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April 7, 2003

Alan Greenspan
Chairman
Federal Reserve System
Washington, DC 20551

Dear Chairman Greenspan,

As a former Member of the House of Representatives and a Certified Public Accountant, I was delighted to read the Associated Press article on April 1, quoting you in support of the accrual method of accounting for the federal government "to more clearly [lay out] the true costs and benefits of changes to various taxes and outlay programs...to help shift the national dialogue and consensus toward a more realistic view of the limits of our national resources." You said it well, and I might add that using accrual accounting in the federal government will rule out the clever smoke-and-mirrors devices that Congress now uses to mask economic realities in any given budget year. Above all, it will make federal fiscal responsibility and financial accountability possible.

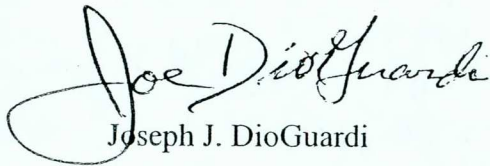
It may surprise you to hear that the federal government is legally on the accrual system of accounting already. Congress passed the law in 1950 to carry out the recommendations of two Hoover Commissions on government management. I am sure that, in signing the act instituting the accrual system, President Truman thought he was bringing a new era of accounting and fiscal sanity to Washington. Unfortunately, the federal government simply ignored the law, and for more than fifty years it has continued to use the far inferior and easily manipulated cash basis of accounting for budgeting and reporting. Since, as a practical matter, there appears to be no legal means to enforce implementation of the accrual method for budgetary purposes, I hope that your bold statement contributes to renewing the debate on this important issue.

I tried to get the debate on federal accounting issues started when I was in Congress in the late 1980s, when I introduced legislation to bring a Chief Financial Officer to the U.S. Government along with financial management reforms. (President George H.W. Bush signed it into law in 1990.) In 1992, I wrote *Unaccountable Congress: It Doesn't Add Up* to expose the massive accounting and budgeting irregularities tolerated by the Congress. I am enclosing a copy of the book, which is now being redistributed with an

inside cover update that bridges the last ten years in which the national debt (on the cash basis) has risen from \$3.6 to \$5.7 trillion. (Some experts estimate that the national debt now exceeds \$20 trillion on the accrual basis, if you count the unrecorded liabilities for social security and federal retirement pension obligations.) Also enclosed is an op-ed piece that I wrote when the Enron scandal broke.

Perhaps an informal committee of highly respected citizens, including people like you and Warren Buffett, should weigh in more forcefully on the issue of honest budgeting, accounting, and reporting for our federal government at a time when Congress is forcing this issue with the private sector in order to focus public and Congressional attention on this important issue. I would be glad to help.

Sincerely,



Joseph J. DioGuardi

P.S. I am attaching the update mentioned above in case the book fails to reach you by mail.