

OPINION

LETTERS TO THE EDITOR

Honest Accounting Makes Governments Face Problems

I was really impressed with Richard Ravitch's "More Detroiters Are on the Way" (op-ed, May 16) until he concluded his comments suggesting Washington should provide conditions on state and city governments to control their budgets and the pending fiscal disasters. Really! A federal government that cannot control itself is the only offered solution to state and city governments that cannot control themselves? Suggesting one set of irresponsible politicians try to impose responsibility on others is akin to asking the fox to guard the hen house. Perhaps it would be better if

the voters provided a real solution by electing fiscally responsible representatives. We are, after all, a republic that allows the people to govern through elected representation. These are "our problems" but will remain unresolved if the majority of Americans do not vote responsibly.

DAVID L. BLACK
Nashville, Tenn.

We couldn't agree more with Richard Ravitch that cash budgeting practices are the root cause of increasing state debt and pressure on services. Truth in Account-

ing's comprehensive 50-state asset/liability analysis, yearly since 2009, shows states have accumulated an average of \$25.3 billion of debt after available assets are tapped. Only seven states have enough assets to cover their debt, despite balanced-budget requirements that should prevent debt from accumulating. The average taxpayer would have to write a check for \$9,300 to pay this debt, or nearly 22% of average personal income. In two states, Illinois and Hawaii, over 90% of average personal income is needed to pay the state's debt.

We recommend states do budgeting just as businesses do, disclosing the projected impact of spending plans on the overall fiscal position, including debt. We call this FACT-based budgeting (Full Accrual and Calculation Techniques). Citizens deserve to know the truth about their governments' fiscal condition and plans so they can hold elected officials accountable to address the crises Mr. Ravitch describes so well.

DONNA ROOK
President
Truth in Accounting
Chicago

The first step in restoring fiscally responsible behavior would be to end fund accounting and all budgetary requirements tied to it, substituting full-accrual financial reporting with no smoothing or other options to delay recognition of firm commitments for pension and other obligations. If fully informed, the voters can respond appropriately.

BARRY JAY EPSTEIN, CPA
Chicago

Bitcoin Isn't Ready for Prime Time

What better evidence of the frothiness of technology markets could one want than Andy Kessler's "The Weekend Interview with Brian Armstrong: Angling to Be the MasterCard of Bitcoin" (May 17). Mr. Armstrong is founder of Bitcoin processor Coinbase. Tens of millions of dollars are pouring into Bitcoin startups and, like most bubbles, investors dismiss all the bad news. Bitcoin is an open-source project run by the Bitcoin Foundation. Of the five original members, one was indicted for money laundering, another is the disgraced head of Mt. Gox, the Bitcoin exchange that "lost" almost 650,000 of its members' Bitcoins. Several foundation members resigned following the recent election of a new board member accused, according to Patrick Alexander's resignation letter posted on the Bitcoin Foundation's

website, of having previously been "associated with alleged pedophilia."

China and other countries have put the brakes on a digital currency that is frequently used for evading the law. Recent work by economists has found that most Bitcoins are exchanged for speculation and are no more currency than are pork bellies. Don't forget the IRS's capital-gain reporting requirement. There isn't a scintilla of evidence that a Bitcoin payment system could be more efficient than current ones—once Bitcoin must meet the same regulatory requirements and provide the same services. Yet we can be confident none of this will dissuade venture capitalists that Bitcoin is the greatest thing since the Internet and perhaps even sliced bread.

DAVID S. EVANS
Boston

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