

# Troubling U.S. Financials: Lessons for the reform minded

*a CLIPS GUEST COMMENTARY*

*After viewing 60 Minutes segment about the national debt, our guest author makes a comparison to runaway college athletics spending.*

*by Frank G. Splitt*

**STEVE KROFT'S MARCH 4, 2007, CBS 60 MINUTES' REPORT,**<sup>1</sup> "U.S. Heading For Financial Trouble?," featured David Walker, the comptroller general of the United States who runs the Government Accountability Office. The report is instructive for reform-minded individuals and organizations such as The Drake Group that is working to restore academic and financial integrity in higher education. Here's why:

Walker has analyzed our government's income, liabilities, and future obligations and concluded the numbers don't add up. According to Walker, "its been called the "dirty little secret everyone in Washington knows" – a set of financial truths so inconvenient that most elected officials don't even want to talk about them."

Walker considers the situation so bad that he has given up on elected officials and taken his message directly to taxpayers and opinion makers, hoping to shape the debate in the next presidential election – believing the American people are starved for truth and leadership. He is telling civic groups, university forums and newspaper editorial boards that the U.S. has spent, promised, and borrowed itself into such a deep hole it will be unable to climb out if it doesn't act now.

As Walker sees it, the survival of the American republic is at stake, saying: "The fact is that we don't face an immediate crisis. And, so people say, 'What's the problem?'" His answer is: "We suffer from a fiscal cancer. It is growing within us. And if we do not treat it, it could have catastrophic consequences for our country." The cancer, Walker says, are massive entitlement programs we can no longer afford, exacerbated by the retirement of baby boomers.

Senate Budget Committee Chair Senator Kent Conrad (D-ND) agrees with Walker's figures and his projections. Conrad acknowledged that most people in Washington are aware how bad the situation is. He told Kroft: "They know in large measure here, Republicans and Democrats, that we are on a course that doesn't add up." Kroft then asked: "Why doesn't somebody do something about it?" Senator Conrad's response: "Because it's always easier not to. Cause it's always easier to defer, to kick the can down the road to avoid making choices. You know, you get in trouble in politics when you make choices."

Amplification of Walker's message came the next day, March 5, in a *Wall Street Journal* article, "Clinton Brings Debt Worries to the Fore," by Deborah Solomon and John Harwood. The authors say Senator Hillary Clinton (D-NY) is sounding a theme likely to recur among 2008 presidential hopefuls – warning about the "economic vulnerabilities" posed by foreign interests owning large amounts of U.S. debt and that President Bush's economic policies have contributed to an "erosion of U.S. economic sovereignty." The article states that Clinton also said it is "undeniable that the exponential growth of foreign debt in the last six years has undermined our economic standing."

All of the above calls to mind the over-commercialized college sports entertainment industry that distracts the American public from the worries of the world and school officials from the academic missions of their institutions. This too is a growing cancer as it threatens the long-term viability of America's system of higher education.<sup>2, 3</sup>

The government's favorable tax policies, viewed as entitlements by the NCAA and its member institutions, not only help fuel the athletics arms race, but also enable coaches as well as school, NCAA, and various big-time conference officials to gorge at a huge tax-free money trough. Putting an end to this practice could prove to be a real cancer killer – providing substantial incremental tax revenues besides.

Absent the ‘lesson’ from Walker, one might think that the NCAA's disingenuous reply to House Ways & Means Chairman Bill Thomas' October 2, 2006, letter and University of Michigan President Emeritus Jim Duderstadt's thought provoking testimony at the December.5, 2006, Senate Finance Committee Hearing, "Report Card on Tax Exemptions and Incentives for Higher Education,"<sup>3</sup> would certainly stimulate a call for a hearing to followup on Thomas' inquiry. The House Committee on Ways & Means and the Senate Finance Committee are both well suited to the task as are the House Committee on Oversight and Government Reform and the House Subcommittee on Commerce, Trade, and Consumer Protection.

The Drake Group will continue to work with Duderstadt and others in the higher education community to keep the congressional challenge to the NCAA's tax-exempt status from being stifled. It is our hope that working together, the Congress can build a bipartisan consensus to require accountability, transparency, and oversight that will help restore academic and financial integrity in higher education.

If the NCAA is left to operate “foot loose and tax free” at the expense of American taxpayers and the future health of America's system of higher education, it will be because the Congress does not have the will to take action against the NCAA's college sports entertainment juggernaut – choosing instead to "kick the can."

## **WEBLINKS**

1. <http://www.cbsnews.com/stories/2007/03/01/60minutes/main2528226.shtml>
2. [http://thedrakegroup.org/Splitt\\_The\\_Interface.pdf](http://thedrakegroup.org/Splitt_The_Interface.pdf)
3. [http://thedrakegroup.org/Splitt\\_The\\_Montana\\_Professor.pdf](http://thedrakegroup.org/Splitt_The_Montana_Professor.pdf)
4. <http://thedrakegroup.org>

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