



Written by [Bob Adelman](#) on July 15, 2011

August 3: Day of Reckoning

Can you tell the folks at home that, no matter what happens, the[ir] Social Security checks are going to go out on August the 3rd?

Obama: Well, this is not just a matter of Social Security checks. These are folks on disability and their checks. There are about 70 million checks that go out each month.

Pelley: Can you guarantee, as president, that those checks will go out on August the 3rd?

Obama: I cannot guarantee that those checks go out on August 3rd if we haven't resolved the [debt] issue, because there may simply not be the money in the coffers to do it.



A howl of protests that the President was being disingenuous, at best, went up immediately. On Wednesday morning, Terence Jeffrey, writing for [CNSNews.com](#), noted that according to the [Daily Treasury Statement for June 30](#) there was plenty of income to cover all the government's expenses for the month, with a little left over. Peter Morici, an economist at the University of Maryland, [said](#), "You do not have to default and you don't have to shut down the government if you choose not to." Rep. Michele Bachmann (R-Minn.) was quick to point out that the President's doubts about being able to pay the country's bills and consequently being forced to default were a "misnomer:"

This is a misnomer that I believe the president and the treasury secretary have been trying to pass off on the American people, and it's this: That if Congress fails to raise the debt ceiling by \$2.5 trillion, that somehow the United States will go into default and we will lose the 'full faith and credit' of the United States. That is simply not true.

Rep. Allen West (R-Fla.) charged the President with bullying: "My concern is that we have a president who is not willing to do his job, and that is to prioritize the spending, that he is digging in his heels, being very intransigent, and he's being a rigid ideologue." Rep. Louie Gohmert (R-Texas) came close to suggesting that the President was lying:

We know from the House rules that the president never lies, but he is taking advice and information from somebody apparently who is willing to lie, because it's just not true. The fear mongering needs to stop.

In the event that the debt ceiling debate is not resolved by Friday, July 22, there would be no time to avoid the drop dead date of August 3, and the Treasury would appear to face some daunting decisions. Jay Powell, former Undersecretary of the Treasury under President George H.W. Bush, has published an [analysis](#) of the options facing the Treasury on August 3 without a debt ceiling resolution. According to Powell, August revenues to the government will be \$172 billion, while payments are expected to total



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\$306 billion, with a shortfall of \$134 billion. At least three interactive tools have been developed for those willing to make the decisions of who to pay and who to stiff have been developed [here](#), [here](#), and [here](#).

No matter which one is selected, the numbers, if they are to be believed, are grim, and the choices limited. The Treasury could spend all of its revenue on just six bills that are due in August: interest on the national debt (\$29 billion), Medicare (\$28.6 billion), Medicaid (\$21.4 billion), Social Security (\$49.2 billion), defense vendor payments (\$31.7 billion), and unemployment insurance (\$12.8 billion). That would leave unpaid Active Military Duty pay (\$2.9 billion), Veterans Affairs programs (\$2.9 billion), IRS tax refunds (\$3.0 billion), food stamps (\$7.1 billion), federal government employees' salaries (\$14.2 billion), Departments of Education, Housing and Urban Development, Energy, and Environmental Protection (\$31.3 billion), the Federal Highway Administration (\$4.5 billion), the General Services Administration (\$41.7 billion), the Justice Department (\$1.4 billion), and "other spending" (\$42 billion). In addition there would be no funds for the Small Business Administration, the Department of Labor, the Federal Transit Administration, Health and Human Services grants, the Federal Aviation Administration, the Department of Homeland Security, NASA, or the Centers for Disease Control.

Credit rating agencies Moody's and Standard and Poor's have stated that the United States faces a possible credit downgrade if the government is allowed to default. As the White House Press Secretary put it: "You would have to make heinous choices about which bills you would pay."

In an effort to inform about (some would say lend support for) raising the debt ceiling, Powell's study was presented to several Republican Senators on Wednesday evening.

A careful reader should take note of three points. First, the numbers in the Powell study have not been vetted and are merely informed estimates of revenue flow for August. Second, in the perspective of an economy that is generating nearly \$15 trillion of goods and services annually (\$1.25 trillion a month), the alleged estimated shortfall of \$134 billion for the month of August is small change). And remember that June numbers showed revenues exceeding expenses. Thirdly, and perhaps most importantly, the government finds itself in the same position as a family whose primary breadwinner has just lost his job, and they now have to cut their standard of living by 40 percent overnight. It seems somehow just, proper, and right that the profligate government would now be faced with the same situation if the debt ceiling weren't raised. The adjustment, long overdue, would be painful, but necessary. Extending additional credit to the family (or the government) to "get over the hump" merely pushes the day of reckoning off into the very near future, when the financial difficulty will be even more painful to resolve.



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