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Leadership

Why the Tea Party is Right … and Wrong

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In my business career I have learned that the surest sign an executive will be fired is when his or her travel request is rejected by a superior. That's because travel must be approved and the power to approve it is the ultimate tool for expressing concern about performance. Although the rejection is often stated as misplaced priorities, cost concerns, sticking to the home base, it means "I don't trust your judgment."

So the Tea Party Republicans, elected with the dual mandates of cutting spending and not raising taxes, have only one real tool to address the deficit and keep their campaign promises. That tool is the requirement of Congressional approval of the debt limit.

They already got suckered in last April's Boehner-Obama supposedly $38 billion spending-cut deal, which actually turned out to be only $350 million.

Smartly, House Republicans are following the old adage that begins, "Fool me once, shame on me…" So the Tea Party has decided to go to the mat over the debt limit as a matter of priorities: They are less concerned about the implications of default than they are about the long-term implications of the exploding deficit.

Are they wrong? Business groups like the Chamber of Commerce say default will destroy the economy, weaken the dollar and raise our future interest payments. In contrast, think tanks like the Cato Institute and the Heritage Foundation have taken the view that the deficit is so deadly Republicans should tow the Tea Party line and push significant spending cuts. They also reason that never will Republicans have a better chance to enact deep, meaningful and long-term spending cuts than right now.

As the president and CEO of an association representing more than 2,000 technology companies, I have resisted the urge to align with either side. The Consumer Electronics Association for several years has focused primarily on the long-term health of the U.S. economy, and warned early and loudly about excessive deficits. We uniquely did not support the stimulus packages and have never sought government funding or tax benefits for our industry. We are the only trade group I know that supported the Simpson-Bowles Deficit Commission's bipartisan recommendations, and we supported the creation of the

No Labels group aimed at putting the country's interests before the interests of political parties. And I stuck my neck out in late 2010 by suggesting the Bush tax cuts expire and be called a "war tax" to support the wars in Afghanistan and Iraq.

But even the threat of default will hurt the United States by eroding confidence in the dollar, lowering our credit rating and thus raising our interest costs, all the while erasing the huge benefit we get for the dollar being the world's reserve currency. It is also wrong not to pay the money you owe.

But the August 2 deadline feels a lot like the hyped "Y2K" episode: When it passes and the world doesn't end, we're going to feel awfully silly. August 2 seems like a contrived date conveniently set before a Congressional recess. I am sure the date can be extended with a few accounting tricks like delaying payment to a few government contractors.

So where does that leave us? Concerned but not panicked. Wall Street is not dumb and we will get through this. A deal with real and early spending cuts is worth some closing of tax loopholes and even letting the Bush tax cuts expire.

The future of our nation is in peril—but not because of the debt ceiling. The danger is the mathematical certainty of our exploding deficit.

Let us thank the Tea Party for forcing action that is overdue, and let's move on with the business of letting our economy create jobs.