

BACKGROUND PAPER

THE U.S. FEDERAL GOVERNMENT FISCAL MESS AND WHAT WE THE PEOPLE NEED TO DO TO FIX IT

When they built our great Constitution our founding fathers gave us a playbook that is still going strong two and a half centuries later.

But they didn't finish the job. They didn't establish rules to properly process and safeguard all the money we send to our central government every year. There was too much else to do in the hot summer of 1787. They had a country to build and huge obstacles to overcome to do it.

Maybe the founders would fix it later, after they had gotten the basics done. But they didn't. Maybe future generations of leaders would do it. But they haven't.

When the Constitution was ratified our federal budget was \$4 million. Today our federal budget is \$4 trillion. **That's one million times larger.** But we continue to use the same Constitution, with no rules for proper financial management, as we did when our government was one millionth the size it is today.

Can you imagine any organization, public or private, that could grow by one million times and not change the basic operating rules governing the conduct of their affairs?

So 233 years later our Constitution remains silent on rules for safeguarding and properly managing the people's money.

Justice Felix Frankfurter once said, "The history of liberty has largely been the history of the observance of procedural safeguards."

That means **without procedural safeguards there is no liberty. And that's where we are.** We The People must change that. We The People need to fix this problem. We The People are the only ones who can.

So the outcomes should not surprise us. **There are abuses, lots of them.** The financial management of our federal government today is a mess and has been for a long time. And it is getting worse. Consider these few examples...

- Our tax code is 75,000 pages long and is full of special tax breaks and so-called incentives, so 56% of our people and 20-25% of profitable corporations pay no federal income tax while our nation is drowning in debt. And another \$650 billion each year is siphoned off in tax evasion, according to the IRS, an amount of money equal to 32.5% of the amount the federal government actually collects. Further, The Commissioner of The IRS said in Congressional testimony that the total of tax evasion is closer to \$1 trillion

per year when the effect of crypto-currencies is included. So trillions of dollars of the taxes otherwise owed go uncollected because of tax evasion that is not pursued, and by a system of legal tax avoidance that is so complex it cannot be efficiently enforced.

- It took 183 years, until 1972, for our nation to produce the first trillion dollars of GDP. In the 49 years since 1972 our GDP has grown to \$24 trillion, yet we have produced more national indebtedness from 1972 to 2021 than we did in the 183 years before it, combined.
- Our national regulatory structure is 170,000 pages long and according to Steve Forbes costs our economy about \$2 trillion a year. Yet ironically, the process of regulation is largely unregulated, does not have to derive its specific authorities from law, and as a practical matter is protected from independent judicial process.
- The payroll taxes we and our employers have paid for our retirement (Social Security) and our senior years' health care (Medicare) has been misapplied to pay other government bills, denying our citizens the benefit of decades of cumulative compound returns that could have accrued from prudent investment of those tax receipts over the 40 plus years of our working lives.
- America's federal government is the only element of government in our country not subject to generally accepted accounting principles independently promulgated by experts, and independently audited on time by accounting firms with full transparency and timely reporting to citizens, including a full explanation and official acceptance of responsibility by leaders and managers for the outcomes.

It is not just about too much spending, bad as that is. Constitutional silence is producing bad results across the board. It is hurting our country. And it is hurting us. We need new rules so our government can better manage our money.

Furthermore, we cannot do this piecemeal. In federal financial management the **problems and solutions are interdependent.**

For example, an oversimplification like some versions of the so-called Balanced Budget Amendment calls for a balance between federal revenues and expenses,

but are silent as to whether you include Social Security and Medicare tax receipts as part of overall federal revenues when deciding how much the federal government should be permitted to spend in any year.

Here's another example. How can we be assured that the provisions of any Constitutional Amendments or Federal Statutes are complied with, unless Members of Congress and We The People have available numbers that are accurate and produced in time to matter? The accounting, the score-keeping, must be right, and on time or we will never know whether the policies are being followed, and act to correct them timely when they are not.

Then why don't we just require Congress to pass the necessary legislation spelling out in detail what they and the executive agencies of government must do, rather than stipulating the details in the U.S. Constitution, and save our beloved Constitution to just articulate the general goals and objectives of good government?

We know from history that Congress ignores the laws it passes for the rest of us when those laws require Congress to do something it does not want to do. The seventeen year tortured history of Gramm Rudman Hollings provides specific proof.

We also know that the abuses listed above make the function of Congress easier and therefore desirable, even if it hurts the country and/or our people. So Congress does not change, and absent Constitutional intervention the abuses continue and problems get worse.

Undisciplined and unchecked by our silent Constitution, Congress has become part of the problem. We The People must fix this ourselves, before it is too late. So that means establishing and enforcing the procedural safeguards that Justice Frankfurter said are necessary will require checks and controls on the activities of the Congress, spelled out in clear detail in the Constitution.

The **Bill of Financial Responsibilities**®, BOFR for short, is a package of five brief Constitutional Amendments that requires adherence to clear process instructions, and penalties for non-compliance, in...

- Taxation
- Spending
- Regulations
- Social Security and Medicare
- Proper Accounting, Reporting, and Transparency

The BOFR Project seeks to require our federal government to do five straightforward things:

1. **Eliminate the use of our tax system to dispense favors and privilege** by complex deals, exemptions and a lengthy, secretive tax code; to use our tax system **solely** to fairly, broadly, and efficiently tax our people and our businesses enough to finance the legitimate operations of our government and no more.
2. **Stop spending more than its operating revenues unless there is a declared emergency; repay** over time the massive amounts of **accumulated federal debt**; and **give our President the line item veto** to unpack lengthy complex appropriations legislation designed to fund projects and interests that otherwise could not stand on their own.
3. **Establish impartial, fast track Administrative Courts as part of our judicial branch** to resolve disputes between citizens and federal government regulators, and **require proposed regulations to be specifically authorized in law**.
4. **Separate upon receipt the payroll taxes that we pay** for our Social Security retirement, disability compensation, and Medicare from other government funds; **maintain custody of these funds in the Federal Reserve Bank**; and enable an **independent team of investment professionals to invest, and independent audits account for, these funds** protected from Congressional misappropriations.

5. **Properly account for the money received and spent** according to rules developed by a Board administered by the independent Financial Accounting Foundation and **independently and annually audit every federal agency and department**; and thoroughly explain our government's financial activities and results.

Don't let anyone tell you this is above your pay grade, that you can't do it, it's too complex for you, that it's not possible to actually change our government with a few simple rules that will have huge, profound impacts – to set right decades of financial mismanagement of our people's money with five clear straightforward amendments to our U.S. Constitution.

That's where you come in. That's what this BOFR Project is about, to seize this moment, this opportunity to fix this once and for all, so Uncle Sam can manage our hard-earned tax money the way it should, according to the highest professional standards, good public policy, and common sense.

If BOFR is to succeed we need to educate and appeal to a majority of our fellow American citizens to support these critically important changes to our Constitution. To win the support of our people our message needs to be thought-provoking, informative, and full of good common sense.

The moment to get this done is rapidly approaching. An Article V Convention of The States is on the threshold of achieving legislative support from the 34th state, thus securing the necessary two-thirds of the states required to call the Convention. Organizers and key supporters are now targeting the Summer of 2023 to hold the Convention.

This is an historic event for our country, but it also means we have no time to waste to tell our story and persuade potential delegates to the Article V Convention why ours is the right course for our nation.

We earnestly seek, and will welcome, your support.