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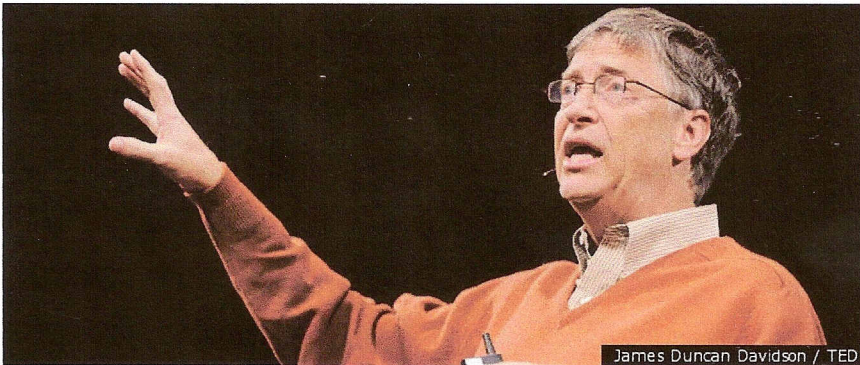


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## Bill Gates On States' Accounting: 'The Guys At Enron Never Would Have Done This'



James Duncan Davidson / TED

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LONG BEACH, Calif. -- During a second appearance onstage at the annual [TED conference](#), Bill Gates spoke out against worsening state budget deficits caused by accounting "tricks" he said would make Enron's former executives blush.

The Microsoft co-founder and philanthropist said state budgets have received a puzzling lack of scrutiny and have been "riddled with gimmicks" aimed at deferring or disguising the true costs of public employees' health care and pension obligations, citing California's ongoing budget crisis as an example of creative deficit spending and the subsequent cuts to education spending as an unacceptable cost.

"[R]eally, when you get down to it, the guys at Enron never would have done this. This is so blatant, so extreme," Gates said of state governments' accounting practices generally. "Is anyone paying attention to some of the things these guys do? They borrow money -- they're not supposed to, but they figure out a way -- they make you pay more in withholding to help their cashflow out, they sell off the assets, they defer the payments, they sell off the revenues from tobacco."

Gates argued that government accounting practices should be more like private accounting. "The amount of IQ and good numeric analysis both inside Google and Microsoft and outside ... really is quite phenomenal. Everybody has an opinion. There's great feedback and the numbers are used to make the decision," he said. "If you go over to the education spending and health care spending ... you don't have that type of involvement on a number that's more important in terms of equity and in terms of learning."

The former Microsoft chief executive, now the co-chair of the Bill & Melinda Gates Foundation, said youth and education programs stand to lose the most as a result of the gaping holes in state budgets.

"It really is the young versus the old to some degree. If you don't solve what you're doing in health care, you're going to be deinvesting in the young," Gates said. "With the kind of cuts we're talking about, it will be far, far harder to get these incentives for excellence or to move over to use technology in the new way."

Remediating state budget crises will take better accounting, better tools, and more respect for leaders who step up to address these problems, Gates argued. "We need to reward politicians," he said. "Whenever they say there are these long-term problems, we can't say, 'Oh, you're the messenger with bad news? We just shot you.'"