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## Ross Perot Answers Your Questions

By [Stephen J. Dubner](#)

Ross Perot

We recently solicited your questions for **Ross Perot**.

You asked him about third-party candidates, the national debt, what kind of car he drives, and “why do guys from Texas with the initials R.P. have so much integrity?” (We’re pretty sure that last one was a reference to our earlier Q&A with **Ron Paul**.)

Perot doesn’t have an answer for the R.P. question, but he fielded quite a few of the rest. Thanks to him for his answers and to all of you for the good questions.

How will you respond if **Obama** puts through the tax increase he has promised, particularly with respect to the capital gains tax increase he has promised?

President-elect Obama appears to be leaning toward a delay in his tax increases for the wealthiest 5 percent to pay for his promised tax cuts for the remaining 95 percent. History has shown that raising taxes in a recession tends to worsen the situation. We would encourage him to delay his proposed increases and implement his proposed tax cuts. We ascribe to the theory that tax cuts boost the economy — and therefore increase total tax receipts — no matter which portion of the tax-paying public receives the tax cuts.

I remember when you were running for president, and they showed you driving around in your old Volvo. What are you driving now? And what would you do about the U.S. automakers’ woes?

Actually, I was driving a 1986 Oldsmobile. I have always driven American-made automobiles, and I currently drive a Ford product.

Clearly, General Motors meets the definition of too big to fail, as do Ford and Chrysler. General Motors happens to be closer to running out of cash at this moment. The question is whether domestic automaker sales are slumping as a result of the short-term liquidity credit crunch or more basic reasons such as their business models. I suspect both are to blame, but the proportions are difficult to determine. An analytical approach would favor a prepackaged bankruptcy, but the situation is well beyond that stage. It’s now in the hands of the politicians who are almost certain to craft some type of bailout or bridge-financing feature to keep G.M. out of liquidation.

Have the politics of multinational corporations destroyed our sovereignty?

While the question is intriguing and thought-provoking, I do not believe that multinational corporations are threatening the sovereignty of the United States. I do believe, however, that we could be our own worst threat to our sovereignty if the United States is forced to keep borrowing huge amounts from foreign countries. The old rationale for the federal debt — “We owe it to ourselves” — is long gone. Nearly half of our public debt is now held by foreign individuals, foreign corporations, and foreign central banks. Such entanglements could complicate matters to the point that our balance of payments could control our foreign policy, which could put us in a dangerous negotiating position.

You were close to the auto industry for a while. What should we do about it?

Each company should be considered separately, because they each have unique circumstances. Let’s take the G.M. situation because it appears to be the most urgent. The possible repercussions of a G.M. meltdown are too frightening to contemplate.

Assuming that G.M.’s numbers are correct and that they desperately need \$4 billion within the next 30 days, I believe the government should provide a loan or guarantee a loan for this amount. After President-elect Obama takes office, it will probably be necessary to increase the size of the loan. At that point, I believe the government should provide enough financing to guarantee that G.M. is solvent for another 12 months. This will give G.M. the time it needs to sell or shut down the Pontiac and Saturn lines and to consolidate other operations. G.M. has already announced its plans to take these steps.

At the end of one year, if G.M. cannot continue without further help from the U.S. government, it should undertake a prepackaged bankruptcy to radically alter its business model. G.M. would, in effect, have a one-year moratorium to get its house in order and hope that the economy recovers sufficiently to stimulate sales.

One provision that should be put into any advances or guarantees is that all government-backed loans are senior to every other form of financing on G.M.’s books — now or in the future. So if G.M. does go through bankruptcy in the future, the taxpayers’ contribution to this bailout will stand first in line after a restructuring.

How do you believe Social Security can be reformed (or abolished, if you believe this) to benefit my generation (I’m 17 years old) as well as the current generation?

Plans such as Rep. **Paul Ryan**’s (R.-Wis.) “Roadmap for America’s Future” contain several ideas for reforming Social Security that deserve serious consideration. The challenge is to preserve the benefits for retired citizens and those nearing retirement age, say 55 and older, while strengthening the retirement benefits for the remaining workers. This would include ensuring the solvency of the Social Security system with changes to the retirement age.

Contrary to conventional wisdom, the current financial crisis offers the perfect time to face this problem. The record deficit spending that has already been approved is sure to place enormous

burdens on our children and grandchildren for years to come. Taking steps now to solve the Social Security dilemma (as well as the more pressing problems posed by Medicare and Medicaid) will help to bring clarity to the long-term outlook for our nation's financial future.

Congress has already proven that it is reluctant to adopt even modest reform proposals when the economy is good, having defeated a bill in the 1990's to add just one month per year to the retirement age for Social Security. We can't afford to wait until the economy recovers to adopt reforms.

Given how things have changed over the past 16 years, do you think that it would now be possible for a wealthy individual or a group of individuals to bankroll and organize a serious third party to challenge the Democrats and Republicans?

It is difficult to devise a scenario in which an individual or group of individuals could develop a viable third party capable of challenging the Democrats and Republicans; they have a vested interest in retaining a two-party system. A serious threat to the status quo would undoubtedly be met with subtle, or perhaps overt, roadblocks to formation. Look no further than the Federal Election Commission, which is totally controlled by Republicans and Democrats.

You have been a strong advocate of a balanced budget for our nation. In our current times, with necessary bailouts happening everywhere, where would you start in order to eliminate the national debt America now has?

The reality of the situation is that eliminating the national debt requires that the federal government run a budget surplus each year. A surplus occurs during a year when the government collects more in taxes and other forms of revenue than it pays out in expenses and other expenditures. The difference between the amount the government collects and the amount it pays out is called a surplus, and that amount is used to pay down the national debt. Frankly, given the current financial crisis, there is no chance that the government will produce a surplus for the fiscal year that ends September 30, 2009. And it is highly unlikely that a surplus will occur during the following year.

One measure that could reduce the size of the deficit during the current year (and therefore reduce the amount of debt that will be added to the total debt) is to require that the budget for every department in the government will remain the same as the preceding year.

Do you consider all deficit spending misguided? Surely there are some times when it is called for.

Classical economic theory calls for deficit spending by government when faced with prospects of recession and depression. The challenge, of course, is to spend money in a manner that will create the most benefit for the economy. This will prove to be an incredibly complex assignment and the subject of much debate.

Of course, wartime often requires deficit spending. World War II required huge amounts of deficit spending, for example. The difference between then and now, however, is that we ran budget surpluses after the war and paid off the debt.