

## Introduction

*The world is a stage, but the play is badly cast.” Oscar Wilde, 1854-1900*

So what shall we do? Change the stage or improve the cast’s performance? Since 2000, times are “a-changin” for America in both an alarming direction and rate. Many trends have erupted. To name a few,

Terrorism

Unsustainable US government budget and operating deficit

Unsustainable funding of Social Security

Unsustainable funding of Medicare

Unsustainable trade deficit

Unsustainable consumer debt

Elimination of consumer saving habits

Sky-rocketing healthcare costs

Globalization, with opposing benefits and problems

Illegal immigration

Decline of family structure and values

Disregard for education standards and values

Deterioration in all levels of public and private education

Shift from producing goods to selling services, especially financial

Relax, the only terrorism we will discuss is the terror of the nation’s financial decisions. At first, I assumed that the rest of these trends were the result of the new Republican administration in 2000, and, in fact, some of them were. But a significant number were market or consumer choices, if not outside the radar, at least outside of the control of the federal government. And then it dawned on me: consumers, as voters, choose the federal government too!

The common denominator in all cases with the exception of terrorism is the American consumer, either directly in his lifestyle decisions or indirectly in his acquiescence to his government’s fiscal policies. And even when our personal actions may not directly influence the

issue, such as in the case of terrorism or globalization, we can control our response and limit the effect of these issues on our personal lives. Hence the title, Consulting Adults.

So let's study the stage and see which props are obstacles and which are opportunities. Let's review the current script that sometimes seems unchangeable, and decide, as actors in our own life story, how much of our destiny that we have not only the right, but also the personal and public responsibility, to control. Let's rewrite the script, if not the nation's, at least our own.

Daily we make lifestyle decisions that impact both the American and world economies. The composite decisions of American consumers, be they consumers of goods, labor, or services, have created the script that the press recites daily. As consumers, we need to identify the results of our decisions, evaluate their effect on our lives, understand where our current choices will lead us in the future by evaluating the costs and benefits of our options, and then gather the will to do what needs to be done to alter our course. The best example of the success of this strategy is illustrated in the analysis, decisions, and actions of the passengers on Flight 93 during their final flight on the morning of September 11, 2001.

Put this book down and waste no more of your time if you belong to the segment of America that whines:

I am powerless to understand the forces facing the nation, and therefore, me.

Nothing I can do locally will change anything globally.

My one vote doesn't count very much so why should I care?

It's not my problem.

Let George do it.

OK, now that the apathetic and impotent have withdrawn from the stage, commit yourself to invest a little effort to understand the financial forces, some staring you in the face daily, some purposely under the radar, that currently endanger the American way of life. The psychologists tell us that you cannot change what you do not acknowledge. But what is there to acknowledge? You may decide that you are not willing to attempt to challenge the effects of these forces, but you need, at least, to understand them to make that decision..

Or will you join the cast of Everbody, Somebody, Anybody or Nobody:

There was an important job to be done and Everybody was sure that Somebody would do it. Anybody could have done it, but Nobody did. Somebody got angry about that because it was Everybody's job. Everybody thought that Anybody could do it, but

Nobody realized that Everybody wouldn't do it. In the end, Everybody blamed Somebody when Nobody did what Anybody could have done.

Addressed to the American public, the “We” in “We, the People,” this manuscript reviews the results of the 230 years of mostly white-anglo-saxon-christian immigrants living the American Dream and focuses on the current reality manifested as the economy of the United States.

I love America: the land of the free, the hope of the future for our children, the ideals that our forefathers established as they tore themselves from England. But after studying the results of democracy’s adventure with capitalism, my feelings are torn about the United States. Are we truly a valid role model for the rest of the world?

### History

Both my parents lived their young adulthood years during the Great Depression. My father was 23 in 1933 when he moved to Atlanta from a small farm in Tennessee to deliver milk on foot in the Emory University area. My mother was 18 when she packed her belongings in a paper bag in Pineville, KY, and boarded the train to Chicago to work in the personnel department at Montgomery Ward’s Department Store. Their married life was rich with stories reflecting the financial obstacles and resulting adventures that they endured during the early years of their marriage.

During the 60s, my parents taught my sister and me self-reliance and that to gain control over our lives, we needed to live in moderation with integrity. We were told that our word to others was the primary currency we should value, and that we could have anything that we were willing to *earn for ourselves*. Our parents’ outlook described their understanding of how life works:

*If you eat too much today, you’ll be fat tomorrow.*

*If you drink too much today, you’ll be drunk, maybe even today.*

*If you spend more than you earn today, you’ll be broke tomorrow.*

*If you must, spend the interest, but never the principle, part of your investments.*

And my sister and I learned that these natural rules applied to individuals, families, companies, churches, schools, governments, everybody. But today, Americans don’t seem to

agree on my family's values as talk about a "new economy" with new paradigms flashes around the business, political and academic communities.

In June, 2003, my spouse and I retired and shoved our sailboat SHIBUMI off the dock in Beaufort, NC, to realize our dream of sailing the high seas. Leaving our families and assigning all our assets to the control of others, I felt that we had "died and gone to sea."

While exploring the Azores, coastal Spain, and the islands of the western Mediterranean, a pattern developed whenever we socialized with our European acquaintances. Sailing from England, Sweden, France, Switzerland, Germany, and Finland, most were cruisers like us, an independent, reliable group of adventurers. Two topics were aired regularly: Iraq and the US Economy. The first issue, the Iraq war, was a topic that my husband and I felt we could discuss rationally as we explained both the pros and cons of US intervention. The second, their accusation that Americans had allowed our country to rot financially, was unknown to us.

Nobody I know in the US talks about America's personal or governmental spending habits at social gatherings so I just assumed that my European friends were venting against America from a proverbial soapbox. Early in 2006 I broadcast an email to my family and friends asking them if their circle was worried about the American economy. Their responses, which you can review in Appendix ?, reinforced my opinion that Americans are uneasy as they sense something is wrong, but they have no idea what the major issues are, how the issues intertwine with each other, or why the issues are important to them personally. Often they focused on one or two specific issues sometimes placing blame for their anger on the Bush administration as the current "leader of the pack." Bush certainly has earned his fair share of civic disgruntlement, but as we will see later, our current economic situation is the result of significant and gross financial mismanagement decisions for a long time by both consumers and all levels of government.

One thing that living on a sailing vessel in a foreign, non-English speaking country provides you is time to read. As English books and magazines were at a premium, in 2004 I began to read The Economist, one of the few English periodicals reasonably available in Spain, Gibraltar, and the Canary Islands. Unfortunately the same was not true during the winter of 2005-2006 in the US Virgin Islands.

Anchored in southern New England for the summer of 2005, my step-daughter Emily argued during her annual visit that the Iraq war was the source of the large US debt. I challenged her premise and suggested that she access the US Government's financial numbers on the

Internet to prove her case. After her departure, I realized that, in all fairness, I had not researched the topic myself and that it was unreasonable of me to ask her to do what I had not yet done.

When I searched for the core numbers of the US Debt by accessing the web site for the US Government Accounting Office (GAO), I learned that the budget deficit is different from the operating deficit which is different from the US trade deficit. Dumb me, they all end in “deficit.” Luckily on the GAO web site, David Walker, the US Comptroller General since 1998, explains in plain English the numbers that he audits.<sup>1</sup> After reading several of his dissertations, I realized that I needed to access the source data for the basic economic issues that challenge America and see for myself what made sense and what didn’t.

That’s when I began to understand that it is almost impossible to focus on only one aspect of our economic health as the issues are often intertwined.

### Credentials

Surely I would be able to ferret out the issues. After I graduated from the UNC School of Business Administration in 1968, I spent the next 15 years owning and operating two small, national software companies. In addition, I was a non-practicing CPA for 15 years as I developed business and financial information systems for companies such as Coca-Cola, Samsonite, the Dannon Company, and 73 others.

Before my retirement from the business world, I specialized in creating improved business processes. As a system analyst, I learned to study how things work by dividing the manual tasks within each component, studying their relationships, and identifying their interfaces. Using this information, my companies then rebuilt these processes into more efficient, faster, and effective systems using the most cost-effective computer technology available. We used two questions. “What are we doing now?” and “What could we be doing with a little help from technology?” to upgrade operational models from the restraints of human capacities to a mixture of human and machine capacities. These solutions allowed machines to do the “grunt” work while the humans provided the always-essential human interfaces.

SYSGEN, the first company I founded, reworked the product distribution interface for independent Coca-Cola bottlers. After Coca-Cola USA purchased that operation and renamed it

---

<sup>1</sup> [www.gao.gov/cghome.htm](http://www.gao.gov/cghome.htm)

Bottler Systems Inc, SYSGEN built accounting systems for major US corporations such as Samsonite, The Dannon Company, Food Lion, The Breakers Hotel, and 70 others by the time that I sold the company in 1987. My second company, Management Style, tackled the medical billing process to integrate private patient, workers compensation, and corporate medical invoices into one streamlined process. These systems are still processing information for most of my original clients today.

Therefore looking at the big picture, subdividing it into components, and then studying the essence of each component to identify its relevance to all the others is second nature to me. And that's the process I started when I began to study America's "big picture" by reviewing the financial results of the US Government's operations through 2005.

### Methodology

Our forefathers intended that the actions and the results from the government be transparent to the American people. Unfortunately today you will discover debates revolving around whether the US government is reclassifying generic public data for security reasons, whether it is "cooking" census and economic numbers, and whether or not it is even capable of providing relevant information.

That said, the US Government provides financial information on its many web sites at no cost, except to the US taxpayer who has already paid for this effort. Starting with the US Treasury Department or the Government Accounting Office (GAO), you can wander through the financial results of the United States Government since 1995. During this process I discovered that the numbers created new questions which are "beyond the scope" of my analysis as I had to limit myself to the most pressing financial issues, rather than interesting sidebars.

In retrospect, I am appalled at my naivety and complacency. However when questioning my friends and family, I discovered that I am not alone in my apathy or my confusion about the US economy and its current plight. It is my hope that once informed, Americans will work together to identify, isolate, and redefine both the nation's problems and our opportunities. After all we flew a man to the moon less than 10 years after John F. Kennedy challenged us to do that very "impossible" task. Surely we can figure out a way to spend less than we receive.

America need not worry about failure. It has already found us; failure is staring us squarely in the face disguised in veils of smoke. It's time for you to discover for yourself what the game truly is: Truth or Consequences?

### Purpose

The Press speaks "truth to power." But my goal is to speak "truth to the people." To reveal to you how to discover information from the source concerning the issues of the day. To offer some options as I see them. And then let you decide for yourself what matters most to you.

Why should you invest your time and energy to read this book? What might it provide that is critical as well as unique?

First of all, you will learn how to think globally by sorting issues into their sphere of influence, which ones you can influence and which you cannot.

Next we will search for the truth behind the mirages. You will discover how and where to find basic data which will hopefully be factual. And then, more importantly, you will learn how to reorganize that "data" to transform it into "information."

We will analyze this new information in layman's terms to see what insights it might reveal.

We will discuss what this information might personally mean to you and your family both today and in the next 5-10 years.

We will begin sorting through options for possible solutions to your personal exposures to the risks we identify. Then, you will need to take the ball and run with it ... for yourself.

Be prepared to participate, which means to ponder the issues and their relationships to you and your family. As IBM used to promote: THINK!

### Warning!

Do not let anyone tell you that you cannot understand economic or financial numbers. Your fear is one of the cards that others play against you when they don't want to deal with you. When reading these chapters, you will discover how to, and why you need to, "follow the money." It's best to start at the top, the summary level, where the effects of all the components merge together and reveal the issues. Then, and only then, should you research any of the

components because only then will you understand how the one component you scrutinize fits into the big picture.

If you can add and subtract, you can understand financial information because everything balances to something, no exceptions. Each transaction has an input, a thru-put, and an output. Amounts totaling the transactions either balance within a report or to a line item on another report. There is a trail to follow. Basic accounting is not rocket science or as difficult as uncovering the genetic structure of the human being. As you will see, the financial statements provided by the US Federal Government are basic. There are lots and lots of numbers, but these numbers are summarized, presented simply, and often adjusted and restated in a later period.

Raw numbers state either researched or estimated facts; they do not inform us of the significance of those facts. For example, if the weatherman told you that the high temperature today was 55 degrees, you may agree with him but is that fact significant? Is 55 degrees an historical low temperature for August, a record high temperature for January, or simply the historical expectation for this month. So it is with economic and accounting numbers; they are only significant when displayed against the trend that they have established or a historical benchmark defined externally.

You may find the results surprising, even unbelievable. Attempts at humor, personal experiences, and relevant quotes are injected to “lighten the load.” If you discover that the following information and my analysis interest you, I encourage you to follow the research trails on those issues that intrigue you the most.

The conclusions herein are entirely mine, and are probably wrong sometimes. To whatever extent I have interpreted anything incorrectly, I accept full responsibility for my analysis. Furthermore I encourage your dissent and debate to help America and me “get it right.” Whatever the truth is, we, the American people, need to find it, study it, and change our course ... if we decide that the truth that we find is not what America should be.

Finally, it is my belief that it is irresponsible to criticize without suggesting at least one solution. In the last section, I offer several ideas from a small business owner’s point of view about how each American can improve both their personal and our nation’s lot. These are only the suggestions from one small citizen new to most of these issues. I encourage others to provide ideas more relevant and feasible than mine.

My goal is to empower you to start the personal process of questioning what our nation is doing and how it affects your destiny.

Let's get started!

In their fascinating and provocative book, Freakonomics, Steven Levitt and Stephen Dubner define what economics really means: “Morality, it could be argued, represents the way that people would like the world to work – whereas economics represents how it actually does work”. Furthermore they argue that “when moral posturing is replaced by an honest assessment of the data, the result is often a new, surprising insight.” Finally their book argues that:

Incentives are the cornerstone of modern life.  
Conventional wisdom is often wrong.  
Dramatic effects often have distant, even subtle, causes.  
“Experts” use their informational advantage to serve their own agenda  
Knowing what to measure and how to measure it simplifies a complicated world.

Consequently, “since the science of economics is primarily a set of tools, as opposed to a subject matter, then no subject, however offbeat, need be beyond its reach.”<sup>2</sup>

In an interview with the New York Times in August, 2003, the interviewer and author concluded that “Steven Levitt may not fully believe in himself, but he does believe in this: teachers and criminals and real estate agents may lie, and politicians, and even CIA analysts. But numbers don't.”<sup>3</sup>

So let's go find the numbers and see what they are trying to tell us!

---

<sup>2</sup> Levitt and Dubner, Freakonomics, p 13-14

<sup>3</sup> The New York Times Magazine, August 3, 2003

**Extras not incorporated yet:**

And I am a little apprehensive about sharing this effort even if it is validated. Will the messenger still be persecuted for the message? Will I be harassed by others? Branded as “un-American?” Audited by the IRS? My phone tapped?

Are we in a new era? Are past market rules and business cycles still relevant today? And, by the way, what is an “economy” anyway?

Complacency:

Don't say, “Here is all you need to know. I will spoon-feed it to you.”

Say, “Here is information that I found with a trail to where I found it and my opinion as to what it means.” Now you, the reader, should evaluate it for yourself.

“Our mission was a failure but I like to think it was a successful failure.” Jim Lovell

You measure what you value.

You manage what you measure.

You don't value what you don't measure

“Life's like a play; it's not the length but the excellence of the acting that matters.”

Seneca, Roman philosopher, mid-1st century AD.

Have no fear of failure. It's not lurking in the shadows; it's staring us squarely in the face.