As we enter the second week of an economic period already being coined "Recession 2.0" by some, the country should turn its back on needless debt ceiling discussion to face important facts, issues and ideas that are worthy of our attention:

1. **The U.S. Will *Not* Fail to Pay Back Its Debt …** Though the S&P sent the market on a wild rollercoaster ride last Monday with its rating downgrade, many seem to forget that there are multiple ways to keep the U.S. out of a default situations: a) It can print more money unlike countries in the Eurozone, b) the Constitutional mandate requiring the president to honor government debt could be invoked, c) the government could print large denomination platinum coins, or, d) the Treasury could sell to the Fed precious metals or option contracts. Therefore, the S&P decision to downgrade made no sense, but after all, this is the same organization that triple-A rated lousy mortgage-backed securities a few years ago and initially based its downgrade decision on a 2 trillion-dollar mistake.
2. **The Markets Aren't Concerned About Default. Period. …** The markets reacted in an opposite way to how they would if there was real concern about the U.S. not paying its debts with the 10-year yield declining to 2.3 percent from 2.5 percent per year following the downgrade, raising the value of U.S. bonds. The 10-year yield has been declining since March as the chance of a double dip recession appears to increase. The decline in the stock market is not related to concern about default, rather concern that the influential actors are ignoring the nature of the crisis the nation is facing.
3. **We Need a Large Dose of Federal Stimulus to Jump Start the Economy …** Not all debt is created equal. This crisis is not about large government debt and uncertainty about its sustainability, but about large private sector debt. This debt burden causes private sector's unwillingness to spend and is halting the economy. Resources are being wasted as unemployment remains high and industry capacity utilization remains low. Short-term interest rates are already zero so there is not much the Fed can further do to stimulate private sector spending. In the short-term, the U.S. needs a large dose of fiscal stimulus to get out of the crisis. If the U.S. fails to produce a significant stimulus package the nation could be looking at another "lost decade," as Japan endured in the 1990s. The debt ceiling drama and the S&P credit downgrade move us away as a society from obtaining much-needed, short-term fiscal stimulus, and this is why stock markets have reacted negatively to both.

In the medium- to long-term we need two things: a) More inflation to erode the real value of private sector debt that would attack the root cause of the crisis, and b) A solution to the U.S. government long-term fiscal sustainability issue. Although this is not a pressing issue, and certainly not the cause of the current crisis, it must be addressed. A good solution would most certainly include an increase in taxation of the wealthy (which is in historical lows now) and a reduction on the growth of health-related costs covered by the government, especially through a reform that includes direct public provision of health care.

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