

Congressman DioGuardi charges U.S. debt is \$5 trillion, not just \$1.7

by Steven Malamud

A Westchester Congressman said the accumulated federal budget deficit is \$5 trillion, not the \$1.7 trillion usually cited by government.

Congressman Joe DioGuardi, a former partner in Arthur Andersen and Company, a major New York City-based accounting firm, made his statement at a "Town Meeting" at Mt. Pleasant Town Hall on July 22.

"You can't believe what we have off the books in this country,"

he said. "The \$230 billion budget deficit you hear about at the end of the year is just the cash needed to survive this year. It doesn't take into consideration an allocable share that should be set aside for pensions, reserves we should be setting up for defaults on loans, and the fact that social security is not separately funded."

In the first eight months of his freshman term in Congress, Mr. DioGuardi said he learned of shortcomings in the federal government which would be

intolerable and in some instances illegal in the private sector. "If you were to use the accounting system that we use in government and you had a publicly traded company, the FTC (Federal Trade Commission) might literally arrest you."

He said the worst threat to this country's national security are the mentality and bookkeeping practices of the federal government which have led to the \$5 trillion deficit.

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DioGuardi

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Uncharted waters

The \$5 trillion figure, arrived at by the Comptroller General's Office and the U.S. Secretary of the Treasury using business accounting practices introduced by Arthur Andersen and Company, includes \$3.3 trillion of "off-the-books" expenses not included in the \$1.7 billion figure, he said.

"If this credit card spending continues," he said, "we will be creating a lower standard of living for our kids and grandkids. They will have to pick up the tab as well as the cost of running government... We are in uncharted waters. Never before have we had a deficit of this size coming off years of growth." "It's got to stop," he said. "The answer is not to raise taxes. It's to get rid of this waste."

He expounded on the methods of the federal budgeting process:

"When you hear about the budget process, what do you hear? The first question? 'How much did we spend last year? Let's add five percent, let's subtract two percent.' That's not the way I was trained. In building budgets the first question I ask is how did we spend the money last year. Go back to the first dollars. It's zero-base budgeting, building from the bottom up.

"Who said what we spent last year should be a baseline for the future? We might have had a lot of waste last year and you're building it in - or we might have had a lot of things which were not properly allocated. You have to each year look at what you're doing."

Mr. DioGuardi likens his position as Congressman to that of a trustee of a large foundation. In January, he will offer a seminar for other Congressmen with the theme "Congress-The Board of Directors."

"What's the key word when you're a trustee of anything? Accountability. You have to be accountable to the people who put you there—the assets they have entrusted you with. But it is very difficult for me to be accountable to you, because, first of all, I don't have an accounting system which gives me economic data that makes sense. Number two, I don't have a data base. I don't get sufficient data to make multi-billion dollar decisions to your benefit," he said.

The Quick Fix

Mr. DioGuardi said lack of planning in government leads to waste and cited military spending and policy-making procedures to support his position. He voted against funding for the MX missile because he said, the Soviet Union already has mobile missiles and MX technology is fast becoming obsolete.

"How can we spend \$40 billion on this system when I know a general will turn right around in three to five years and say now we need a midget man... We can't afford both... Why don't we use a common sense approach? We got these beautiful launching pads called Trident submarines. The Soviets never know where they are... Why not hold still until we get the Midget Man? Somaybe we won't have the perfect triad. But the general always want to perfect everything. They want systems backing up systems. That's their mentality. Before we start dealing with these systems let's define the national security threat to this country. Is it the Soviet Union? I'm not sure you'll get a national consensus Congress as to what the national security threat is. Once we define it, whether it is the Soviet Union, whether it's the waste, the internal undermining of this economy,

then we need a policy, and only then do we talk about weapon systems. You know what you hear in Congress today, 'Weapon systems... Weapon systems.' Nobody wants to talk about policy. Nobody wants to talk about what we perceive as right. They're all looking for the quick fix. And its got to stop. We can't afford it," he said. "Military security," he said, "is an illusion without economic security."

Irrational cuts

Mr. DioGuardi said he has voted against President Reagan's budget proposals because domestic cuts were not being made rationally. As an example, he cited proposed cuts in student and small business loans:

"They wanted to cut student aid... I say no, you can't do that... Because, number one, that's not an expense, that's an investment. We are going from an industrially-based society to an information-based society. Education is more important than it has ever been. You talk about the 'country of opportunity.' Access to opportunity has to start with access to education. You can't hold the youth in our country hostage to this problem."

If student loan program were implemented correctly, he said, more people would have access to education. "They wanted the SBA (Small Business Administration) to go, student loans to go. An axe was falling on everything. What's wrong with the SBA, the SBA has worked pretty well. It gives opportunity for people to become entrepreneurs. All right, let's find out what's wrong with the SBA... But these

are not quick answers. Everybody is looking for a quick answer in Washington, or something that sounds good. I'm trying to get under the numbers. It's not easy to get under the numbers. But that's my mentality, as an auditor."

Playboy in Braille

Mr. DioGuardi said waste is not "one or two big things." "Waste is thousands of smaller things." As an example, he presented a copy of Playboy magazine published in Braille, one of a series which the federal government paid \$103,000 last year to produce.

"Why isn't Playboy paying for this," he asked. "Why is the government paying for it?"

Funding for the publication, he reported was eliminated from the Library of Congress budget two weeks ago.

Other examples were recent purchases by the military. The Navy paid more than \$500 each for cushions it needed at an installation, when they could have been bought for less than \$100. "They were ordered under what is called an 'Urgent Need.' Because of lack of planning many things are done under 'Urgent Need.' 'Urgent Need' is another way to describe lack of planning... They found 200 of the same cushions sitting in another naval installation. They don't know where the inventory is."

He said the Veterans Administration spends \$140 to process insurance claims while private insurance companies spend \$6. "The military spends \$700 for toilet seats, \$7,000 for coffee pots," he said. "It's got to stop."

Mr. DioGuardi said the organization of Congress does not maximize the talent of the members and gives unelected staff and committee chairmen too much power. When he was elected to Congress, he said, he thought he would be able to join the Ways and Means Committee and contribute his accounting experience. He was placed on lesser committees because he doesn't have seniority. "The system is not geared to bring out the qualities of the people to bear right away, because you're in a situation where seniority rules and nothing else. You've got to wait your turn. To me that doesn't make sense."

Poor planning

He said poor planning of committee meetings makes representatives rely too much on staff. I'm on four committees

and two subcommittees on one (committee) and don't know until the week before which committee is going to meet. I'm kept off balance." When meetings are scheduled, he said, they are not coordinated, so two of the meetings meet at the same time. "I think I have to get to Washington tomorrow morning and I get briefed from my staff and they might find out today what we're voting on this week or maybe the end of last week. The bells go off, you run into Congress and many of the Congressmen are running there, 'What are we voting on.' How can I plan ahead if the system is planned to prevent me from time management? So there is a tendency of Congressmen to look to their staff... We've got to bring business-like, common-sense discipline to the public sector."