

May 4, 2007

Committee for Economic Development
2000 L Street NW
Suite 700
Washington, D.C. 20036

Wendy M. Comes, Executive Director
Federal Accounting Standards Advisory Board
441 G Street NW
Suite 6814 (Mailstop 6K17V)
Washington, D.C. 20548

Dear Ms. Comes:

Please allow me to express my views on the FASAB Preliminary Views Draft on Accounting for Social Insurance. (For your convenience for the record, I will send an identical copy of this message on letterhead by mail.)

In sum and in brief, I have great concern about the Primary View in the Draft, and wish to support strongly the Alternative View.

It would be possible to consider this issue at considerable length. With your indulgence, I would like to state three brief reasons why I believe the Primary View is problematic.

First, I believe that the Primary View vests far too much currency in one particular hypothetical view of the future, ***which view is certain never to transpire***. In particular, the Primary View would focus attention on a future in which benefits not yet due and payable are considered liabilities, but revenues that are earmarked to pay those benefits are not counted. What in particular about this precise assumption – which does not correspond to any conceivable future reality – makes it an appropriate ***benchmark*** for consideration of the fiscal future of the United States? The logic behind this judgment escapes me.

Second, the cost of the social insurance programs that are the subject of this initiative simply does not meet the definition of a “liability” for purposes of government accounting. These programs are subject to future legislative action that could reduce or increase their cost. The difference between the cost of these programs and a liability for accounting purposes is plain and clear-cut.

Third, and flowing from the previous point, designation as a liability of the cost of these social insurance programs would be painfully ill timed. Those who hope that the nation will address the looming cost of social insurance programs in an unsustainable budget future fear most the public resistance to reductions of current-law benefits. Anointing those future benefits with the status of a liability can only make the formation of a national consensus for sound policy even more difficult. Those who hope to delay and

ultimately frustrate necessary change can use that designation to buttress their case for inaction.

To make sound judgments, the public needs information. There are many ways to provide that information. What I see in the Primary View is a poor choice of method. The Primary View manipulates rules that have been observed for many years, and presents a particular measured result that bears no relation to reality. It therefore stands a greater chance of discrediting its own case than strengthening it. There are more theoretically sound ways – such as those presented in the Alternative View – to document the status of social insurance programs, and I would urge the Board to choose the Alternative View for that reason.

Sincerely,

Joseph J. Minarik
Senior Vice President and
Director of Research