

## TAKING MY NAME IN VAIN

For a while I was a real celebrity. Commentators, politicians and just about everybody was talking about “the Cliff.” I assume that they were talking about me until they said the value of “the Cliff” was \$4 trillion. I know that I am worth a lot, especially to my dog who depends upon me for feeding and walks, but \$4 trillion?

I was always jealous of “the Johns” of the world until I realized that most of the euphemisms for their name are not very nice. After all what do we do in the John?

As a kid, it was popular for people with my name to say, “I’m Cliff drop over.” At long last, it appeared as though that poor joke might actually have some meaning. When I was young, I did not like the name. Saying “Clifford” was a mouthful for a little kid. All my friends had simple short names like David, Jerry, and Jay. Not only that but I suspected that my parents gave me this name so I would sound less ethnic and more American. When challenged on that basis, my parents looked at me with the very greatest of incredulity. “We just liked the name,” said my parents just as innocently as they could. My father finally explained that as a great student of history, the first Clifford of York gave the Jews refuge in his castle during the riots against the Jews which occurred as a result of the First Crusade.

I decided to take my middle name as my first name. I thought that C. Alan Rieders sounded a lot better or even just Alan. I abandoned this when my parents told me that “Alan” was not any kind of fancy family name but rather was short for the name of the street they lived on. It was an abbreviation for “Allenwood” Road.

I got to like the idea of hearing about “Cliff” so much that I thought it would be great for this threatened man-made disaster actually to occur. After all, what could be wrong with balancing the budget quickly. Everybody’s taxes would go up and massive spending cuts would ensue. The result would be, praise the Heavens, that we would have a balanced budget very quickly. Thereafter, we could cut taxes and bring back spending as needed. In the interim, would there be some great catastrophe? I suppose we would have to measure the benefit of balancing the budget against everyone paying higher taxes. If we really believe what we say about the need to balance the budget, perhaps everyone should pay higher taxes if we are going to cut spending massively. It certainly seems like the definition of shared pain.

The budget deal that was arrived upon is the same old Washington gunk. Taxes will stay the same or go down, spending remains undaunted and the deficit will balloon absent some sort of massive unanticipated national growth. On more

than one occasion we “bubbled” ourselves out of debt. The first time was the increase in stock market value in the technology industry and the second time was the housing bubble. Both occasions increased wealth so dramatically, that the government took in much more money in taxes than anticipated. Of course, both events represented not real growth but rather paper growth that backfired in our faces.

Everyone had a horse in the race to prevent tax increases and spending cuts this time around. A doctor friend of mine said that if “we go over the Cliff I won’t be practicing medicine anymore.” He told me that instead of reimbursements of approximately a million dollars a year, he would only be receiving reimbursements of approximately \$666,000.00 per year. Similarly, low as well as high income folks would have paid much more money in taxes for programs that most Americans voted for over and over again. How dare people actually have to pay a penalty for the decisions they have made in the past?

As far as spending cuts are concerned, that’s really great hype so long as the minority in congress know that they will never come to pass. It is easy for a politician to say that he/she has never voted for a tax increase and always voted for spending cuts, so long as the tragic-hero-politician is in a minority. In other words, if a vote to cut spending or to cut taxes is really not going to count, it is easy to be a big shot. Many politicians vote this way.

The beauty of “the Cliff” is that politicians put in place a doomsday machine that both liberals and conservatives hated. Conservatives claim they want to cut spending. “The Cliff” would have cut spending. Liberals say that we need to raise revenue to pay for important programs. After all we do not want to return to medieval European conditions. “The Cliff” would have raised everybody’s taxes. The reality is that conservatives do not really want to slash spending, especially when it comes to the military budget and that liberals do not have the intestinal fortitude to raise everyone’s taxes.

If this country is going to get its act together, the next few months are going to result in at least a “quasi Cliff”. We have now cut taxes to the good old Bush era and as we reach the fictional debt ceiling, there is going to be tremendous pressure to cut spending. We may very well get to the same place that we were when “the Cliff” threat was real.

The issue can be less conservative/liberal Republican/Democrat than it first appears to be the case. Is it better to have low taxes and high government spending in order to stimulate the economy or is it better to have higher taxes and less government spending to balance the budget? How important is a balanced budget to the economic integrity of the country? Most economists agree that an occasionally unbalanced budget is a good thing. Sometimes deficit spending is needed to stimulate the economy. On the other hand, at some point the deficit gets so out of control that cheap money leads to inflation and

instability. That is what happened to much of the world subsequent to World War I. The national economy cannot print money its way out of a deficit. Likewise, sucking too much money out of the economy by radical spending cuts and low taxes can have a boomerang effect not anticipated.

Economics has gone from a statistical-analytical enterprise to a behavioral analysis. In other words, we now look at the behaviors of people as affected by government policy rather than rigid formulas which sometimes work and sometimes do not. For example, when prices are high, new suppliers are supposed to come into the market. However, this does not work if the government has granted a virtual monopoly to the market leader. What people want and demand may very well be more important than how price points effect new entrants to the marketplace. Likewise, psychology applies to how people react to radical policy changes when it comes to taxes and spending.

We will need to develop an approach which initiates a long term trend to getting our deficit under control without disrupting national security or the social safety net. The process may be a more gradual "Cliff," perhaps a slope. I do not know anyone named "Slope" or "Ramp" for that matter but they may be the new baby names of 2013. Stay tuned for more boring dysfunctionality out of Washington.

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