

# Washington FORUM

## A debt too rarely mentioned

BY BRYAN R. LAWRENCE

Accounting standards may seem like a sleep-inducing subject to many people. But when retirement promises are improperly accounted for, companies and governments can go bankrupt, and hard-working Americans who have relied on the promises can suffer.

General Motors made its first retirement promises to workers in 1950. Under the accounting rules of the time, GM did not have to recognize the current cost of these future promises, as they were considered immaterial to the company's operations.

Forty-two years later, Americans' longer life spans and increasingly expensive health care had dramatically increased the cost. The Financial Accounting Standards Board, a private organization given responsibility by the U.S. government for setting private-sector accounting rules, decided that corporate retirement promises had become material, and it required GM and other companies to begin recognizing their current cost.

The \$33 billion charge GM recorded in 1992 was equal to 29 percent of the company's revenue — well above the 5 percent threshold that accountants commonly use to gauge whether a liability is material. Seventeen years later, these retirement promises were a major factor in GM filing for bankruptcy.

**The current costs of Social Security and Medicare are 14 times the government's 2011 revenue. Yet the Treasury won't recognize them in its accounting.**

Given this history, consider the Treasury Department's decision to not accrue for Social Security and Medicare promises. The current cost of these programs is calculated each year by the Government Accountability Office, and described in great detail in appendices. But Treasury's "Citizen's Guide" to the GAO financials does not accrue for Social Security or Medicare promises, even though it does accrue for the cost of retirement promises to federal employees and veterans.

This decision is embraced by virtually every one of our elected leaders and accepted by virtually all of our journalists. The \$1.3 trillion budget deficit would be \$4.2 trillion if the change in the current cost of Social Security and Medicare promises during fiscal 2011 were included. Why is this cost excluded?

It is not because the promises are immaterial. Remember that 5 percent threshold? The current costs of Medicare and Social Security total \$33.8 trillion, which is more than 1,400 percent of the federal government's 2011 revenue.

Instead, the legal reason for this exclusion is that the government follows "obligation-based" accounting standards, which require the recognition of future promises not when they become material but only when they are legally binding.

Since the U.S. government made its first retirement promises in 1935, it has seen the economics of Social Security and Medicare affected by the same demographic and cost trends experienced by the private sector. But because the government can rescind its Social Security and Medicare promises, it does not have to recognize their current costs, even though they are material to its financial condition.

They are also material to the financial expectations of tens of millions of Americans. The typical U.S. household has been promised retirement payments totaling \$1.2 million, more than 1,200 percent of its median net worth of \$96,000.

Is it acceptable that our leaders are able to promise trillions of dollars to the voters but do not have to recognize the cost because their promises can be rescinded?

If the accounting rules for the private sector changed when corporate retirement promises approached a third of annual revenue, why haven't those for the government changed when its promises have grown to 14 times its annual revenue?

Americans know something is wrong, and they know hard choices about promises and taxes need to be made. They deserve a clear accounting and an honest discussion of how to fix the system.

The author is founder of Oakcliff Capital, a New York-based investment partnership.



Syrian army defectors gather near the Lebanese border, some 17 miles west of Damascus, in January.

## Arm Syrians to fight for their future

BY STEPHEN J. HADLEY

The moral case for arming Syrians seeking their freedom has become overwhelming. The world has rarely seen such courage, fortitude and restraint. Despite an unrelenting crackdown by the Assad regime, brave Syrians have kept up their civil resistance campaign for 11 months. Despite systematic attacks by Syrian armed forces killing thousands and wounding tens of thousands, the resistance has, until recently, largely refrained from taking up arms. Surely few people are more entitled to the means to defend themselves in the face of escalating regime brutality.

Arming Syrians seeking their freedom would have its costs. Bashar al-Assad will brand it as outside intervention and wrap himself in the Syrian flag. His efforts to rally especially uncommitted Syrians in defense of Syrian sovereignty will further divide an already-riven society. And it may not force the Assad regime from power anytime soon.

Yet that is what is desperately required. Saying that Assad has lost legitimacy and ultimately will fall is cold comfort. The longer this struggle goes on, the more militarized it will become. The more militarized it becomes, the more Syria's future will be dictated by who has the most guns, not who gets the most votes. Look at the Libyan Transitional National Council's struggle to control that country's militias, and contrast that with the more democratic evolution in Tunisia.

And the more militarized the Syrian struggle becomes, the greater the opportunity for al-Qaeda. Events in Somalia and Yemen show how al-Qaeda thrives on chaos and violence. For the sake of preserving human life and a democratic future for Syria, the Assad regime needs to go now.

So why is the Assad regime still in power? Because it enjoys the support of the Syrian army (which, despite some defections, still supports the regime); the Sunni business community (particularly in Damascus and Aleppo); and the Alawites and other minority communities (including Kurds, Christians and Druze). These groups must be persuaded to break with the regime and join the opposition.

The Syrian National Council needs to be at the forefront of this effort. It would help unify the badly divided council. It would also increase the council's credibility within Syria and the international community as a unifying, inclusive, cross-sectarian political force.

If the effort succeeds, it will not only topple Assad but also help create a stable, democratic Syria in which all sectarian communities feel secure and strive together to build a common future. The post-Arab Awakening Middle East desperately needs such examples of cross-sectarian pluralism and cooperation. Such a Syria would help avoid destabilizing neighboring

Iraq and Lebanon, which in different ways are also striving to provide democratic examples to the region.

The United States, the Arab League, Turkey and the rest of Europe need to work closely with the Syrian National Council in developing this approach and to echo the council's message publicly and privately to these three groups.

- To the Syrian army: If you break with Assad now and support the council, you will have a role in the new Syria; if not, you will be held responsible for the regime's crimes by Syrian and international tribunals.

- To the Sunni business community: Assad is going down, and the sooner he does, the sooner profitable business relations with the dynamic Turkish business community can resume. (The Turkish government urging Turkish businesses to send this message privately to their Syrian counterparts could be especially helpful.)

- To the various minorities, especially the Alawites: There is safety, security and a role for you in the new Syria if you break with Assad now, but this will be harder to ensure if you don't.

Finally, the United States needs to organize the international community in developing a concrete plan to help a post-Assad Syria reform its economy, stimulate economic growth and train its young people in the skills of the 21st century. Business, nongovernmental organizations, charitable foundations and universities of the Arab states, Europe and the United States should not just be involved but also lead. This plan is needed now to further motivate the key pillars of the regime to split away and support the Syrian National Council.

If it works, this approach is better than a Libya-style military intervention. Libya was a one-off case. We and our NATO allies did it because we could. Libya had fewer than 6.5 million people and an army that Moammar Gaddafi purposely kept weak. Its major population centers were along the Mediterranean coast, within range of NATO ships at sea and NATO air bases.

None of these advantages are present with Syria. Outside military intervention would produce a narrative that Western powers had once again toppled an Arab dictator. A better narrative for the Syrian people, the region and the United States is that the Syrian National Council lead the Syrian people in overthrowing a tyrant.

To strengthen these political messages, we should begin now to build public and international support for arming the Syrians seeking freedom. The United States will need to take the lead so that such arming does not become a vehicle for a proxy war in Syria between competing regional states but instead contributes to building a stable and democratic Syria for all its people.

Stephen J. Hadley, a principal at the RiceHadley Group, was national security adviser in the George W. Bush administration.

ANNE APPLEBAUM

## What can be done about Syria

*"We are not pretending that the human rights situation in Syria is perfect. . . . We are aware that there is a regression in the quality of services usually provided by the government to the population by the regions facing violence."*

— Fayssal al-Hamwi, Syria's ambassador to the United Nations, in Geneva on Feb. 28

On Sunday, Syrians "voted" in a constitutional referendum that reflected "citizens' keenness on moving forward with the reform process," in the words of the government's news agency. On the same day, 17 people were killed in Homs by the government's military forces, while the International Red Cross tried, and failed, to negotiate safe passage for the wounded out of the city. The Syrian regime now has two faces: the pseudo-democratic one it turns to the outside world, and the vicious one it turns on its own people.

Although that contrast is clear, a Western military coalition of the willing isn't going to emerge quickly on behalf of Syria, as it did for Libya. Syria's ethnic divisions resemble those in Iraq, its ruling clique is sustained by Iran, its opposition is chaotic and some of its population is so scared of what might come next that they may be inclined to support the regime. The Syrian army has better weapons than the Libyan army (which itself collapsed only in the nick of time, just before NATO's ammunition ran out), and Western publics are war-weary. But before we throw up our hands and let the Saudis send jihadists to "help" the Syrian rebels (like they once "helped" the Afghan mujaheddin), we have several more cards to play.

One involves taking Syria's human rights rhetoric seriously — and turning it against the regime. Amnesty International, Human Rights Watch, the United Nations and others have collected, compiled and published evidence of the regime's abuses, including the names and positions of Syrian officers who ordered soldiers to fire on unarmed demonstrators; accounts of torture and arbitrary detention; descriptions of rape, abuse and murder of children; and evidence of the mass slaughter of regime opponents over many years.

It's time to refer this material to the United Nations, the Arab League, the International Criminal Court (not a body I like, but since it exists we should use it); to hand it publicly to Syrian officials; to read it in Arabic on the radio; to use it in statements and at news conferences. A single speech by the American president or the British prime minister that named the criminal Syrian army officers could have an enormous impact, once it has been beamed back into Syria via radio, satellite TV, the Internet and word of mouth.

Western leaders have refrained from this kind of language because, as Hillary Clinton put it this week, using labels like "war criminal" to describe Syria's president, Bashar al-Assad, can "limit options to persuade leaders to step down from power." She is right — which is why rhetoric aimed at delegitimizing the regime should be accompanied by immediate and strenuous efforts to not only unify the opposition but also to get its disparate members talking about the post-Assad future. Syrian rebels need to start talking about transitional justice: how, exactly, former regime allies will be treated, how

real criminals will be distinguished from mere collaborators, how victims will be compensated and how the minority rule of a dictatorial clan can be ended without bloodshed.

This isn't an impossible dream: South Africa managed to avoid civil war, in an analogous (though hardly identical) situation. Violence there was avoided in part because the outgoing minority participated in the transition. If some of the Alawite elite can be persuaded to do the same, Syria stands a chance of avoiding civil war. There isn't anybody to talk to in Assad's immediate circle; all have blood on their hands. But if the Syrian rebels can reassure others in Damascus, Alawites as well as Christians, that they won't become the targets of a campaign of revenge, then they stand a better chance of persuading more people to switch sides. The crucial moment of the revolution — when the regime's supporters begin to sympathize with their opponents — may be fast approaching.

One way or another, this conflict will end. Assad will fall — or he will remain in power thanks to a bloodbath, followed by another era of sullen repression. Either way, one of the best things the West can do is help Syrian rebels and the Syrian diaspora think about what might come next. It seems ridiculous to focus on the future in the middle of a crisis. But in this case, that might be the only way the crisis can be resolved.

Anne Applebaum is director of political studies at the London-based Legatum Institute and writes a monthly column for The Post. Her e-mail is [applebaumletters@washpost.com](mailto:applebaumletters@washpost.com).

## How I would lead the World Bank

BY JEFFREY SACHS

My quest to help end poverty has taken me to more than 125 countries, from mega-city capitals to mountaintop villages, from rain forest settlements to nomadic desert camps. Now I hope it will take me to 18th and Pennsylvania, to the presidency of the World Bank. I am eager for this challenge.

Unlike previous World Bank presidents, I don't come from Wall Street or U.S. politics. I am a practitioner of economic development, a scholar and a writer. My track record is to side with the poor and hungry, not with a corporate balance sheet or a government. Yet the solutions work for all — the poor, companies, governments and the rest of us — by creating a more prosperous, healthy and secure world.

I don't seek the bank presidency because of its financial muscle. The bank's net disbursements (disbursements minus repayments of funds from the International Bank for Reconstruction and Development as well as the International Development Association) were about \$16 billion in fiscal 2011. That's a meaningful sum — but global markets easily eclipse the bank as providers of finance.

The World Bank is potentially far more decisive than a bank. At its best, the bank serves as a powerhouse of ideas and a meeting ground for key actors who together can solve daunting problems of poverty, hunger, disease and environmental degradation. The World Bank should create a truly international meeting of the minds (a point underscored by the fact that its highly esteemed lead economist is from China).

I know the power of that approach. In Latin America, Eastern Europe, Africa and Asia, I've been a trusted problem-solver for heads of state and impoverished villagers. My good fortune to see the world through the eyes of others, during 30 years working on some of the world's most vexing problems, has helped me understand various regions' challenges and the need for tailored solutions. There are reasons why what works well in the United States might not work in Nigeria, Ethiopia or India.

Yet the World Bank is adrift. It is spread too thin. It has taken on too many fads. It is too disconnected from critical areas of science and knowledge. Without incisive leadership, the bank has often seemed like just a bank. And unfortunately, Washington has backed at the helm bankers and politicians who lack the expertise to fulfill the institution's unique mandate.

The World Bank presidency should not be a training ground in development. Its leader should come to office understanding the realities of flooded villages, drought-ridden farms, desperate mothers hovering over comatose, malaria-infected children, and teenage girls unable to pay high school tuition. More than knowing these realities, and caring to end them, the bank president should understand their causes and interconnected solutions.

Solutions to critical problems such as hunger, AIDS, malaria and extreme deprivation remain unaddressed because of vast gaps in knowledge, experience and power among those who ultimately need to work together. I work with scientists who have powerful answers but no public voice; bankers with ample finance but no clear idea of how to deploy it; business leaders with powerful technologies but no ways to reach the poor; civil society with deep community roots but no access to capital; and politicians who lack the time or experience to forge solutions.

Finding the graceful way forward, forging the networks that can create global change, should be the bank's greatest role. I'll stand on my record of helping to create those networks: to launch the Global Fund to Fight AIDS, Tuberculosis, and Malaria; to bring new support for the world's poorest farmers so they can boost yields, production and income; to scale up the role of community health workers; to translate debt relief into poverty reduction; to link the poorest countries to global markets in support of exports for growth; to make mobile technologies the new edge of development practice; and to link climate science with solutions.

My role has been to help bring together vastly diverse communities of knowledge, power, and influence to see what can work in practice and then to help make it happen.

I am ready to lead the bank into a new era of problem-solving. I will work with industry, governments and civil society to bring broadband to clinics, schools and health workers, creating a revolution of knowledge, disease control, quality education and small businesses. I will work with agronomists, veterinary scientists, engineers and communities to build prosperity in impoverished and violence-ridden dry lands.

I will work with engineers and financiers to harness the solar power of the deserts in the service of hundreds of millions in Asia and Africa who lack electricity. I will work with urban planners, architects and community organizations to help ensure that the developing world's mega-cities are places to live and thrive.

This and much more is within our grasp. Properly led, the World Bank can build bridges among science, business, civil society and finance that will put sustainable solutions within reach. Let's get started.

The writer is director of the Earth Institute at Columbia University.