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Main article

US government spending, the national debt, and the role of accounting educators



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ABSTRACT

This article discusses the facts associated with US government deficits and the national debt. The growing problem of government debt is unsustainable and timely action is needed to avert serious economic problems in the future. While the current picture and forecast in the future are sobering, positive change that will restore fiscal balance is possible. Government spending and national debt are significant societal problems and the solutions can be facilitated by objective, non-partisan expertise from financial professionals such as accounting educators. We have an opportunity and responsibility to educate our students and others about the significance of our nation's financial problems. The article also encourages accounting educators to be more active in researching and discussing these issues in a broader public context. Having faculty focus on federal spending in their teaching and research is consistent with recommendations by the Pathways Commission that encourage accounting faculty to focus on issues that matter to the profession and to society. The article suggests alternative methods for sharing the issues with various student audiences.

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1. Introduction

The problem of federal spending and the national debt is significant. The annual deficit has been over a trillion dollars in each fiscal year from 2009 through 2012. As of the end of 2012 the gross

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national debt was 103% of annual Gross Domestic Product¹ (GDP) (Office of Management, 2013b). As of December 2012, debt as a percentage of GDP was higher in the US than in Germany, Spain, France and other European countries that have recently experienced a debt crisis (Trading Economics, 2013). As the baby-boomer generation continues to retire over the next 15 years, millions more Americans will be collecting Social Security and receiving Medicare benefits rather than paying premiums into these programs (Government Accountability Office, 2013, 2). Due to the unsustainable nature of funding for Medicare and Social Security, the estimates of National Debt as a percentage of GDP will increase dramatically unless action is taken (United States Department of Treasury, 2012, vi). To date, Congress has made little progress in addressing excessive deficit spending and debt. Overspending is not a problem of a single political party. It is an American problem for which both major political parties, and ultimately all Americans, have responsibility. The support and cooperation of both parties will be needed to solve unsustainable federal spending. It is crucial that, as a nation, we address the escalating national debt or we will face negative consequences that will damage our economy and impair opportunities that will be available to current and future generations. The purpose of this article is to encourage accounting educators to take an active role in educating our students and the public regarding the nature and seriousness of these problems. Accounting educators are in a unique position to increase understanding of the topic and to influence the discussion. Our involvement is consistent with recommendations of the Pathways Commission that accounting professors be more engaged in issues that are important to the profession and to society at large (Pathways Commission, 2012, 55).

The remainder of the article is organized as follows: In Section 2, I provide a discussion of the facts related to federal spending and the national debt to help readers be more aware of the seriousness of these issues. The facts presented in Section 2 include statements from the Government Accountability Office (GAO) and The Department of the Treasury that claim that US government spending is not sustainable. In Section 3, I discuss possible solutions for the nation's spending and debt problems. In Section 4, I discuss the rationale for why accounting educators are uniquely positioned to discuss federal fiscal responsibility and why we as educators should consider discussing the problem with accounting students and the public. In Section 5, I describe multiple pedagogies that I have used to educate students and others about federal spending and the national debt. In Section 6, I provide a summary and conclusion.

2. Federal spending and the national debt

2.1. Overview

Before discussing the facts it is important to recognize that federal spending and the national debt is not a problem that has been created by a single political party. The problem is not exclusively a problem of the Republicans or the Democrats, the two major parties in the US. It is an American problem that both major parties helped to cause and that both parties will need to work together to solve. Most financial experts do not consider a reasonable amount of deficit spending and debt to be a problem. However, there is a strong consensus that our current spending levels and projected spending in the future are not sustainable. For example, *A Citizens Guide to the 2012 Financial Report of the United States Government* (published by the United States Department of Treasury) states that “the Government’s debt-to-GDP ratio is projected to increase continuously over the next 75 years and beyond if current policy is kept in place, which implies that current policy is not sustainable” (United States Department of the Treasury, 2012, vii). Thus, a reasonable position is that something should be done to curb spending and reduce debt as a percentage of GDP or we will, at some point in the not-too-distant future, face a financial crisis that will severely damage the economy and the financial prospects of future generations of Americans.

¹ Gross domestic product (GDP) is the market value of all officially recognized final goods and services produced within a country in a given period of time.

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