability Office (GAO)

General Accountability Office semi-annual reports are required by law and are in the public domain. Redundancies found by the GAO include 9 federal agencies spending $18 billion on 47 job training programs with all but 3 overlapping. The Transportation Department with 6,000 employees at 5 agencies run approximately 100 funding streams for highways, transit systems, and transportation safety, among others. Overlap costs are
estimated at $58 billion annually. Eighty two programs monitor teacher quality; 80 programs focus on economic development; 47 on job training; 20 programs for the homeless; 17 for disaster preparedness; 15 for food safety, and 5 concentrate on government savings on gasoline.

An example of redundancy in the Pentagon programs is its medical commands. A unified medical command would achieve savings estimated between $245 and $460 millions annually. Then there is the continued funding for military hardware not requested by the armed services and not wanted.

Among non-government reports on questionable government spending is the report "Waste book 2012: compiled by Senator Tom Coburn MD (R-OK). It identified more than $18 billion in government waste. Examples include:

* Promotion of specialties shampoo and other products for dogs and cats--$505,000.

* A hardly used airport in Oklahoma where funds were transferred to other programs--$450,000.

* Efforts to promote caviar consumption and production--$300,000.

* Study on how golfers might benefit from using their imagination envisioning the hole is bigger than it actually is--$350,000.

In a separate report, Senator Coburn noted that since 2000 the federal government has paid approximately $1 billion to 250,000 dead people.

For the most part, Congress has ignored how the several states have managed their deficits and debt. i.e. refused to consider them as a model for managing national debt and deficits. In 2013 eight states reported budget surpluses with more expected in 2014.

**Congressional Responses to Debt and Deficits**

In 2013 both national political parties, Republican and Democrat, put forth their policies with respect to disciplining the nation's deficits and debt. In general terms, the Republican approach to balancing the budget by 2023 is
less spending, no tax increases and cuts in defense expenditures carefully examined. The Democrat approach is selective cuts in social programs (Social Security and Medicare exempt), cuts in defense spending, raising taxes on higher income earners; defined as a couple earning in excess of $450,000 annually.

The question is--can a compromise be reached in the Congress, recalling that in the last 69 years there were only 12 years of surpluses. In this regard, an examination of party platforms in an earlier, less contentious, time is useful in the context of the present political environment.

Aside from the traditional abuse of the other party in their platform preliminaries, in the presidential election year of 1956, and to some extent in platforms of the 1980s, there were many areas where compromises were possible and made (18). But that was yesterday, not today. In 2013 there are many more contested issues, together with a hardening by both parties on these issues (19). How to manage our growing debt being the most contentious of all.

Remembering the bitter aftermath of the 2000 presidential election and the no holds barred, divisive presidential election of 2012, the possibility of Congress providing a solution to our long term debt and deficit problem is, at best, problematic.

Granted there will be some stopgap, short term compromises, e.g. a Congressional resolution mandating a balanced budget together with compromise spending cuts. But that has been tried before, the 2013 debt and deficits being proof of that failure, which raises the question of what option, if any, is left.

**Amending the U.S. Constitution**

All but one state, Vermont, have a balanced budget mandate in their constitutions.

Amending the U.S. Constitution is provided for under Article V which specifies that 2/3 of the states may petition Congress for amending the Constitution. That occurring, Congress must call a convention to consider proposed amendment(s). Ratification of an amendment requires the consent
of 3/4 of the states. In the period 1975-80 thirty state legislatures petitioned Congress for a balanced budget amendment to the Constitution.

**Milestones to the End Of the Road**

*Congress continues to raise the national debt limit with only limited cuts in spending; national debt continues to increase. Should surpluses occur they will not be used to reduce debt but rather to fund deficits in health and social safety net programs.*

*Increasing movement by investors away from debt created dollars to tangible assets--gold, silver, platinum and other commodities.*

*Increasing movement of capital offshore; static or little improvement in job growth; American equities exchange indices continue downward slide.*

*Downgrade of nation's credit rating by credit bureaus. e.g. S&P, Moodys and Fitch.*

*Increasing pressure from liberals in Congress to tax wealth as well as income*

*Cashing in government securities (debt) by domestic and foreign debt holders, including government securities held by the several states. Interest rates on offered government securities increase as fewer investors are willing to buy U.S. debt. United States government obligations no longer considered a "safe haven" for foreign and domestic investors.*

*Competition among states for industry sharply increases; more states enact right to work laws; union membership nationwide decreases.*

*More state legislatures petition Congress to call a convention to consider a balanced budget amendment.*

*In one form or another, public and media raise the question--if individuals, households and businesses can manage their deficit and debt given the government constraints placed upon them, why then can't Congress manage the nation's deficits and debt?*
*Federal Reserve policy of keeping interest low crumbles as public demand for austerity takes hold. Inflation index begins upward trend. Possibility of a spiral inflation become more likely.

*America's financial problems, approaching a crisis level, have a severe international impact. Federal Reserve and European Central banks unable to stabilize U.S. dollar and Euro. Inflation continues upward trend.

*A sharply divided electorate kindles domestic unrest; strikes and protests become increasingly rancorous; class warfare divide is no longer a divide between billionaires/millionaires but those whose incomes exceed the national median, i.e. $50,000, $75,000, $100,000, or whatever that amount might be.

The end of the road, as defined here, is when no individual, corporation, state, foreign investor or foreign government will be willing to finance the nation's multi trillion debt.

**Conclusion**

This report cannot predict when the end of the road will be reached and acknowledges that the milestones cited above may not be in sequence. What can be said, however, is that numerous "Dead End" signs have been posted along the way and ignored, and that at some point in time the road will end.
NOTES

(1) Experian, Equifax, Transunion are the three major agencies that rank an individual's credit worthiness. These scores are used by businesses in ascertaining an individual's credit worthiness.

(2) Article 1, Section 8 of the U.S. Constitution grants Congress the authority to enact uniform rules on the subject of bankruptcy. There are six types of bankruptcy under the Bankruptcy Code of 1978, i.e., Chapters 2, 9, 11, 12, 13, and 15. The majority of filings for bankruptcy are for non-business debt. There is bankruptcy court for each judicial district in the United States.

(3) A household comprises all the people who occupy a single housing unit. Data on households include, age of occupants, families with children under 18, non family households, households by race, sex, married and single households, among other categories.

(4) The Small Business Administration defines a small business as one with less than 500 employees. The definition of a small business can also depend on the industry and annual receipts. The rationale for federal government aid to small businesses is to allow them to compete with large corporations with respect to loans and contracts.

(5) Constraints on households include filing federal and state income returns, business taxes, building codes, real estate and other restrictions, relative environmental protection regulations, and filing social security and unemployment taxes, among others.

(6) Public Law 111-203. Eleven states have filed suits in federal courts claiming that the broad, all inclusive provisions found in Dodd-Frank are illegal.

(7) Standard and Poor's was founded in 1860. S&P stock indices are found in the United States (S&P 500), Canada, Italy, and India. The company is a division of McGraw Hill with approximately 10,000 employees in 24 countries.
(8) Chapter 11, Reorganization. Allows private sector enterprises that wish to continue operations and repay creditors under a court approved reorganization plan. Recent filings under Chapter 11 include American and Delta Airlines.

(9) Internet, "The Muse."

(10) U.S. Constitution, Article 1, Section 7(2)

(11) " " Article 1, Section 8(2)

(12) In August 2011, the S&P lowered the U.S. credit rating from AAA to AAA-.

(13) Examples of hyper inflation include Confederate State dollars toward the end of the War Between the States and Germany currency in post World War 1 period.

(14) In March of 2013 the government of Cyprus faced bankruptcy and the possibility of losing the Euro as a medium of exchange. As a means of raising revenues, one proposal was to tax bank accounts. This idea was later dropped. Another proposal was to restructure the nation's largest banks by levying a tax on the bank's uninsured depositors, a move in which the largest depositors (investors) would lose a third of their savings. These and other proposals were made in order to secure a $13 billion bailout from the European Union and the International Monetary Fund. The concept of taxing bank deposits caused major concerns among U.S. and foreign financial institutions, initially contributing to large losses on the several U.S. stock exchanges.

(15) Debt monetization is not the same as printing money but reasonably close. Debt monetization is a way of turning Treasuries and corporate debt into money. The Federal Reserve Bank (U.S. Central Bank) has the authority to buy, hold, or sell this debt. The Fed, by far, is the largest holder of this debt and as such has the power to control the money supply. When the Fed buys this debt, typically in large amounts, it increases the money supply which in turn causes interest rates to fall. Low interest rates, mortgages for example, can stimulate the economy in a recession, when yields on investment are usually low or in a severe national emergency, i.e., a major was such as World War II. When the economy improves, the Fed can sell
this debt and get it off its books. A major concern is that there no economic fundamentals supporting the dollars created. Another concern is that by increasing the money supply beyond the nation's Gross Domestic Product can lead to inflation. i.e., a dollar buying fewer and fewer goods and services over time, or the need of more dollars to buy the same amount of goods and services.

(16) U.S. Constitution, Article 1, Section 8(5)

(17) Congressional Budget Office: The Budget and Economic Outlook Fiscal Years 2013-2023

(18) Aside from the expected name calling, political rhetoric, and abuse of the other party in their platform preambles there were many areas for compromise and, as history shows, compromise legislation occurred.

Republican Platform 1956

A balanced budget, reduced government waste, a superior defense force, reduction in government spending as recommended by the Hoover Commission, gradual reduction in the national debt, further reduction in taxes for lower and middle income families, aid to small business, equal pay for equal work regardless of sex, continue to fight discrimination with respect to race, creed, color, national origin, ancestry or sex, assure that every child has the opportunity to advance to his greatest capacity, and a strict division of power between the national, state and local governments.

Democrat Platform 1956

Greater reliance on UN multilateral disarmament, more spending a pledge to improve social welfare and agricultural programs, a full and integrated program of development, conservation of our national resources, a program for the peaceful use of atomic energy, a civil rights program calling for voting rights, equal employment opportunity, desegregation of public schools, increase social security benefits by raising the base wage upon which benefits depend, promoting industry and jobs in depressed industrial and rural areas, oppose recognition of Communist China and continued support for Nationalist China, strong defense forces clearly superior to any possible enemy, a strong and effective civil defense, and collective security arrangements such as NATO.
Note the extent in which planks in both parties have become reality through compromise and changes in the political national and international environment.

(19) Can compromises be reached on issues that divide the electorate in 2013 remembering the bitter aftermath of the presidential election of 2000 and the no holds barred, divisive, bitter presidential campaigns of 2008 and 2012? Divisive issues in 2013 include: Gun control legislation, immigration reform, abortion, separation of church and state i.e. pray at public events; religious symbols on public property, the relative poor international ranking of the United States with respect to education and ways to overcome this deficit. Divisive issues in education include accountability of teachers and administrators, school vouchers, school choice, charter schools, among others. More divisive issues are the extent and purpose of environmental legislation, global warming and its causes, tax rates of individuals and businesses, i.e. class warfare with respect to who should finance the national government, continuing charges of racism in politics, business, and individual behavior, how much and what to spend on national defense, and authority of the president to issue executive orders.

Given that the divisiveness and bitterness on the above issues would carry over to the nation's deficits and debt problem, a solution in the near term is unlikely. Many, high placed liberal leaders argue there is no debt problem while conservatives argue that unless the federal budget is balanced in near term and payments made on the national debt, it will be only a matter of time, and a relatively short time at that, before the oft cited fiscal cliff is reached.
GLOSARY

Constraint. (1) Constraining or being restrained (2) restriction.

Debt. Something, especially money, owed to another.

Deficit. The account book entry of a sum owed.

Gross Domestic Product (GDP). The total value of goods produced and services provided in a country in one year.

Inflation. A sharp increase in the amount of paper money put into circulation.

Inflationary Spiral. A continuing price rise resulting from the tendency of wage increases to put up costs and of cost increases to lead to a demand for higher wages.

Yield. To bring in a profit, interest, or income, etc.