

RECORD OF SOCIETY OF ACTUARIES 1985 VOL. 11 NO. 4A

Vol. 11, No. 4A

October, 1985

RECORD

WILL OUR CHILDREN EVER FORGIVE US?

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I will be discussing probably the single most important information that has come up in the last ten to fifteen years and maybe in the next ten to fifteen years. My message is not particularly upbeat or enthusiastic. It's very sad, very serious, and very concerning. In fact, one might say it's even depressing but not to the point where you want to give up hope. It ought to be depressing enough, however, to make you angry enough to want to do something about it.

This is the United States of America, the most successful experiment on the face of the earth. We ought to be proud of this nation, and we ought to be proud of what we stand for. This is the land of opportunity. The fact that you're here with your colleagues and families is testimony to the fact that each one of you has capitalized on and benefited from those opportunities in this great nation. The real question is, what are you leaving behind to your children? We're leaving a bankrupt nation! America is the land of opportunity where you can be anything you want to be if you have fire in your belly and you're willing to work for it. In no other place but America could you see the head of State point to the galleries during the State of the Union Address to a young lady, who had just recently graduated from West Point. Ten years ago she couldn't speak a word of English. Or six months ago in Rochester, New York, the Small Businessman of the Year Award was presented to an Indian who came to this nation five years ago. He now employs 52 people and generates \$4.5 million of revenue. These things happen only in America. They are the opportunities that you and I have enjoyed and capitalized on. They are the opportunities we will not leave to future generations of Americans.

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Many of you probably own shares in a variety of different companies. I would go so far as to say that you're more concerned about the profitability of that enterprise and your dividends than you are about your own federal government. That attitude determines your destiny and the destiny of your children. You own this government. It is your company. You pay for it and you hire and indirectly fire those people who run it. Unfortunately, you've only hired them; you've not elected or used your prerogative to fire them. Last year, your government lost \$175.4 billion. Some members of Congress are saying that the way out of that deficit is to increase taxes. I believe that is wrong! Let me tell you why.

Last year your government gave away \$235 million worth of firewood free. Last year your government subsidized an Amtrak train service. Considering the subsidy we're paying for, it would be cheaper to give a passenger going from Washington, D.C., to Chicago and returning to Washington, D.C., via Amtrak a round trip airline ticket free, than to get them to commute on Amtrak.

Did you know that your government owns 63 weather stations that do not have the capability or technology to forecast local weather? They must call the regional weather station to find out the local weather in order to report it! The government tells you that this only costs \$5.8 million. Everett Dirksen used to say, "A billion here and a billion there and pretty soon you're talking about real money." We're not talking about billions anymore. We're talking about trillions.

What about your government having six overlapping duplicate inspection services at ports of entry? When you arrive at a port of entry, there are six duplicate inspection services: drug enforcement, customs service, immigration service, animal/plant health inspection service, and so on. Would you manage your insurance companies and consulting firms with those kinds of overlapping and duplicate services? This is overlapping in terms of personnel, billings, payments, collections, overhead, motor vehicles, and on and on.

The U.S. Coast Guard provides \$400 million a year of various subsidized services including towing \$200,000 yachts to shore. Is it right for middle income and poor America to have their tax dollars go to subsidize one, two, and three hundred thousand dollar yacht owners? I don't think so, and I'm sure you don't.

Your government operates 12,460 post offices which service fewer than 100 customers. How many of you can operate a business with a customer base of 100? You couldn't stay in business, but the post office does. We have post offices in communities in which we have twenty other federal offices.

The Grace Commission recently conducted an 18-month study on federal offices. One of the first questions asked was how many field offices the government has. After 18 months, we still do not know how many government offices there are outside of Washington, and neither does your government. How can the government begin to effectively manage

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your tax dollars and mine, your field operations and mine, if it doesn't even know how many offices it has?

In this government, there are 962 subsidized programs costing \$406 billion dollars a year! Now what the government doesn't count as a subsidized program is, for example, the yacht service that we talked about, or our national parks. You may have paid an overnight fee to stay in a national park. In 1916, to stay overnight for seven nights at Yosemite, Mt. Rainier, or Yellowstone, you paid \$6, \$8, and \$10. You now pay \$2 and \$3. Our National Park Service is subsidized \$.97 on a dollar. The Congress has forbidden by law the National Park Service to reevaluate its pricing structure with the view towards determining whether the rates should be increased. I have nothing against people wanting to camp outdoors overnight. Our American people should enjoy the outdoors. But I do not think that we should subsidize our next-door neighbors when they camp out. Campers ought to be willing to pay the going rate. If all we did was increase the fees to where they were in 1916, we could raise \$100 million on the bottom line!

Why is it in this great democracy that we allow parents whose family earnings exceed \$100,000 to qualify for student loans? Why do we tolerate 41,000 federal employees, active and retired, to be delinquent in the amount of \$65 million on their student loans?

What about the national school lunch program? Our government provides six free meals per day to certain qualifying individuals in this country, and it is because of the overlap between the food stamp program; the school lunch program; the breakfast program; the woman, infants, and childrens program; the commodity distribution program; the summer feeding program; and on and on. With that overlap between three meals which they ought to receive and the extra three they can get, no family in America should go hungry. I don't think we ought to spend \$1.3 billion a year for the extra three meals that allegedly are provided but frequently are not. Food stamps are often sold on the street corner for \$.50 to the dollar, because the kids already have been fed in school. The Congress has known that for six years, and it has not had the fortitude to stand up and do what's right for America! Why? If you're an incumbent in office or seeking office for the first time, you have two objectives: (a) to get elected and (b) to get reelected. You don't get reelected by taking away; you get reelected by promising more. That's why the Congress isn't willing to stand up for \$1.3 billion, and part of the problem is you and I.

A report of how many of you voted for new Society officers showed about 40 percent of your membership. That comes from a four-year declining average of those of you who are voting. We have the same thing happening in America. People have become apathetic. The time has arrived for us to stand up and be counted because it is those special interest groups that are tearing America apart and are bringing us to the brink of bankruptcy.

It was reported that the Grace Commission recommended cutting benefits in Social Security. I'll tell you what we actually recommended. We felt it wasn't right for Social Security to issue 8,000 checks to dead

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people last year! We didn't think it was right for Social Security to issue \$14.2 billion in error during the period 1981 thru 1983, or about \$4.4 billion a year. We don't think it's necessary to have 4,688 field offices when the Agriculture Department has 15,000. We don't know how many offices are out there, but my guess is it's well over 100,000 offices. Why should it be necessary if you are seeking employment with the federal government in Denver, Colorado, to go to 27 different personnel offices in one city? If that's not inefficiency, disorganization, and a waste of your tax dollars, I don't know what is! In Miami, the transportation system is federally funded. It averages 10,000 riders per day. It would have been less expensive to the taxpayers if we would have paid every passenger \$100,000 and told them that we're not going to build the system!

You've all read about the \$435 hammer than you could have bought in a hardware store for \$7? You read about the screw nut that you could buy for \$.03, and our government paid \$2,093. You read about the toilet seat for \$637. If you're the manufacturer of ketchup or mayonnaise or salad dressing and you sell to the federal government, you have to comply with 27 pages of specifications that delineate the quality, the color, the consistency, and so on of ketchup. What's on the shelf is not good enough. The same is true with ground chuck. If you're a manufacturer of whistles selling them to the government, you get 21 pages of specifications to comply with, even to the extent of determining the revolutions per minute that the little ball inside must turn if it's a loud, medium, or low whistle. Now, all of those specifications cost money, and that's how you get to the \$435 hammer. If you're a manufacturer of rodent elimination devices, or mousetraps, you have to comply with 202 pages of specifications! You can't manufacture a mousetrap complying with this and sell it for what you can buy it for in the corner store. Those are some of our problems.

You ought to know that the government recently made a grant to Alexandria County, Virginia of \$5,000 to study why people lay down on tennis courts. It also granted \$10,000 to take pictures of old bus terminals. That is waste, and we will continue to experience that kind of waste until we wake up and do what's right for America.

By law if you have a pension program, it must be funded, except for the United States Congress. It doesn't have to fund the civil service retirement system nor the military retirement system.

There is talk about increasing the ceiling of the national debt to \$2 trillion. The national debt is already about \$5.5 trillion, not \$2 trillion. The Congress has a game that it calls "on budget and off budget." Whatever it includes on budget it has to talk to the American people about, and what it keeps off budget, it doesn't have to share with the public. Military and civil service retirement has an unfunded liability of \$1.1 trillion increasing at the rate of \$100 billion a year, all off budget! Who's going to pay for that? Our children. And who's responsible for that? You and I are because we're not doing anything about it.

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Is the way out of the deficit to increase taxes? There are 35 million poor people in this country. Studies have shown that if we were to take everybody out of poverty by giving each family of four \$10,000 in cash if they earn nothing (if they earn \$3,000, we give them \$7,000), it would cost the taxpayers \$55.7 billion. Last year we spent \$124 billion in poverty programs. Only \$36.7 billion or \$.30 on the dollar actually got to the poor. We're not helping the poor; we're helping the middle income, the upper middle, and the rich! In every piece of legislation on the 17 "means tested programs" (another way of saying poverty programs), the only eligibility criteria with respect to income is cash income. Any other form of income is called "in kind" and not considered. So if you're the head of a household of four, earning \$9,000 a year in cash and you get \$3,000 in food stamps, that's \$12,000 a year. That \$3,000 doesn't count; it's considered in kind. You can get a subsidized loan or subsidized rental housing for \$3,000, and you're up to \$15,000 but that \$3,000 doesn't count. It's in kind. If you participate in any one of the remaining 14 programs, you could have drawn \$30,000 and still be eligible for the seventeenth program. All it would take to remedy this would be for the legislation to read that eligibility will be determined on cash income plus in-kind income.

What does this all mean? If we do nothing else but take a look at where we've been for 15 years, and look out to the year 2000 assuming a 10 percent interest rate and 7 percent inflation, we're looking at an annual deficit of \$1.96 trillion. We're looking at an on-budget debt of \$13 trillion. We're looking at interest on that debt equal to the total debt today. Last year 62.5 percent of the deficit was for payment of interest on the debt. By the year 2,000, it will be over 100 percent.

One reason why we're losing the battle is the size of the federal government. There are 4.9 million federal employees, and a cash float of \$2 trillion a year. The average number of days when the float is a noninterest bearing account is 10.4 days. A one-day reduction from 10.4 to 9.4 delivers \$286 million of interest savings per year. At W.R. Grace we have lockbox operations, electronic funds transfers, and letters of credit. We check some of those boxes 12-20 times a day, but the federal government doesn't check that often. They wait 10.4 days because none of those employees are evaluated on the basis of what they contribute to a bottom line, and the bottom line should be returning money to the treasury. If you're a loan officer, you're evaluated on the basis of how many loans you make, how many dollars you've loaned out. Not how many loans are good and how many dollars get repaid. Is it any wonder that 53.5 percent of our farm loans today are delinquent? Is it any wonder that there is \$35 billion of delinquent loans out there? Is it any wonder that the government makes three follow-ups for each delinquent loan as opposed to 27 that are done in the private sector.

The government owns 437,000 motor vehicles. There are 2.1 million civilian workers. At any one point in time, all the civilian workforce could be traveling in automobiles. These automobiles average 9,000 miles per vehicles. Hertz, Avis, and Budget will tell you that the breakeven point is 25,000 miles. They will also tell you that when a car comes in ready to be traded, they invest \$150 on an average per car.

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They touch it up a little bit with new tires or at least vacuum it once, and on retail, they get \$550 more in selling that used car than the government does with a car coming in the front door and being sold out the back door.

The government has 332 incompatible accounting systems with 17,000 computers. Fifty percent of the computers are obsolete beyond 6.7 years (outside the state of the art) and half of that 50 percent, or 25 percent, are so obsolete that IBM, Burroughs, Univac, and so on will no longer service the equipment. So our government has full-time federal employees servicing that hardware at an additional cost of \$682 million a year.

The government owns and occupies 2.6 billion square feet of office space. If you take all of the office space in the ten largest cities in the country, and multiply it by four, you still won't come up with 2.6 billion square feet of office space.

The government has 4,000 military installations--only 312 of which are considered necessary according to the Pentagon. In fact, there is a military installation called Ft. Monroe, Virginia, that is so old it has a moat around it. You could convert it to a museum and save \$10 million, but you can't get it closed!

In 1965, the government was spending 1 percent more than what it took in as income. By 1975, we were spending 16 percent more than what we took in. Last year we spent 36 percent more than what we took in. If you do the analysis of expenses as a ratio, gross national product (GNP), or you do the reverse and analyze tax reserves as a percent of GNP, you will see that the tax revenues have been reasonably equal for the last 15 years at about 19.2 percent of GNP. Expenses have gone from 18 to 25.2 percent of GNP. It isn't that we're not generating enough money; we're simply spending too much with the kinds of programs and wasteful acts that I've just mentioned.

In 1948, the median-income American family of four earned \$3,217. They paid \$9 of federal income taxes. That same median income family in 1984 earned \$24,100, and they paid \$2,218 of federal income taxes. You've all done ratio analyses. At the income line, the income has gone up 7.6 times. At the tax line, it's gone up 246.4 times. The median-income family in this nation has seen their taxes go up at a rate 32 times faster than their incomes since 1948. During the presidential campaign discussions and debates, Mondale and Jackson told the American people that the way out of the deficit was to increase the taxes of the rich. They said that not enough people were paying enough money at the upper income levels. After doing some homework, they found that 90 percent of all the taxable revenues in this country come in at \$35,000 a year of taxable income and below. They found that 62 percent of taxable revenues come in at \$15,000 a year of taxable income and below. So any kind of tax increase is not going to affect the rich. It's going to go to the upper middle, middle, and poor people in America. If Congress passed a law that took every dollar from every American whose taxable income is over \$75,000 a year, that would produce \$17.2 billion or enough money to run the government for 10

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days. The money is in the 90 percent level, and the answer is not to increase those taxes but to reduce costs. Each time that Congress has come to the American people and asked to increase taxes so it can apply the money to reduce the deficit, it has not once done that. In 1982, when Congress asked for a tax increase, it promised that for every dollar of tax increase, it would reduce expenditures by \$3. We got the tax increase, and we also got a 14 percent increase in expenses. Let me give you an illustration of how really sad it is. A Senate office building has luxurious automated elevators. Normally in an automated elevator, you go in and push the button but not in this building. You walk in and you tell an elevator operator which floor you'd like. He or she will press the button to get you up there. Now at the bottom line, we're spending \$650,000 a year for elevator operators. We spent \$2 million to put in the automated elevators. Why do we need the \$650,000 to operate them? A group of freshmen Congressmen proposed legislation to eliminate the operators. It failed. I would ask each of you to ask your Congressman how he can be serious about reducing the deficit and doing his job and say, at the same time, that the only way out of this problem is to increase taxes. Is he going to convince you that we need to have elevator operators in automated elevators? The bottom line to Congress is how to get elected and reelected.

The government had a very simple \$600,000 recommendation that NASA should contract out its daily production of aeronautical briefs. The government looked at the in-house cost and out-of-house cost and decided to contract it out. The administrator agreed, had a press conference, and awarded a contract. About 10 employees at the government printing office (where, by the way, the average proofreader makes \$32,500 a year) called Senator Mac Mathias and put a little pressure on him. They didn't want to lose their jobs; their workload would be affected; and in turn, their salaries would be affected. In government, there are two criteria that determine your salary: (a) numbers of people you supervise and (b) size of workload. Bigger is better. Small and more efficient reduces your salary. So Mathias found a loophole in the law dating back to the 1800s and forced the administrator to cancel the contract and bring the work back within government. The Grace Commission took that specific case to our Speakers Bureau, every radio and television and print media interview we did. We wrote letters to the editor. We called, demanded, and requested that the American people call and express their displeasure. About 48 days later, Mathias held a press conference to announce his reevaluation of the situation and that he will allow the contract to be awarded. That's what we're up against, and that's what it will take.

The Grace Commission has been accused of being Republican and big business. Nothing could be further from the truth because Peter Grace is a lifelong Democrat, and the Commission includes small business people, independent business owners, and independent consultants. Nonetheless, that was the perception. So, we organized two groups called Citizens Against Government Waste and the Council for Citizens Against Government Waste. One is an education foundation, and the other is a lobby group. We created a Speakers Bureau. Two hundred CEOs speak every day across America. We get 40 speaking requests per day in our office. Last year they delivered 1,200 speeches. We've

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installed a 1-800-USA-DEBT hot line. You can call 12 hours a day and ask any question, provide any suggestion as to where you have seen waste and inefficiency and request more information. We get 1,000 calls per day.

We recently received approval from the Advertising Council to launch a \$50 million advertising program to educate the American people in terms of where their tax dollars are being spent and wasted. We need to raise \$500,000 for seed money. All participants in the Citizens Against Government waste donate their time, travel, and anything else that is needed. We've organized state directors in every state in the country. We have a series of 26 half hour television documentaries that will be starting about February on the public broadcasting system. We have 1,400 trade associations who have endorsed us fully, and we use their newsletters and members to work in the local communities to bring speakers to initiate debates and establish a communication mechanism so the American people can find out what's happening and do something about it.

We're organizing a gang of 5,350 citizens. There are 435 members of the House and 100 members of the Senate. Each House and Senate member will have 10 mean, persuasive, powerful individuals at the local level, who are going to hold that elected representative accountable! Each gang of 10 will give specific recommendations, where savings can be effectuated, to its local congressman who sits on the committee responsible and has the authority to do something. That elected official will be asked to come back to the gang of 10 in 30 or 60 days and report on what he's done about the recommendation. We're going to have 200 to 400 people in an audience who will be members of Citizens Against Government Waste and we're going to hold our various congressmen accountable, before this group, for why they are supporting those elevator operators and the National Park Service subsidy at \$.97 to the dollar or Amtrak or the Miami Transportation System, or the Post Offices and on and on. That's the only thing they'll listen to, it's the only thing they understand.

We have recently succeeded in organizing a group called the Grace Caucus on the House and the Senate side. So far there are only 91 members. You should ask your local representative whether he or she is a member of the Grace Caucus and if not, why not? Don't let them tell you that we recommended reductions in Social Security, because we did not, or that we recommended pay cuts for federal employees, which we did not. We did not recommend the closure of military commissaries. We recommended that they be privatized and do away with the \$735 million subsidy that you and I pay, when the law says that the military commissaries should be located in remote areas where military personnel cannot get food items within a radius of 15 miles. We have military commissaries in Washington, D.C.; San Diego, California; and San Antonio, Texas. Is that remote?

What can you do? You can become a member of Citizens Against Government Waste. It's going to cost you \$10 to help pay the overhead cost. But it will give us a power force. It will give us a mechanism to sit across the table from and play hard ball with the people who play

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games with our money and who are about to destroy this great nation. You can get our speakers to address your local groups. We'll be happy to be on your local radio and television programs. We'll give you the name of your state's coordinator with that state's individual programs. You may want to become a member of the gang of 5,350. You may want to participate if you have any kinds of talent in communications, writing letters, brochures, and pamphlets. We have bumper stickers, we have tee shirts, we have trash bags.

Some day inflation will be running rampant in this country. It is 651 percent in Israel and 50,000 percent in Bangladesh. Don't think that it can't happen in America. We're in trouble, and it is driven by the deficit. Whether it's the balance of trade payment, the interest rate, or inflation, it is driven by the deficit. We can't continue to borrow \$200 billion a year and feel that nothing is going to happen. If you care at all about America, do something about preserving this great nation for another 200 years.

Q. You said we can join for \$10, how do we do it?

A. Simply call 1-800-USA-DEBT and they will send you the necessary paperwork in a kit. We distribute a 24-page summary of 21,000 pages of documented materials and 1.5 million pages of work paper titled "You Can Blow the Whistle on Government Waste."

Q. What specifically are you looking for each Congressman or Senator to do after they've joined the Grace Caucus? Do you require them to agree to all 2,000 of your suggestions?

A. We want, in Washington, a general interest group, not a special interest group, representing the taxpayers of America who will stand up and make the Congress accountable. We issue newsletters every month, and we talk about who is supporting what and who's not. We want you to get that information at the local level and do something about it. We also get hundreds of suggestions from taxpaying Americans. We had one the other day. If you work for the federal government 30 years full-time, you can get a sizable retirement. If you worked for the government 27 years part time and 3 years full time, you get the same retirement. We now have legislation introduced to do something about it.

Q. You've spoken of the need to speak to Congress, but isn't it correct that many of the changes that are needed must be made by the administration? What is the administration doing?

A. Out of 2,478 recommendations we've developed, 1,352 have been agreed to for implementation by the administration. Out of that 1,352, 73 percent require Congressional approval. That's where the stalemate is. The Congress interferes and impedes the executive decision-making process. We entrust Casper Weinberger, Secretary of Defense, for better or for worse, with a \$300 billion budget. When he wants to sell an asset valued at \$1,000 or above, he must submit his request to the Congress, nine months in advance of the sale to get approval. We recommended the closure of offices. A Congresswoman from Denver,

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Colorado, passed a law prohibiting the Executive Branch of government from closing any one office. So the Congress is the pivotal point, though the administration has tried to do something and can do more, I might add.

Q. How much can be saved by combining the various branches of military service?

A. I can't give you a specific number but I would expect a lot of dollars could be saved. The Eisenhower administration organized a Department of Defense to have one spokesperson and be one service. In 1985, we don't have a Department of Defense. We've got the Department of the Navy, the Department of the Air Force, and the Department of the Army. Everything that they develop is done on a vertically integrated basis. For example, why do we need a navy hospital on one side of the street, an army hospital on the other side of the street, an air force hospital being built a mile down the road, and a veterans' hospital a half mile down the other road, when the average bed vacancy rate in the Department of Defense hospitals is 46 percent? Why do we need separate doctors? If you're a navy doctor, you're different than an army doctor. I don't know what that means, but you're different. Little fiefdoms are built from this, and you can never break those barriers, until such time as people like House of Representatives Congressman Les Aspin, who chairs the Armed Forces Committee on the House side, gets the message that we no longer want to support that kind of inefficiency.