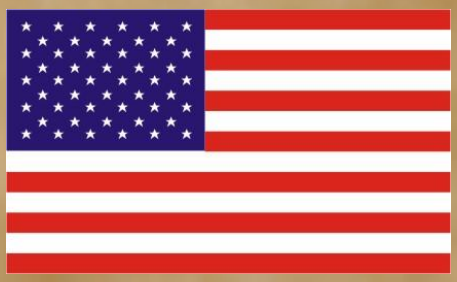
Debt Deficits and the BBA



BBA Task Force

2010 General Election

"Should the United States Constitution be amended to require a balanced federal budget without raising taxes?"

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2010 General Election

5 million votes cast.

Yes - 72%

Passed by wide margins in every Florida County.

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Gross National Debt exceeded $17,000,000,000,000 in October

This is more money than all the debt of all European Union nations combined.

It is greater than our gross domestic product.

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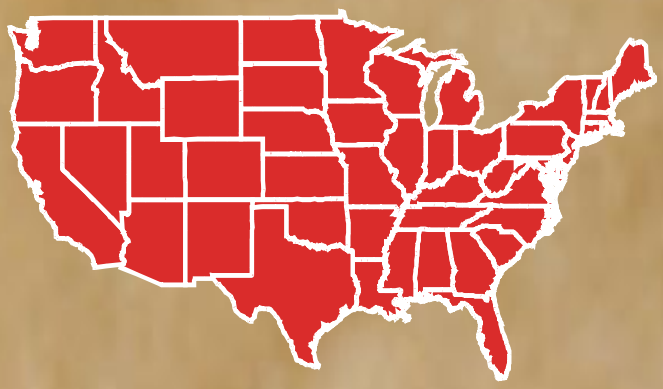
Only 12 of the world's 182 nations have a debt greater than their gross domestic product.

2012 Debt/GDP	
Greece	153%
Italy	123%
Portugal	112%
France	89%
Spain	79%
Cyprus	74%
United States	107%
China	22%
Russia	11%

International Monetary Fund

BBA Task Force

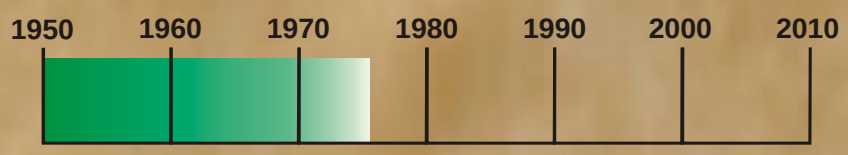
Our Economy



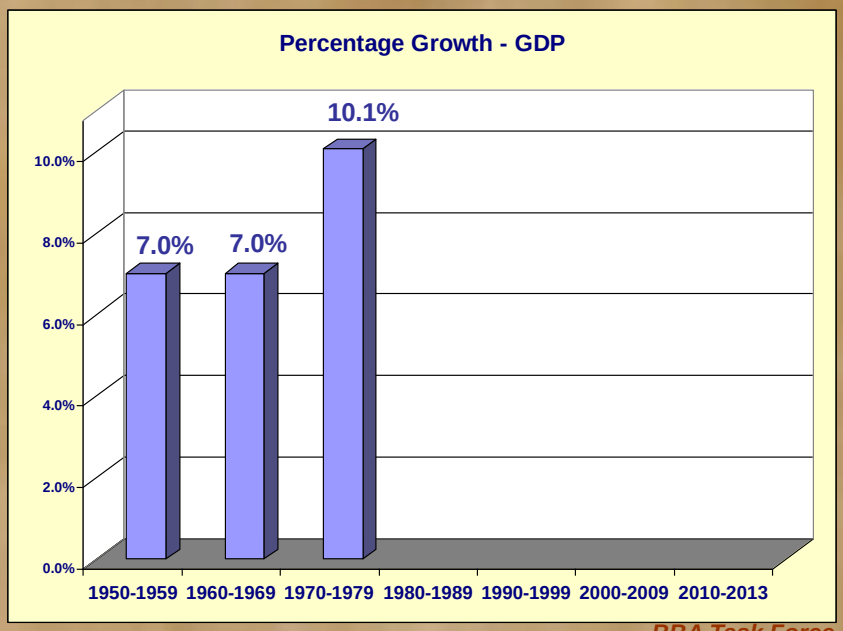
BBA Task Force

During this period we …

- **Created Wealth**
- **Imported Wealth**

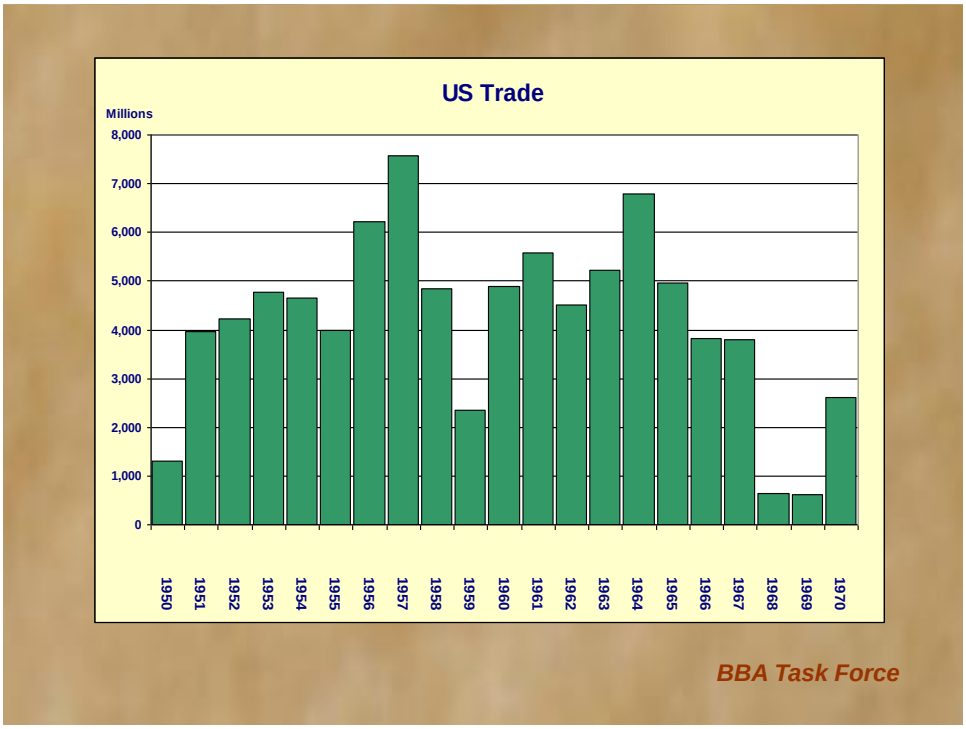


BBA Task Force



BBA Task Force

World Trade
Exports
Wealth Flows In
Imports
Wealth Flows Out
BBA Task Force


US Trade
Millions
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
1950
1951
1952
1953
1954
1955
1956
1957
1958
1959
1960
1961
1962
1963
1964
1965
1966
1967
1968
1969
1970
BBA Task Force

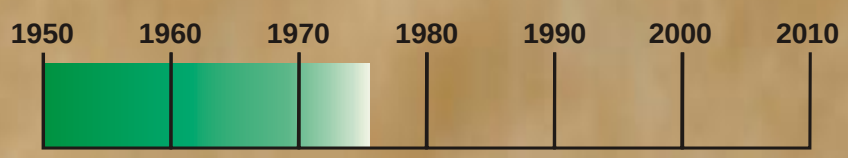
Export - Import Ratio

1950 - 1974 **1 : 0.75**

BBA Task Force

During this period we …

- **Created Wealth**
- **Imported Wealth**



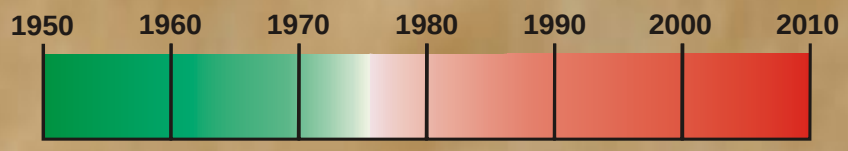
BBA Task Force

During this period we …

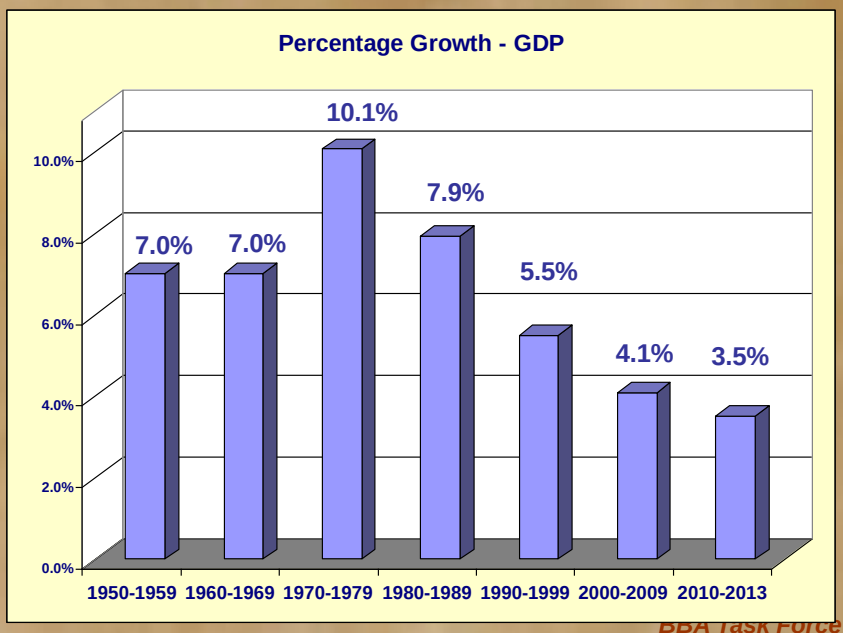
- **Created Wealth**
- **Imported Wealth**

During this period we …

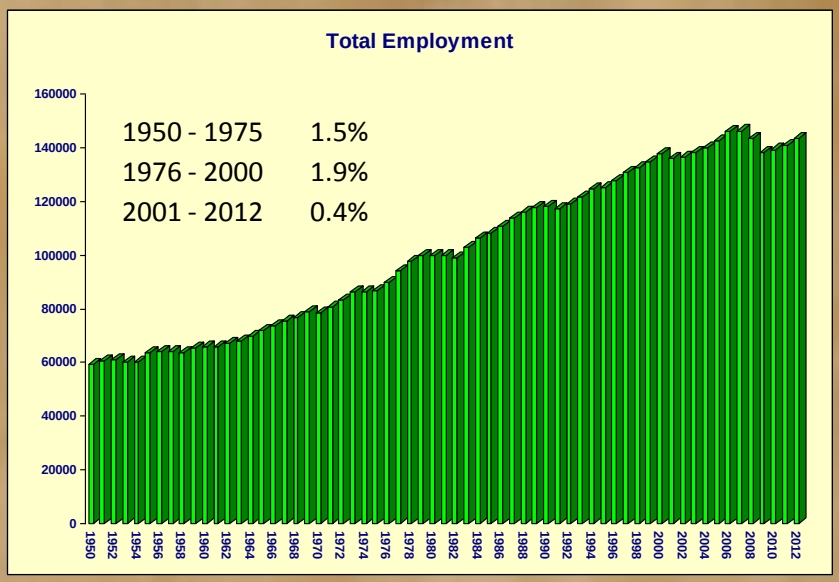
- **Borrowed Wealth**
- **Transferred Wealth**
- **Lost Wealth**



BBA Task Force



BBA Task Force

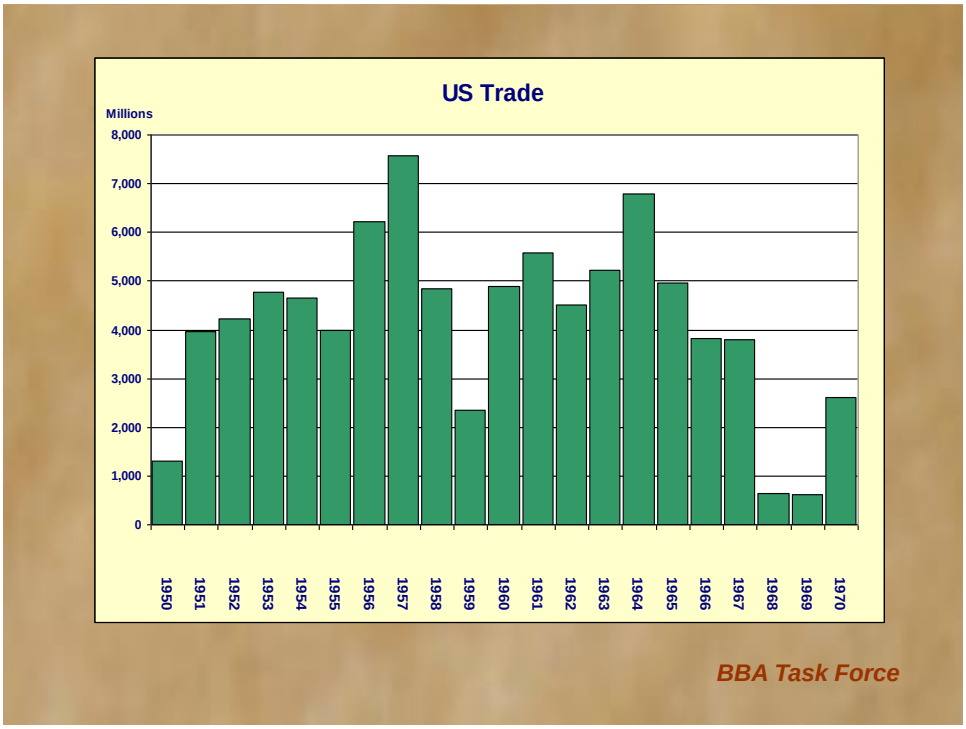


BBA Task Force

Loss of Wealth

BBA Task Force

World Trade
Exports
Wealth Flows In
Imports
Wealth Flows Out
BBA Task Force


US Trade
Millions
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
1950
1951
1952
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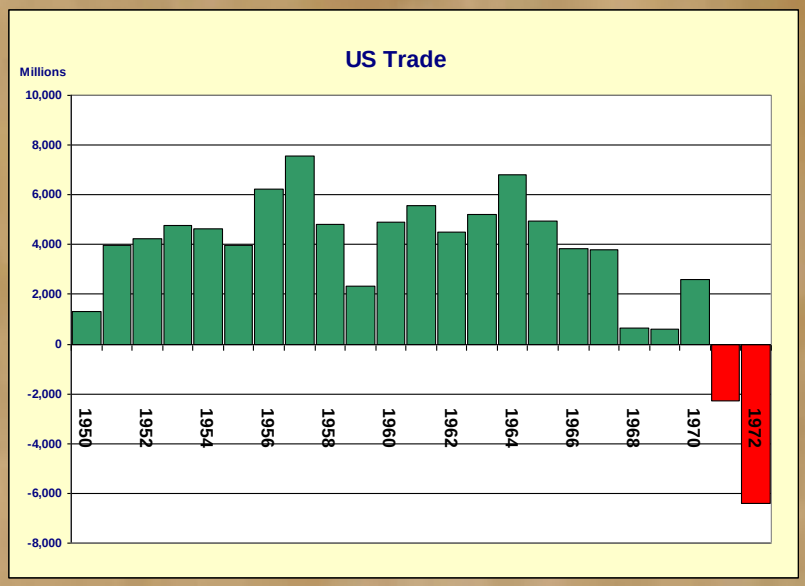
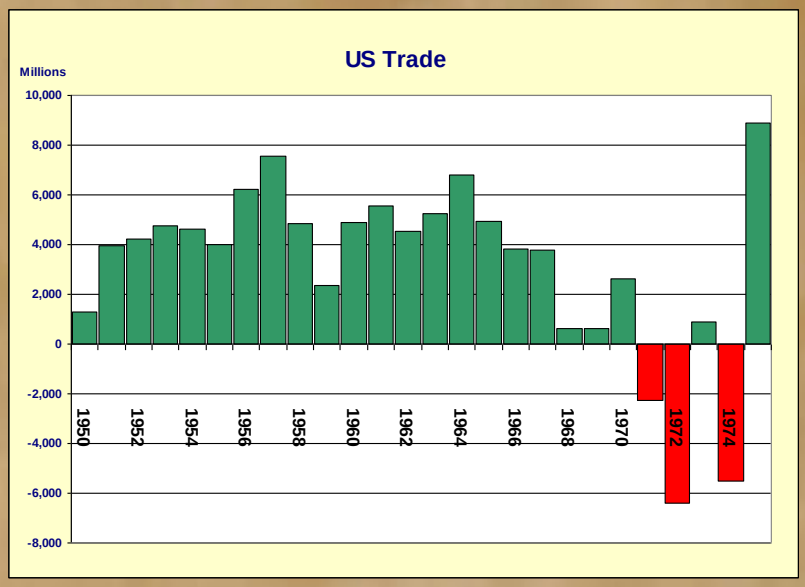
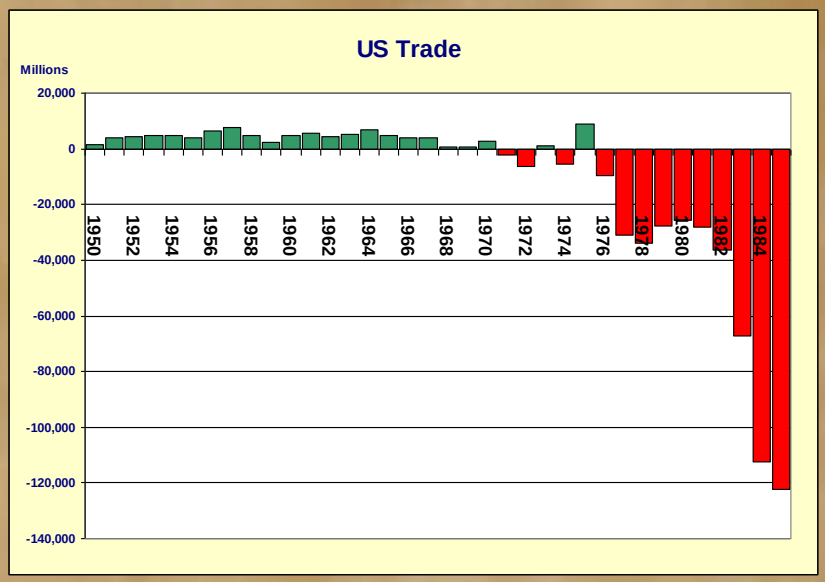
1970
BBA Task Force



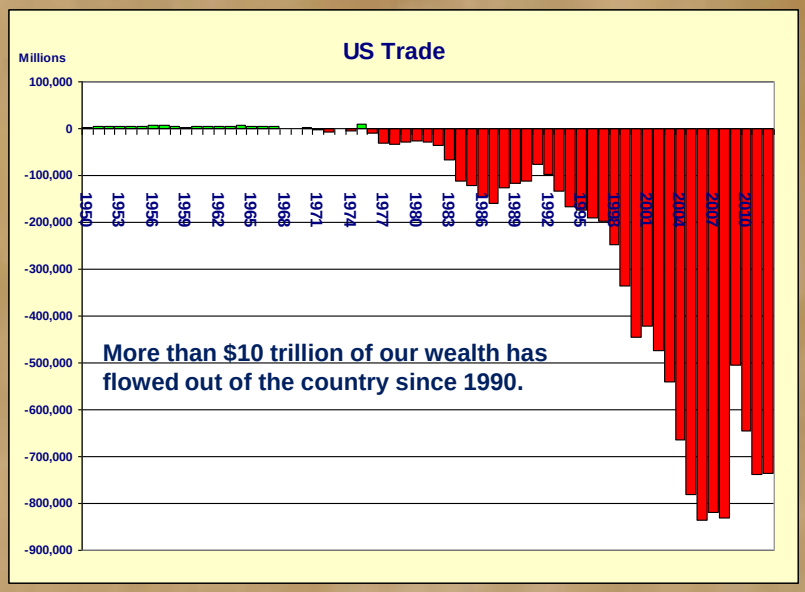
BBA Task Force

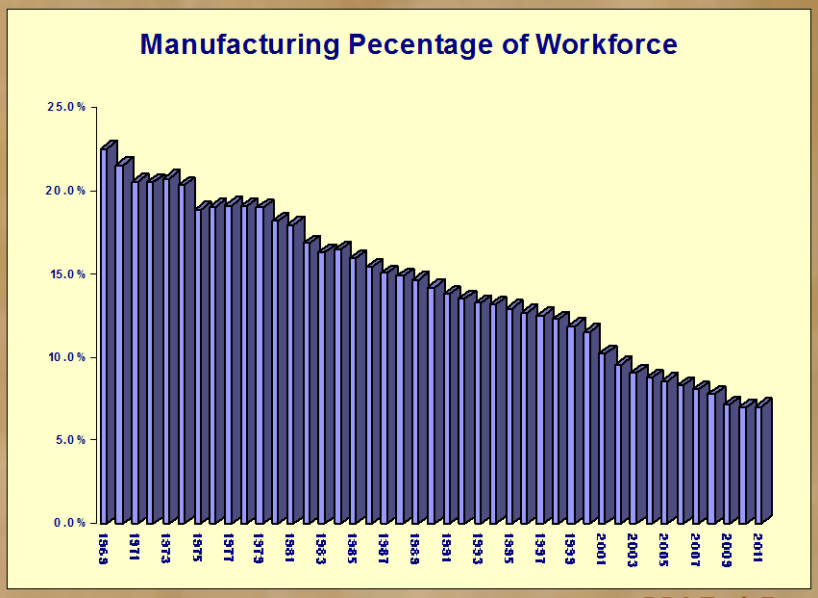


BBA Task Force



BBA Task Force

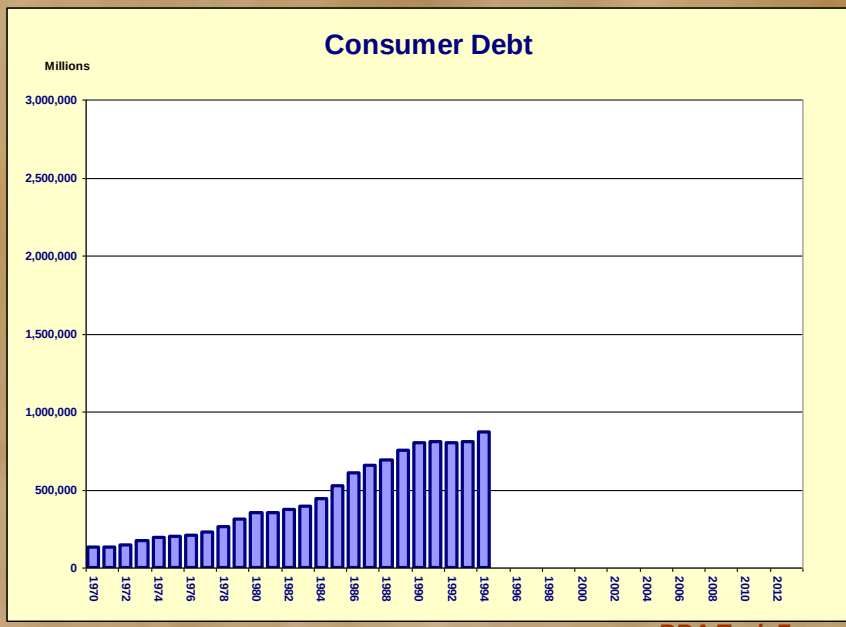




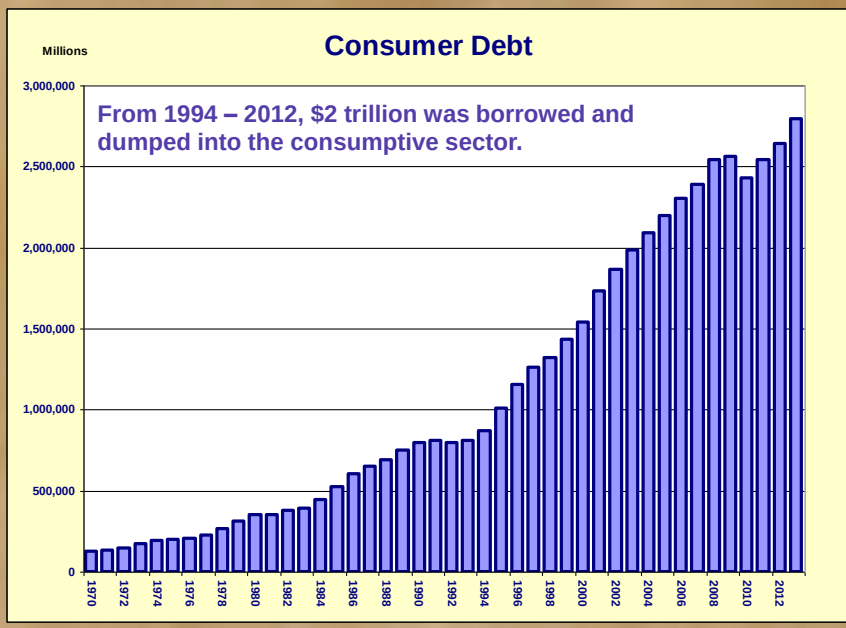
BBA Task Force

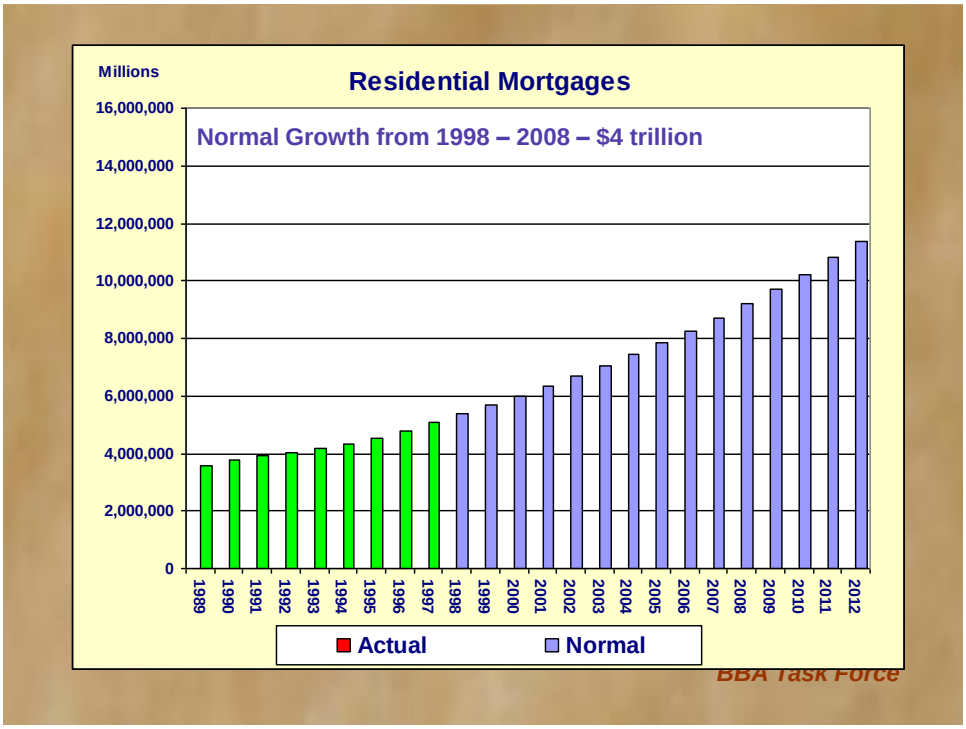
Borrowing of Wealth

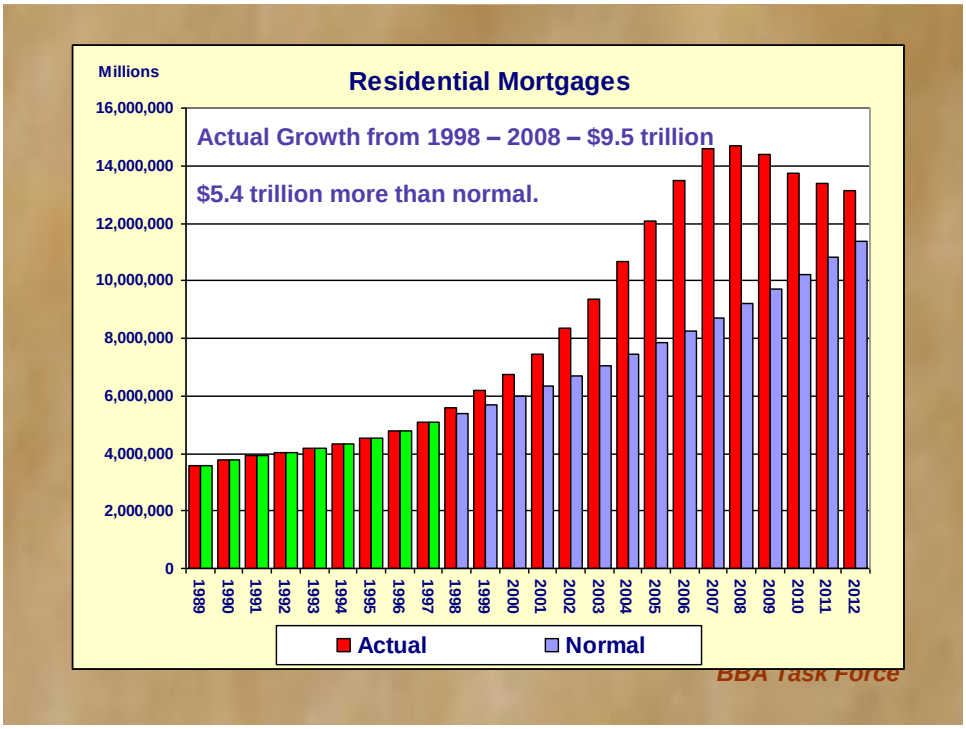
BBA Task Force

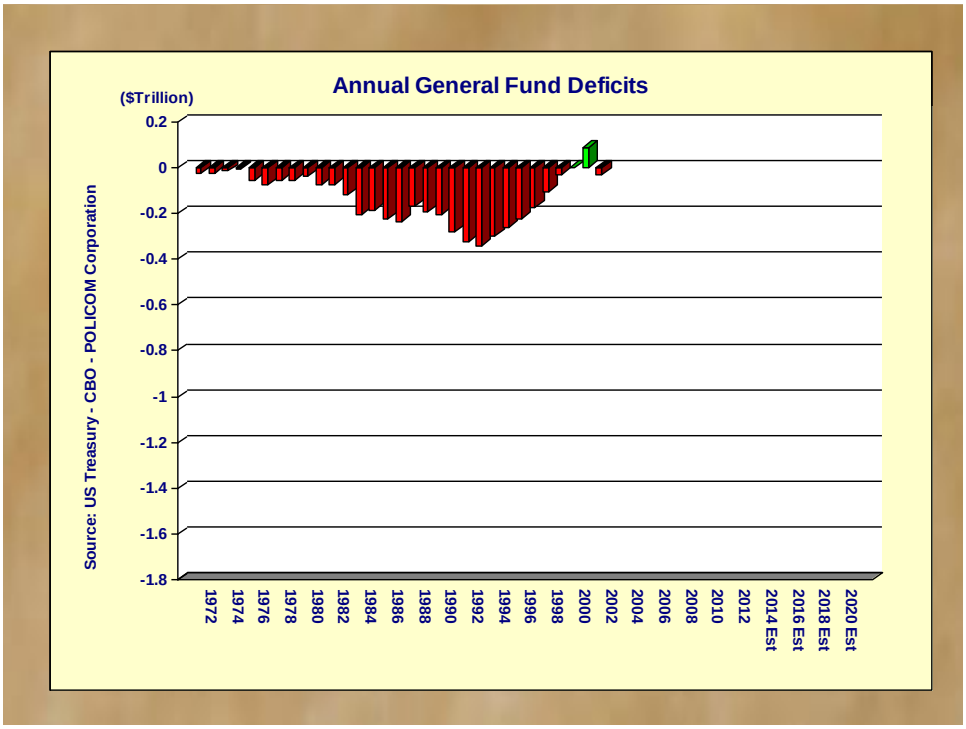


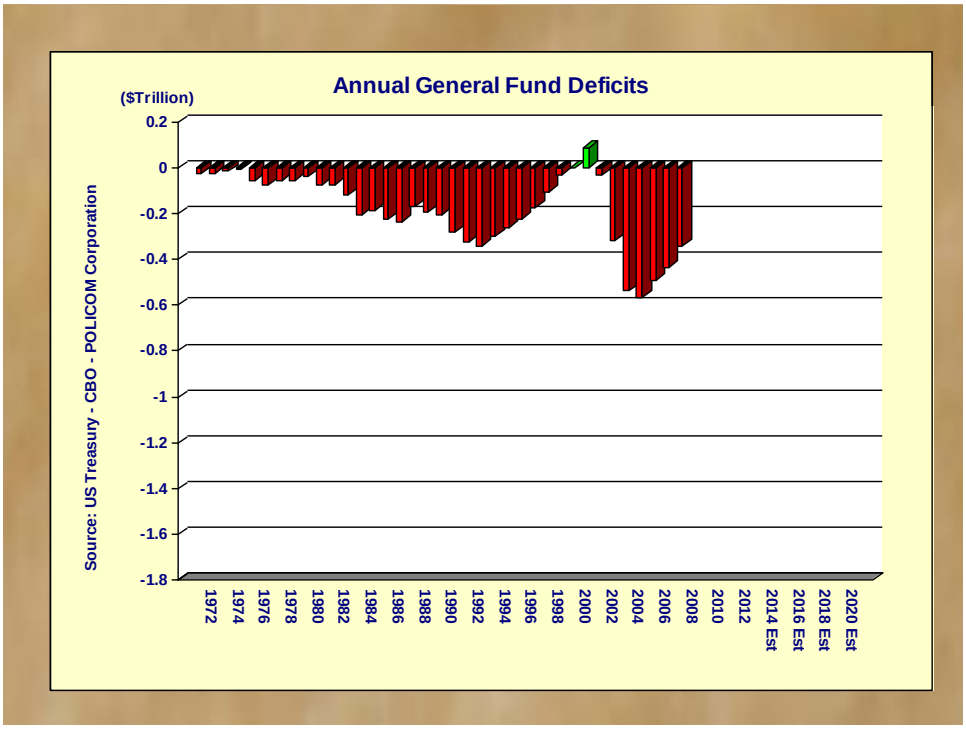
BBA Task Force




Millions
Residential Mortgages
Normal Growth from 1998 – 2008 – $4 trillion
16,000,000
14,000,000
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
0
1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012
Actual
Normal
BBA Task Force


Millions
Residential Mortgages
Actual Growth from 1998 – 2008 – $9.5 trillion
$5.4 trillion more than normal.
16,000,000
14,000,000
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
0
1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012
Actual
Normal
BBA Task Force


Annual General Fund Deficits
($Trillion)
0.2
0
-0.2
-0.4
-0.6
-0.8
-1
-1.2
-1.4
-1.6
-1.8
1972
1974
1976
1978
1980
1982
1984
1986
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
2010
2012
2014 Est
2016 Est
2018 Est
2020 Est
Source: US Treasury - CBO - POLICOM Corporation


Annual General Fund Deficits
($Trillion)
0.2
0
-0.2
-0.4
-0.6
-0.8
-1
-1.2
-1.4
-1.6
-1.8
1972
1974
1976
1978
1980
1982
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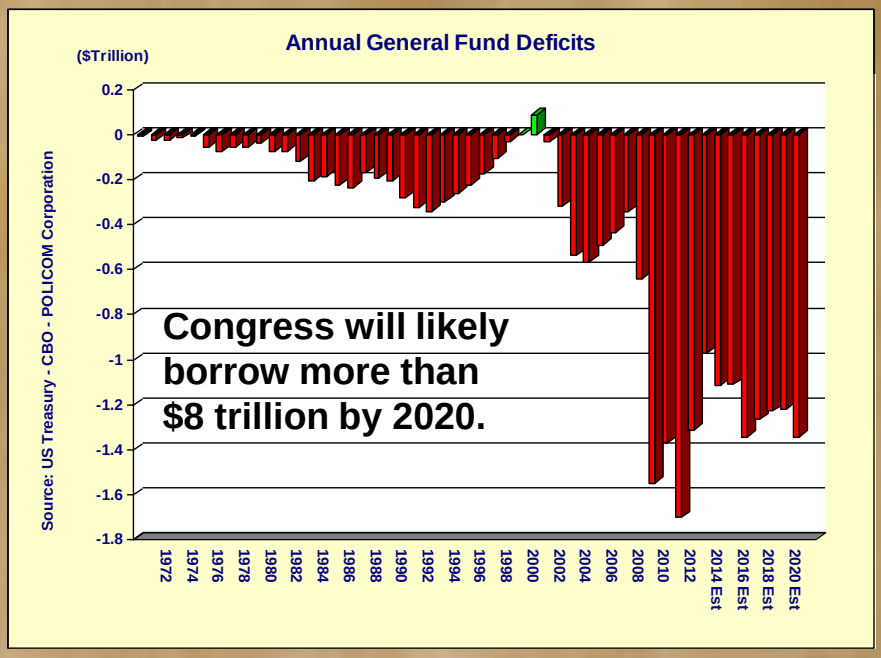
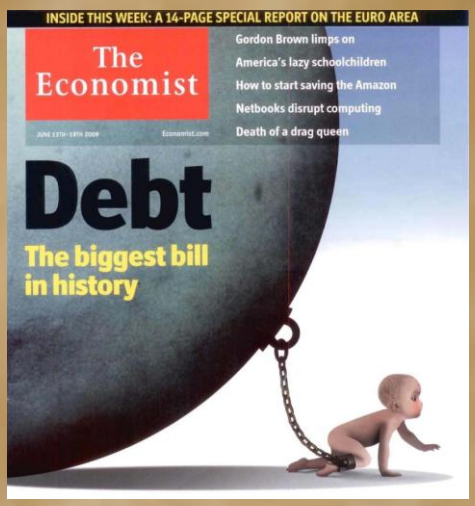
2012
2014 Est
2016 Est
2018 Est
2020 Est
Source: US Treasury - CBO - POLICOM Corporation

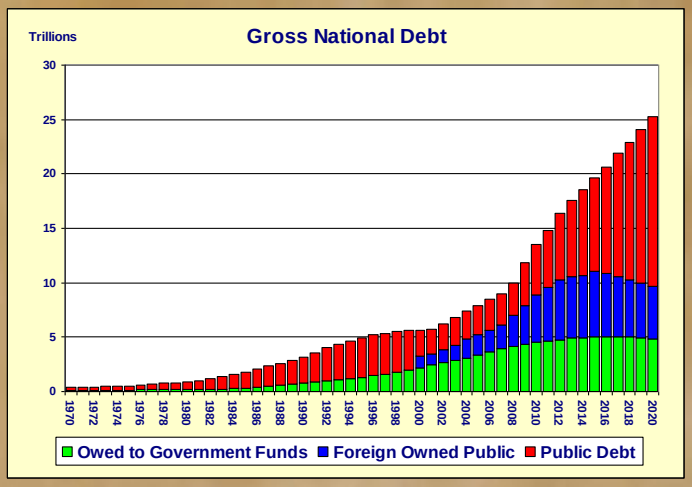


A brief eight years from now, in 2020 the debt will reach $25 trillion.



BBA Task Force

Congress borrows from the Public, Foreign Entities, and Trust Funds



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Public Debt

Between 2001 and 2012, the Federal government borrowed $6.8 trillion from the "public" to finance its deficits.

67% of the money came from foreign entities.

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Owed to Government Trust Funds

A trust fund typically has a dedicated source of funding for expenditures which are legally limited to the purpose of the trust fund.

When the trust funds have surpluses, the fund trustees "invest" the money so it can be used in later years.

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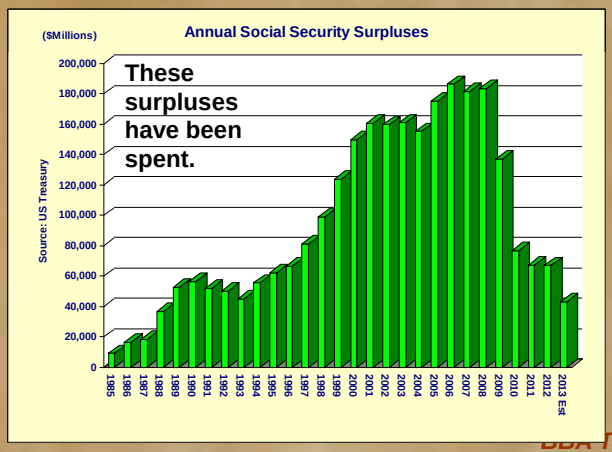
Owed to Government Trust Funds

The surpluses generated in the Social Security Trust Fund between 1985 and 2012 totaled $2.6 trillion.



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Owed to Government Trust Funds

Major Trust Funds - 7-1-2013

Total Owed All Trust Funds	$4,830,830,900,000
Social Security & Disability	$2,783,454,000,000
Civil Service Retirement	$819,444,000,000
Military Retirement & Medcial	$614,058,000,000
Medicare	$285,828,000,000

Source: Bureau of Fiscal Service, Treasury Department

This debt will have to be paid by little kids who are in kindergarten today.

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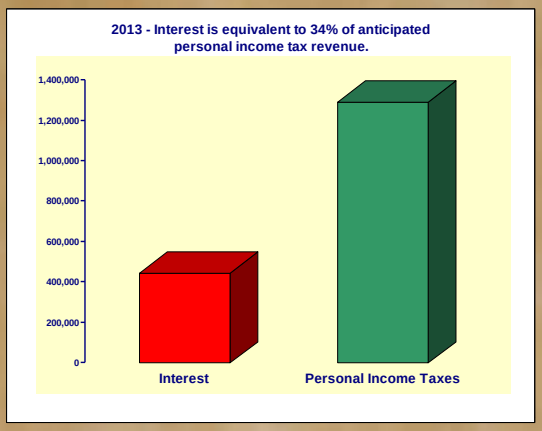
Interest Rate Razzle-Dazzle

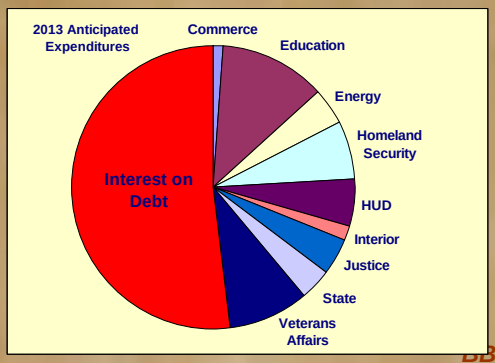
For Fiscal 2013, interest payments on the debt will total about $420 billion. This is equivalent to 34% of the anticipated personal income tax collection.



Task Force

Interest Rate Razzle-Dazzle

For Fiscal 2013, interest expense will be greater than the cost of ten government departments.



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Interest Rate Razzle-Dazzle

How can the interest payment in 2013 be less than 2007 when the debt was much less?

	Gross Debt	Interest
2007	$9 Trillion	$429 Billion
2013	$17 Trillion	$420 Billion

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Interest Rate Razzle-Dazzle

Federal Reserve Bank

BBA Task Force

Interest Rate Razzle-Dazzle

Between 2008 and 2013, the Federal Reserve Bank "printed" $1.5 trillion and purchased Federal government securities.

Federal Reserve Bank
Ownership of Federal Debt

July 1, 2008	478,866,000,000
July 3, 2013	1,942,678,000,000

Source: Federal Reserve

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Interest Rate Razzle-Dazzle

As a result, the average interest rate on the national debt in July of 2013 was only 2.43%.

In 2007 it was 4.8%.

Average Interest Rate National Debt	
2013*	2.43%
2007	4.83%
2001	5.74%
1997	7.10%

*As of July 1, 2013

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Interest Rate Razzle-Dazzle

What would the interest payment have been in 2013 if the rate was the same as in 2007?

At least $800 billion.

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Big Trouble Ahead

Foreign entities are losing interest in loaning us money. The amount of foreign investment in Federal securities might actually begin to decline five years from now.

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Big Trouble Ahead

Beginning about 2017, the Social Security Trust Fund along with the other funds will cease to have surpluses as repayment will begin.

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Big Trouble Ahead

Private investors will not loan the Federal government money at the current interest rates.

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Big Trouble Ahead

The Federal Reserve Bank could become the principal funding source for future deficits.

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Big Trouble Ahead

Over the last five years Congress borrowed more than $6 trillion and the Federal Reserve printed $4 trillion.

The 2013 economy will grow

2%.

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What have we learned?

- ❑ **The gross national debt has increased every year since 1969.**
- ❑ **Congress plans to borrow $8 trillion over the next 7 years with the Federal Reserve funding most of the debt.**
- ❑ **If we continue on this path, hyper inflation will occur, massive taxes will be levied, and the economic, political system will collapse.**

BBA Task Force

What can we do to stop it?

- ❑ **Do nothing.**
- ❑ **Elect people to office who will stop spending and borrowing.**
- ❑ **Riot in the streets.**
- ❑ **Make it unlawful for Congress to borrow money by way of a Balanced Budget Amendment to the Constitution.**

BBA Task Force

Article V – United States Constitution

The Congress, whenever two thirds of both Houses shall deem it necessary, shall propose Amendments to this Constitution, or, ***on the Application of the Legislatures of two thirds of the several States, shall call a Convention for proposing Amendments,*** *… when ratified by the Legislatures of three fourths of the several States, …*

BBA Task Force

Article V Convention

- ❑ 34 states pass a resolution for the same subject.
- ❑ Congress is compelled to convene a convention, time and place.
- ❑ Legislatures determine how to choose the delegates, provide instructions, and method for recall.
- ❑ Convention creates its own rules, voting is by state.

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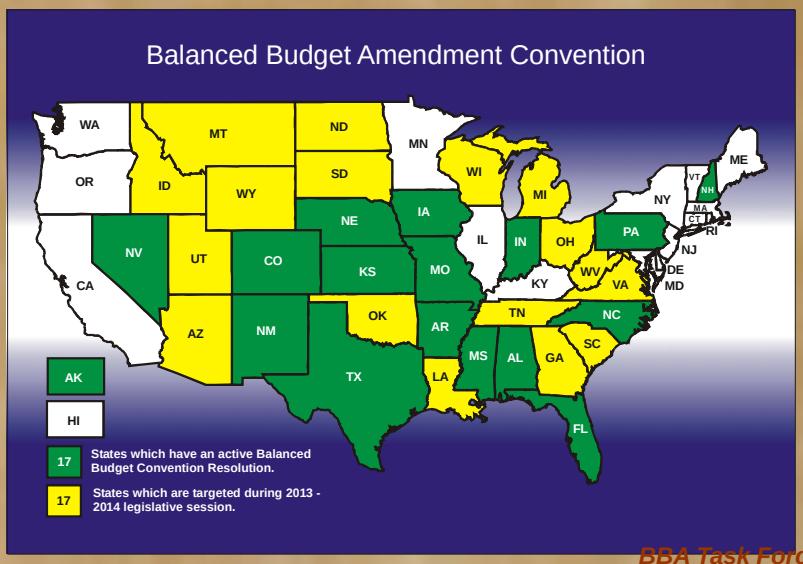
19 States - Active Resolutions



BBA Task Force

We can save our nation if our state legislators have the courage to hold a meeting.

BBA Task Force

Questions

BBA Task Force