the same amounts in about the same programs to demonstrate that America is not retreating from the world. But it is hard to see how the billions of dollars of international aid spent in Rwanda or Somalia before their civil wars, for example, advanced any U.S. interest. Support for the peace process in the Middle East has paid great dividends, but much of the rest of the foreign aid program simply feathers the nests of old-boy contractors and further discredits ''development'' theories. Foreign aid should be transitional, to help an ally through a crisis or to help a developing country develop; it should not lead to a permanent state of dependency. Reform and reductions in the U.S. aid program are the overseas equivalent of welfare reform at home.

The world of 1995 and beyond is still a dangerous place. There are many new and emerging threats as we approach the millennium. A resurgent Russia filling a vacuum in Central Europe or looking for a foreign diversion from internal secessionist struggles; a revitalized Iraq threatening the oil fields of Saudi Arabia; a fundamentalist Iran seeking to dominate the Persian Gulf; a nuclear-armed North Korea threatening South Korea and Japan with ballistic missiles—all are scenarios that the United States could face in the near and medium terms. Islamic fundamentalism sweeping across North Africa could overwhelm the successes to date in achieving peace in the Middle East. A fourth conflict between India and Pakistan could escalate into the world's first nuclear war. Nuclear-armed terrorist states like Libya or Iran, emboldened by the North Korean example and armed with missiles from Pyongyang, could threaten allies in the Middle East or Europe. Economic competition between Japan and China could take a military turn. Radical ''ethno-nationalists,'' religious militants, terrorists, narcotics traffickers, and international organized crime networks all pose threats to states in regions of the world where America has core interests. While the collapse of Somalia or Rwanda may not affect those interests, the disintegration of states like Egypt, Indonesia, Mexico, or Pakistan would.

American leadership, however, can overcome the challenges of building a just and durable peace after the Cold War. The words of President Dwight Eisenhower's first inaugural address are as true today as they were in 1953:

To meet the challenge of our time, destiny has laid upon our country the responsibility of the free world's leadership. So it is proper that we assure our friends once again that, in the discharge of this responsibility, we Americans know and we observe the difference between world leadership and imperialism; between firmness and truculence; between a thoughtfully calculated goal and spasmodic reaction to the stimulus of emergencies.

As the United States approaches the next century, two principles should remain constant: protecting American interests and providing American leadership. The end of the Cold War has provided us with a historic opportunity. Such an opportunity should not be forfeited in favor of the pursuit of utopian multilateralism or abandoned through intentional isolationism. We have seen the danger to America's interests, prestige, and influence posed by both of these approaches. Instead, we must look to the lessons of the Cold War to guide our future foreign policy: Put American interests first and lead the way. The future will not wait for America, but it can be shaped by an America second to none.

THE BALANCED BUDGET AMENDMENT

PROTECTION FROM BIG SPENDERS? THE PEOPLE LOST BY ONE VOTE

Mr. HELMS. Mr. President, there are two disappointing things to mention today. The first is my regular daily report on the latest available disclosure of the total Federal debt, this time as of the close of business yesterday, Wednesday, March 1, stood at $4,848,389,816.26.

If this debt were to be paid off today, with every man, woman, and child in the country paying his or her proportionate share, each of us would have to fork over $18,404.57. Of course, since millions of Americans pay no taxes at all, the average share of the Federal debt would be far greater than the per capita amount referred to above.

The other sad thing? It is, of course, the Senate's failure today to approve a constitutional amendment requiring Congress to balance the Federal budget. If just one more Senator had voted today in favor of the amendment, it would have been approved by 67 Senators, exactly enough to pass the amendment and send it to the 50 States for ratification.

Don't look for a balanced Federal budget anytime soon. But one day it will come. The American people will demand it.

REDUCE THE DEFICIT WITHOUT AMENDING THE CONSTITUTION

Mr. WELLSTONE. Mr. President, over the course of the last 3 weeks, we have heard many arguments for and against the proposed balanced budget amendment to the Constitution. Those arguments were made in good faith, and I know they reflect a broad commitment by those on both sides of this question to bringing the deficit down to reasonable levels. But the balanced budget amendment is an empty promise, not a policy. It has little immediate political cost and very high poll ratings—hence its popularity. But enacting it would be a serious mistake. We should reject it in favor of a real, long-term deficit reduction program.

Since 1936, when Minnesota's own Harold Knutson revived the idea of a balanced budget constitutional amendment that has been originally rejected by the Constitution's Framers, Congress has debated various versions. The real question before us today, as it was 50 years ago, is whether we should weld onto the Founding document of our democracy, the U.S. Constitution, a budget gimmick that would do more harm than good to the economic well-being of our Nation, and our citizens.

As I have consistently argued, in my judgment we do not need to amend the U.S. Constitution to balance the Federal budget. Instead, we must continue to make tough choices on actual legislative proposals, as I have done, to cut wasteful and unnecessary post-cold-war defense spending, to continue to reduce low priority domestic spending, to completely restructure the way we finance and deliver health care in this country—in both the public and private sector—and to scale back special tax breaks for very wealthy interests in our society who have for a long time not been required to pay their fair share. That approach is the only responsible, fair way to bring our annual Federal deficits, and the much larger Federal debt, under control.

For the last 15 years or so, that is what the Congress has been unwilling to do, and that is the source of a lot of frustration in the country. Congress has been unable to muster and sustain a majority to make difficult budget choices. We have seen illustrated here in the Senate over and over again a central problem: The political gap between the promise to cut spending, and actual followthrough on that promise. I make this point because I want to underscore that many of those who have been beating their chests the hardest about a balanced budget amendment have often been among those who have consistently voted against these actual deficit reduction proposals. We cannot give over our budget-balancing responsibilities to a machine, a mechanism. That responsibility is ours.

Of course, I support balancing the Federal budget in a responsible, fair way. Despite all of the rhetoric today, we all at least agree on that basic goal. That's why some of us have voted consistently to reduce actual Federal spending when we've had the chance over the last few years on this floor. Not gimmicks, not smoke and mirrors, not deficit reduction formulas that never identify precise cuts, but actual reductions in Federal spending contained in actual amendments to appropriations bills. Votes on those proposed cuts have been important indicators of our willingness to make tough choices. This is where the budget rubber has met the road.

The President's $500 billion deficit reduction package in the 103d Congress, which I supported and which was approved without a single Republican vote, was a major downpayment toward balancing the budget. But Democrats had to do it alone. When we cut, the Republicans ran. While we acted, they talked. Still, much more must be done.

But now, instead of real budget choices we are presented with a gimmick that I do not believe will work to balance the budget, and that if it does work as it's designed, could do serious harm to the U.S. economy. It will also serve to reduce pressure in the next few years to actually reduce the deficit further, allowing Members of Congress to declare a temporary victory without cutting significantly from the Federal deficit. And then the reckoning will come, when we are up against the wall at the end of this century and have to balance the budget in just a few short years with massive spending cuts in all Federal spending, including Social Security and Medicare.

If that's true, then why is the amendment so popular, at least in the abstract? In recent years, the borrow-and-spend policies of the 1980's and early 1990's have come home to roost, rekindling public support for drastic measures. But just so that we don't lose our historical perspective in this debate, I think it's important to recognize that the problem of huge Federal budget deficits is a relatively recent one, going back only to the early 1980's. It's just not true, as some amendment proponents imply, that the Federal Government has been spending way beyond its means for decades.

The Reagan and Bush administrations gave America by far its 10 largest budget deficits in our history. The huge tax cuts and large defense increases of that era are still costing us. Whatever your party affiliation or perspective on enacting this amendment, that is indisputable. If it were not for the interest costs on the debt accumulated during the 1981–92 period, the Federal budget would be in balance in 1996 and headed toward surplus thereafter.

I am not trying to explain away large deficits over the last decade or so, but simply to point out that they are, more than anything else, a direct result of the misguided and now thoroughly discredited fiscal policy called supply side economics. Despite the urgings of some of our colleagues in the new House leadership, and some of the provisions of the Republican Contract for America, we must not turn down that supply-side road again.

Opposing the amendment has not been easy, or politically popular. But since I have spoken several times on various amendments that have been proposed over the course of the last few weeks, let me try to summarize one last time my major reasons for voting against this amendment.

AMERICANS HAVE A RIGHT TO KNOW HOW THE AMENDMENT WILL AFFECT THEM

Throughout this debate, I've argued that the people of Minnesota—and all Americans—have an enormous stake in the outcome of this debate, and that they have a right to know how the spending cuts required by the amendment could affect them and their families. I offered an amendment to one of the first bills before the Senate this year urging proponents of the constitutional amendment to detail the over a trillion dollars in cuts they would make to balance the budget by 2002, before it is sent to the States for ratification. This is simple ''truth-in-budgeting;'' it's the least we could have expected from proponents.

Indeed, the Minnesota State Legislature and Governor Carlson agree. And they sent a Minnesota mandate to Washington to prove the point. The legislature recently passed overwhelmingly a resolution, signed by the Governor, urging those of us here in Congress to continue our efforts to reduce the Federal budget deficit, and requesting financial information on the impact the balanced budget amendment would have on our State. By rejecting the amendment, which I introduced to provide the information to all the States that the Minnesota Legislature was seeking, the Senate sent States a chilling message.

Another major right-to-know amendment, offered by Senator DASCHLE, was also defeated. Despite the straightforward logic of this approach, these amendments were rejected on virtual party-line votes.

And so if we pass this constitutional amendment today, we would be sending it to the State legislatures for ratification without giving them, or the millions of American families whom they represent in each State, any idea of how we intend to cut over a trillion dollars from the Federal budget between now and the year 2002, or how it will affect their lives and the lives of their children and grandchildren. Families will not be told how deep the Medicare, Medicaid, school lunch, higher education, or Social Security cuts will be; at least not before we vote on the amendment.

That is, I think, a gross abdication of our sworn responsibility to serve those we represent, and a slap in the face to those who count on us for truth-in-budgeting. Recent polls show that over 80 percent of Americans believe we should be straight with them about how we intend to balance the budget under this amendment before we act on it. Even so, balanced budget proponents have rejected the right-to-know and instead offered Americans a ruse, an exercise in budget deception. In so doing, they have seriously breached the standard of public accountability that Americans should be able to expect from their leaders. In addition, there are a number of sound fiscal policy arguments against the amendment; I will raise just two examples.

AMENDMENT WOULD DEEPEN ECONOMIC RECESSIONS AND WORSEN DISASTERS

Consider the potential risk that the spending cuts required by the amendment could push soft economy into a recession, or in a worse case, deepen an existing recession and push us into a depression. Now when the economy slips into recession, Federal spending helps to cushion the fall by increasing unemployment insurance and other assistance programs for low- and moderate-income people. At the same time, income tax collections drop because people and businesses are making less money in a recession.

But under the amendment, Congress would be forced, perversely, to do the opposite: raise taxes, cut spending, and push the economy into an economic freefall. The so-called automatic economic stabilizers like unemployment insurance that have proven so useful in recent decades would be gone, and we would instead effectively enshrine in the constitution the economic policies of Herbert Hoover. With fiscal policy enjoined by the amendment, sole responsibility for stabilizing the economy would rest with the Federal Reserve. And with their almost exclusive focus on fighting inflation these days, more often than not they end up protecting Wall Street investors—not average working families.

As I have suggested, the amendment is an attempt to enshrine an economic dogma which would cripple our ability to offer pragmatic responses to changing economic conditions. Because our efforts to change the balanced budget amendment to take this problem into account also failed, this serious flaw remains.

Coupled with the absence of any exception for emergency disaster spending, that was included in a proposed amendment defeated last week, the lack of economic foresight this reflects is almost breathtaking to me. In just a few days, we will consider an emergency spending bill to help pay the Federal share of the California earthquake last year. The cost of this disaster is now up to $15 billion.

In the last two decades, the Federal Government has spent $134 billion in Federal disaster relief, including $33 billion in the last 5 years alone. Under a balanced budget requirement, what would we do in the face of a huge flood, earthquake, or other disaster that cost scores of billions of dollars in relief aid? How long would it take to garner the three-fifths votes necessary in both Houses to pay for it? And what special legislative prizes would opponents require for their votes? Those are all open to questions.

AMENDMENT COULD PUT FEDERAL DEPOSIT INSURANCE AT RISK

Another open question is the impact of the amendment on bank deposits. I am sure balanced budget amendment supporters don't intend to put the life savings of American families at risk, or to threaten the stability of the banking system. And yet that is precisely what this amendment would do. Since the Depression, the FDIC has insured depositors against bank failures. That limit is now up to $100,000 per account. And right now those guarantees cover private savings of about $2.7 trillion—that's a whole lot of money that's guaranteed by the U.S. Government. Some have observed that the balanced budget amendment could put the full faith and credit of the United States embodied in such guarantees at risk.

AMENDMENT DOES NOT SEPARATE DAY-TO-DAY EXPENSES FROM INVESTMENTS

Most Americans believe that a balanced budget, like a balanced checkbook, is a good idea. They argue that America, like a family, should always balance its budget. But this overlooks a key fact: The household budgets of most middle class Americans have substantial debt, either for a car, a home, or a college education for their kids.

This reflects a central problem with the amendment. It ignores the difference between two different types of spending: investments for the future, and ''operating,'' or day-to-day, spending. Taking out a mortgage on a home is investing in your family's future; taking one out to pay for next year's vacation is not. This is acknowledged by most State governments, many of whom are required to balance their operating budgets—but not their investment budgets.

American business agrees; incurring debt to invest and expand a business has long been a hallmark of business strategies for sustained growth. With governments, as with families or businesses, borrowing isn't inherently bad; it depends what you're borrowing for. With families, businesses or State governments, the central question is: Will the debt we incur improve our long-term economic prospects? If this principle applies to household or business budgets, why shouldn't it apply to the Federal budget? Nonetheless, an amendment to address this problem was rejected.

NO PROTECTIONS FOR THE SOCIAL SECURITY TRUST FUNDS

This balanced budget amendment fails to protect the Social Security trust funds from being raided to balance the Federal budget. We tried to make sure that for the purpose of calculating the deficit under the balanced budget amendment, the huge surpluses in the Social Security trust fund would not be counted. In that effort, too, we failed; our proposed Social Security amendment was defeated. Make no mistake what this means: Despite the promises of the proponents that they will not balance the budget on the backs of Social Security recipients, they have refused to explicitly protect this program in the language of the constitutional amendment itself. In fact, they fought hard to defeat our Social Security amendment. That is as good an indication of their future intentions regarding Social Security as anything we have seen.

A SHELL GAME THAT WILL REQUIRE STATES TO RAISE TAXES

There is another problem with this constitutional amendment. For many in Minnesota, it will likely mean an increase in personal income, sales, and property taxes needed to offset the loss in Federal aid from crime control to higher education, roads and bridges to farm programs, rural economic development to Medicare. This shell game, in which costs are simply shifted from the Federal Government onto the States, would force Minnesota to fund these efforts on its own. A recent Treasury Department study concluded that an increase of between 9 and 13 percent in Minnesota taxes would be required to make up the difference. In reality, a vote for the balanced budget amendment is really a vote for a trickle-down tax increase.

A STANDARD OF FAIRNESS

I think it's a simple question of fairness. If this constitutional amendment passes, in the next 7 years we are going to have to make $1.48 trillion in spending cuts and other policy changes—assuming that we enact Republican-proposed tax cuts for the wealthy and defense increases. If we don't, we'll still have to make about $1.2 trillion in cuts. If we make these cuts to meet the balanced budget amendment requirement and timetable, then we should make sure that wealthy interests in our society, those who have political clout, those who hire lobbyists to make their case every day here in Washington, will be asked to pay their fair share. At least they should bear as much of the burden as regular middle class folks that we represent, who receive Social Security or Medicare or Veterans benefits, or who receive student loans to send their kids to college and offer them a better future.

That's just common sense, and I had hoped that during this debate we would signal that we would apply such a standard of fairness. For example, too often in discussions about low-priority Federal spending which ought to be cut, one set of expenditures has been notoriously absent. That is tax breaks for wealthy and well-positioned special interests. But that, too, was rejected by the constitutional amendment's proponents when I offered an amendment urging simply that we make sure such special tax breaks are on the table as we move forward in our deficit reduction efforts. Tax subsidies are heavily skewed to corporations and the relatively few people with very high incomes, while Government benefits and services go in far larger proportions to the middle class and the poor.

In the last few weeks, this issue of fairness has emerged more and more clearly to me, more by its absence than by its presence. It looks to me as though the current standard, at least as it has been applied so far in the published plans of balanced budget proponents, will not require much, if any, sacrifice from special interests in our society who have enjoyed certain tax breaks, benefits, preferences, deductions and credits that most regular middle-class taxpayers don't enjoy.

EFFORTS TO SCRUTINIZE TAX BREAKS FOR WEALTHY BLOCKED

But while the constitutional amendment's proponents don't seem to mind that it could require States to raise State taxes by large margins, they are adamantly opposed to making sure that wealthy corporations and others pay their fair share of the deficit reduction burden.

It is a fact, often overlooked, that we can spend money just as easily through the Tax Code, through what are called ''tax expenditures,'' as we can through the normal appropriations process. Spending is spending, whether it comes in the form of a government check or in the form of a tax break for some special purpose, like a subsidy, a credit, a deduction, or accelerated depreciation for this type of investment or that. These tax expenditures—in some cases they are tax loopholes—allow some taxpayers to escape paying their fair share, and thus make everyone else pay at higher rates. These arcane tax breaks are simply special exceptions to the normal rules, rules that oblige all of us to share the burdens of citizenship by paying our taxes.

The General Accounting Office issued a report last year titled, ''Tax Policy: Tax Expenditures Deserve More Scrutiny.'' It makes a compelling case for subjecting these tax expenditures to greater congressional and administration scrutiny, just as direct spending is scrutinized. The GAO noted that most of these tax expenditures currently in the Tax Code are not subject to any annual reauthorization or other kind of systematic periodic review. They observed that many of these special tax breaks were enacted in response to economic conditions that no longer exist. In fact, they found that of the 124 tax expenditures identified by the committee in 1993, about half were enacted before 1950. Now that does not automatically call them into question. It just illustrates the problem of their not being very carefully looked at in any systematic way over very long periods of time. Many of these industry-specific breaks get embedded in the Tax Code, and are not looked at again for years. And yet we refused by roll call vote to even commit to consider them as we move forward in our efforts to balance the Federal books.

When we begin to weigh, for example, scaling back the special treatment for percentage depletion allowances for the oil and gas industry against cutting food and nutrition programs for hungry children, we may come out with quite different answers than we have in the past about whether we can still afford to subsidize this industry. The nonpartisan Congressional Budget Office estimates that eliminating this particular tax break would save $4.9 billion in Federal revenues over 5 years.

And this is not an isolated example. The Congressional Joint Tax Committee has estimated that tax expenditures cost the U.S. Treasury over $420 billion every single year. And they estimate that if we don't hold them in check, that amount will grow by $60 billion to over $485 billion by 1999. Now some tax expenditures serve important public purposes, like supporting charitable organizations, and should be retained. But many of these must be on the table along with other spending as we look for places to cut the deficit.

I could not find any hint of interest in cutting corporate tax breaks in the Republican contract, I think because many of the benefits of these tax breaks go to very high-income people with wealth and power and clout in our society, and to corporations with high-powered lobbyists. They're the ones for whom the contract provides an estimated $169 billion windfall that would resurrect the tax-shelter industry and effectively slash corporate rates.

At a time when we are talking about potentially huge spending cuts in meat inspections designed to insure against outbreaks of disease; or in higher education aid for middle class families; or in protection for our air, our lakes, and our land; or in highways; or in community development programs for States and localities; or in sewer and water projects for our big cities; or in safety net programs for vulnerable children, we should be willing to weigh these cuts against special tax loopholes on which we spend billions each year. And yet we could not even agree to put these on the table along with everything else as we move forward in our efforts to reduce the deficit.

ENSHRINES MINORITY RULE

Constitutional and congressional scholars have observed that the balanced budget amendment gives a veto power to a small minority of either the House or the Senate in key budget decisions, a profoundly antidemocratic shift away from our proud, 200-year-old tradition of majority rule. The need to win approval from three-fifths of both Houses to waive the balanced budget requirement in a recession would give added power to members whose votes might be needed to avoid plunging the country into a deeper downturn.

Thus, the price of an agreement to let the Government run even a modest deficit during a recession, and to provide recession-related unemployment benefits, might be a capital gains cut or other tax break touted by its backers as a ''growth incentive.'' As we saw in the 1980's, these tax breaks usually prove to lose revenues and increase the deficit over the long term, which in turn could lead to additional program cuts in subsequent years to bring the budget back into balance.

WEAKENS OUR ABILITY TO INVEST

As I have observed, the balanced budget amendment would largely deny to the Federal government a basic practice that most businesses, families, and States and local governments use—borrowing to finance investments with a long-term payoff. Borrowing to finance new investments is standard business practice. A business that failed to modernize because it could not borrow would soon be left behind.

We must continue to invest in our people. Our economy is creating new jobs at a near-record pace—over 5 million in the last 2 years alone—yet it doesn't give much help to those ordinary working families who are at the bottom, or in the struggling middle class. As one Iron Ranger in Minnesota recently told me, ''All these jobs being created doesn't do me much good if I have to hold three of them to keep my family together.'' His comment reflects the anger and economic insecurity many Americans feel because their personal economic experience doesn't jibe with what Government statistics tell them—that unemployment is down, inflation is in check, and economic growth and productivity are booming. Despite these statistics, standards of living and real wages of workers remain flat, or in slight decline; many are just one downsizing away from layoff, and feel less secure. We must invest in the skills and futures of our people if we are going to turn this situation around.

The amendment would force a scaling back of Government investment in areas where economists stress more investment is needed: infrastructure, education and training, early intervention programs for children, research and development. There is growing evidence we invest too little in these areas and that such under-investment has contributed to our Nation's weak economic performance in recent years.

It is true that for too long the Federal Government has been undisciplined in its borrowing, and that is what threatens our fiscal future. We have a responsibility to future generations to get our fiscal house in order, and to do it the Federal Government has to reprioritize spending in relation to this central question of investment, by re-examining programs across the board and eliminating or scaling back those that are wasteful and unnecessary. We must redesign cumbersome Federal structures to meet the challenges of the information age, of rapidly changing demographics, of our decaying inner cities. We should do this in a way that's fair, open and accountable, without the budget smoke and mirrors that have too often fogged the real choices facing voters.

Let me say a word about the impact that systematic disinvestment would have on working families, children and the elderly in my State, because ultimately that is what this whole debate is about.

THE IMPACT OF THE AMENDMENT ON MINNESOTA FAMILIES

Throughout this debate, I have tried to ask myself basic questions about the impact of this balanced budget amendment on the families in Minnesota whom I represent. I think it would inflict on Minnesotans serious harm, and that is why I cannot in good conscience support it. That is ultimately the deciding factor for me.

I've already talked about the shell game that this amendment would require by shifting the costs of government from the Federal to the State level, and forcing States to raise income, property and sales taxes—in Minnesota's case by about 13 percent, according to the Treasury Department. But what about the actual spending cuts? How would they be distributed? Who would have to sacrifice, and who would benefit?

Over 7 years, under the balanced budget amendment and accompanying Republican proposals, Minnesota would lose nearly $5.9 billion in Federal Medicare funds, Medicaid cuts would total nearly $3.7 billion, elementary and secondary education would lose $1.5 billion, and Federal law enforcement would lose $143.7 million. Minnesota farmers also would likely lose billions in farm payments, causing a serious decrease in family farm income. And it's not just rural areas that would be hit. The two largest urban counties in my State, Hennepin and Ramsey Counties, would alone lose about $10.3 billion in total Federal aid over 7 years.

In addition, despite Republican promises to temporarily protect this program, large cuts in Social Security benefits to Minnesotans—an estimated $2,000 annually per beneficiary—should also be expected if this program is slated for across-the-board cuts.

These are very large cuts, and they will have a major impact on the people of my State. I have heard from elderly couples in Minnesota on fixed incomes, terrified about the impact of the amendment on their Medicare funding. And they have reason to be fearful. I have sat with homeless men and women, Medicaid recipients, who are threatened with going without even the most basic health care under the amendment. Instead of this approach, we owe it to these people to do real comprehensive health care reform.

Despite the claims of some that opponents of the amendment are exaggerating the threat posed by these huge spending cuts, this is for real. I am not making this up. In fact, just the other day, Finance Committee Chairman PACKWOOD said that he thought we would have to make up to $550 billion in cuts in Medicare alone to meet its requirements—not to mention the huge cuts in Medicaid he acknowledged would be necessary. And it could go much higher than that, depending on budget decisions made in other areas.

Finally, let me say a word about the process by which this amendment has been considered. In recent weeks, balanced budget amendment proponents have rejected virtually every single good faith effort to improve the constitutional amendment. Amendments to prevent a raid of the Social Security trust funds, to exempt earned veteran's benefits, to strike the majority requirements, to prevent harm to hungry and homeless children, to separate investment from day-to-day operating budgets, to provide for exceptions for major disasters and economic recessions—and many others—were defeated.

I believe that if the Senate passes this amendment today, as we look back on this debate from the midst of a serious recession, major disaster, or even undeclared national security emergency, this unwillingness by proponents to accept even modest, reasonable changes in the amendment will prove seriously misguided.

While at first look this amendment appears to make sense and is widely popular, amending our Constitution in this way would be a mistake with potentially serious fiscal, economic, and social consequences and would seriously alter our democratic process. We can and should balance the budget without gimmicks and without changing the Constitution. I intend to continue to vote to do that. I urge my colleagues to join me in that effort, and to vote no on the balanced budget amendment. I yield the floor.

Mr. LEVIN. Mr. President, I want deficit reduction and I am willing to work for it. That is why I supported the President's deficit reduction package in the last Congress. But while I have stood up for real deficit reduction, what I am not prepared to do is to write into the Constitution language that is more likely to lead to disillusionment and constitutional crisis than to a balanced budget.

I see five flaws in the proposed amendment. First, the proposed amendment would not balance the budget, it would just say that a future Congress has to pass a law to enforce a balanced budget. Why wait? Unless and until we make the tough choices needed to cut spending or raise revenues, we will not have a balanced budget, whether or not we pass the proposed constitutional amendment and whether or not the States ratify it. We will instead have passed what could turn out to be a cynicism-deepening illusion.

The proposed constitutional amendment says that starting no earlier than 2002, Congress has to have a law enacted which enforces a balanced budget. Why wait? Why wait to do the hard work of passing implementing laws and doing the actual budgeting? That's a dodge which allows some to say we are cured before we have taken the medicine. It puts a giant loophole in the Constitution to cover over congressional weakness.

In May 1992, Robert Reischauer, the Director of the nonpartisan Congressional Budget Office, testified before the House Budget Committee that a balanced budget amendment is not a solution; it is ''only a repetition in an even louder voice of an intention that has been stated over and over again during the course of the last 50 years.'' Dr. Reischauer stated:

> It would be a cruel hoax to suggest to the American public that one more procedural promise in the form of a constitutional amendment is going to get the job done. The deficit cannot be brought down without making painful decisions to cut specific programs and raise particular taxes. A balanced budget amendment in and of itself will neither produce a plan nor allocate responsibility for producing one.

Dr. Reischauer further stated:

> Without credible legislation for the transition that embodies an effective mechanism for enforcement, government borrowing is not going to be cut. But the transitional legislation and the enforcement mechanism are 95 percent of the battle. If we could get agreement on those, we would not need a constitutional amendment.

The public understands this. They know the difference between promises and action. Let me tell you what some of the commentators are saying about the balanced budget amendment back in my home State. Here is what the Detroit Free Press said on January 15:

> You wouldn't take seriously any politician who promised to be faithful to his spouse, beginning in 2002, so why do so many people take seriously the proposed balanced-budget amendment?
>
> It's the same kind of empty promise to be good—not now, but later. Putting it in the Constitution isn't likely to confer on Congress the spine or the wisdom to fulfill it.
>
> * * * [T]he way to cut the budget is to cut the budget, not to promise to do it sometime in the future. * * * Gluing a balanced budget amendment onto the Constitution only postpones the moment of truth.

And here is what the Battle Creek Enquirer said on January 29:

> If a balanced budget is such a good idea, we say to Congress: ''Just do it!'' After all, waiting until a constitutional amendment mandates it will just delay a balanced budget—perhaps by years.
>
> This Congress isn't likely to give the nation a balanced budget, that's for certain. But, by touting the need for this amendment, it sure can talk like a Congress that already has * * * [I]t's all an illusion.

''Just do it!'' That's what the American people want, Mr. President. They know the difference between promises and action, and they want the latter. A constitutional amendment can promise a balanced budget, but it cannot deliver a balanced budget. Only concrete action by the Congress can do that.

Put another way, Mr. President, the proposed constitutional amendment has no effective enforcement mechanism. The amendment relies on a future Congress to act to implement and enforce it. That is the bottom line. This is the same reed that proved so weak in the 1980's when the President and the Congress quadrupled the national debt from $1 trillion to $4 trillion.

The argument has been made that we have tried everything else, why not a constitutional amendment. We can't depend on legislation, the argument goes, so let's try a constitutional amendment.

So what does this amendment do? It depends on the same kind of legislation to be enacted which its sponsors say has not previously been effective.

When we were debating this amendment in 1986, Senator HATCH acknowledged the following:

> [T]here is no question that Congress would have to pass implementing legislation to make it effective. * * * It would be the obligation of Congress, after the amendment is passed by both Houses and ratified by three-quarters of the states to * * * enact legislation that would cause this to come about.

And again, CBO Director Reischauer pointed out that:

> Without credible legislation for the transition that embodies an effective mechanism for enforcement, government borrowing is not going to be cut. But the transitional legislation and the enforcement mechanism are 95 percent of the battle. If we could get agreement on those, we would not need a constitutional amendment.

Just a few weeks ago, on January 30, Senator HATCH stated:

> ''* * * [U]nder section 6 of the amendment, Congress must—and I emphasize must—mandate exactly what type of enforcement mechanism it wants, whether it be sequestration, rescission, or the establishment of a contingency fund.

In fact, the committee report accompanying this constitutional amendment itself states that it ''* * * must be supplemented with implementing legislation''.

Mr. President, I have offered an amendment to the constitutional amendment to require this Congress to address this issue by adopting legislation to implement and enforce a balanced budget requirement now. Without my amendment, there are no real teeth in the promise of a balanced budget contained in the proposed amendment.

Alexander Hamilton states in Federalist Paper No. 15, ''If there be no penalty annexed to disobedience, the resolutions or commands which pretend to be laws will, in fact, amount to nothing more than advice or recommendation.''

If congressional weakness is the reason for this amendment—and it is—then Congress will use the loopholes in this amendment to evade the responsibility which it sets forth. My fear is that this amendment will give us an excuse to duck the hard choices, as Congress has often chosen to do, until it would become effective in 2002—at the earliest. I am afraid that upcoming Congresses will say ''the balanced budget amendment will take care of our problems, so we don't need to address them now.''

Dr. Reischauer, in his 1992 testimony, listed a number of loopholes that Congress could use to get around an apparently rigid balanced budget rule:

Using timing mechanisms and other budget gimmicks to achieve short-run budget targets, including such actions as shifting pay dates between fiscal years, accelerating or delaying tax collections, delaying needed spending until future fiscal years, and selling government assets;

Basing the budget on overly optimistic economic and technical assumptions; and

Creating off-budget agencies that would have authority to borrow and spend but whose transactions would not be directly recorded in the budget.

That is what we did in the 1980's. We used optimistic estimates or ''rosy scenarios''. Here are some of those estimates. In 1981, our estimates were off by $58 billion. In 1982, our estimates were off by $73 billion. In 1983, our estimates were off by $91 billion, and on and on. In 1991, they were off by $119 billion—$119 billion in 1 year. You talk about a loophole. This one is big enough to drive a $119 billion deficit through. That is how big this loophole is.

The sponsors of the amendment say that the real enforcement mechanism is in section 2. That section provides that it will take 60 percent of the votes, a supermajority, to increase the debt ceiling. So if our estimates are too rosy—if, for instance, we follow the 1980's model of estimates in order to evade the constitutional requirement, then, we are told, we can fall back on the requirement that the debt limit can only be increased by a 60 percent vote in each House.

As Senator GRAHAM of Florida has pointed out, however, the so-called debt limitation provision in the proposed amendment would allow us to run deficits in the first decade and a half of the next century of as much as $120 billion a year, masked by taking that money from the Social Security trust fund, without that counting toward the deficit. The proposed amendment applies the 60-vote requirement to ''the limit on the debt of the United States held by the public''. So the debt held by the Social Security Administration isn't covered and the usual majority rule would apply to raising that debt limit.

In any case, history has proven the debt limit is a weak reed to rely on, because when you vote on whether or not to increase the debt limit, you are voting whether or not to bring down the Government of the United States. We have to pay our legitimate debts, however many votes it may take. If we don't do that, we are finished economically. To make that point, let me quote from a July 8, 1987 letter from Secretary of the Treasury James A. Baker III to the Chairman of the Senate Finance Committee:

> I cannot overemphasize the damage that would be done to the United States' credit standing in the world if the Government were to default on its obligations, nor the unprecedented and catastrophic repercussions that would ensue. Market chaos, financial institution failures, higher interest rates, flight from the dollar and loss of confidence in the certainty of all United States Government obligations would produce a global economic and financial calamity. Future generations of Americans would have to pay dearly for this grave breach of a 200-year-old trust.

Mr. President, we are not going to achieve a balanced budget by threatening not to raise the debt ceiling, because that is a nuclear weapon aimed at the economy of this country. You don't balance the budget by threatening suicide, and that is what a failure to pay our debts would be. If we do not pay our debts, this country's economy is finished. So whether it takes the usual majority or 61 votes, it doesn't matter. We will have to increase the debt ceiling, because after the debts have been incurred, we won't have any choice.

Mr. President, my second problem with the amendment is that if a later Congress does adopt effective enforcement legislation, it would be putting in the hands of a minority of Senators, representing as little as 15 percent of the population, critical decision-making power over the economy of this Nation. Under the proposed amendment, it is intended that outlays not exceed receipts, and the debt limit not be increased, unless three-fifths of both Houses of the Congress agreed. The economic future of our country should not be put in the hands of a minority by a constitutional amendment which would be so difficult to change if it went awry.

My third problem with the amendment is that it would put the Social Security trust fund at risk. By my count, during this debate the Senate has rejected at least three amendments to protect the Social Security trust fund. As the senior Senator from Florida explained, Mr. President, that means that we will continue running deficits of at least $120 billion a year for more than a decade after this amendment would go into effect, and will conceal these deficits by taking the money from the Social Security trust fund. The money in that trust fund is exactly that—money that we have collected in trust. I cannot vote for a constitutional amendment which allows the use of that money to cover up huge deficit spending. That's simply wrong.

My fourth problem with the amendment is that, if effectively implemented, it would preclude the use of deficit spending to cushion the impact of a recession. A balanced budget amendment would force the Federal Government to raise taxes and cut spending in recessions, to offset the loss of revenue caused by declining income. These policies would deepen the impact of a recession and could even turn a mild recession into a depression.

Indeed, the Treasury Department has done a study showing that, were it not for countercyclical deficit spending, roughly one and a half million more people would have been unemployed in the 1991–92 recession. Mr. President, we should not ignore the real world hardships caused by recessions and we should not act in a way which could cause millions of Americans to lose their jobs.

Finally, Mr. President, I am troubled by the fact that the proposed amendment is intentionally ambiguous on the role of the President in carrying out the amendment. The resolution of this crucial issue will determine how the amendment will affect the checks and balances placed in the Constitution by our Founding Fathers.

With regard to Presidential impoundment, the Senator from Utah, Senator HATCH, says the President would have no power to impound funds unless expressly granted by Congress, but the sponsors refuse to make this explicit in the amendment itself.

There are some, including Members of this Senate, who already believe that the President has inherent impoundment powers under article II of the Constitution. Would not that argument be reinforced by a constitutional amendment prohibiting outlays from exceeding receipts, in view of the President's duty to preserve, protect, and defend the Constitution?

Former Reagan administration Solicitor General Charles Fried has testified that such a power would exist. He stated:

> Now, the command of section 1 is very unqualified. Total outlays shall not exceed total receipts unless you have the three-fifths vote. It seems to me that command would give the President—any President—a far better claim to impound funds than that which was asserted some years ago by President Nixon, because the President's warrant would not be drawn from, as President Nixon said it was, inherent powers of the Presidency. He could point to the Constitution itself. He would say that they shall not exceed, and he swears an oath to see that the laws are faithfully executed, and I would think his claim to impound would be very strong. Not only his claim, but he would argue with considerable plausibility his duty to do so.

So again, the record is, at best, unclear.

The question whether the President could enforce the amendment by impoundment would not be an insurmountable problem, had the majority not chosen to make it so. For instance, when we approved a balanced budget amendment in the Senate in 1982, we included language proposed by the Senator from New Mexico, Mr. DOMENICI, to ensure that the amendment could not be construed to grant the President impoundment powers.

This year, however, the sponsors of the amendment decided to remain silent on this issue. That is not the way we should address the question of amending the Constitution. This is the Constitution we are talking about, and we need to know what the amendment we are considering means in this critical area.

In conclusion, Mr. President, the proposed amendment provides too easy an excuse for Congress not to act now to reduce the deficit and it doesn't force congressional action later either.

It lets us off the hook now, and there is no hook later.

It's based on the argument that a constitutional amendment is needed because previous laws calling for a balanced budget didn't work. But its success, by its own terms in section 6, is dependent upon a future Congress enacting a similar law.

The amendment before us, in other words, is unlikely to reduce the deficit, but is likely to increase public cynicism about the willpower of Congress to act.

We can and we should adopt enforcement legislation to achieve a balanced budget now, with or without a constitutional amendment.

There is only one way to balance the budget now, or in 2002—and that is with the willpower to make the tough choices. I hope we will defeat this constitutional amendment and instead show the will power to make the tough choices and enact enforcement legislation actually needed to balance the budget.

Mrs. MURRAY. Mr. President, I voted against House Joint Resolution 1, the so-called balanced budget amendment.

I voted no because this amendment is a 10-second political sound bite with decades of economic implications. It will handcuff future generations to an economic blueprint this Congress dictates in 1995. And, worst of all, it makes a mockery of the most important document this country has ever produced.

I am a member of the Budget Committee. When I came to the Congress 2 years ago, I faced the largest debt ever amassed by any country in the history of civilization. More debt was created during the 12 years of Republican administrations in the 1980's and early 1990's than in the entire 200 years preceding them.

I strongly support putting this country's economic house in order. Mr. President, I support a balanced Federal budget. The people of this Nation deserve nothing less. But this amendment does not get us there. Words on a piece of paper cannot balance the budget, only legislators like you and I can.

We have to make tough choices as we correct the fiscal mismanagement of the 1980's. We have to balance the budget with surgical cuts; with a scalpel, not a meat cleaver.

Mr. President, we have made some very tough decisions. I was one Member of this body who voted for a plan—a plan with specific cuts and common sense—which reduces the deficit by $505 billion over 5 years. Program-by-program, cut-by-cut. Most of the Members of the Senate who voted against the deficit reduction plan now support this constitutional amendment.

Mr. President, where are the specifics? What will they cut? Which taxes will they raise? Who will be hurt? The American people have a right to know. Under this amendment, we have no idea.

For example, will they cut out funding for the Federal Government's obligation to clean-up the Hanford Nuclear Reservation in my home State of Washington? Will they eliminate the home mortgage deduction? Will they cut Head Start, or WIC, or Ryan White? Will they stop guaranteeing student loans? Will they block further assistance to our depressed timber communities, or job training for laid-off aerospace workers?

Mr. President, just this week, we have seen some examples of how careless cuts can be when they are made with a meat cleaver. The rescissions package coming before the Senate soon is a mean-spirited and irrational piece of legislation. As nasty as those cuts are, they still do not get us to a balanced budget. Instead, they damage those we can least afford to harm: our children.

If this body is serious about deficit reduction, we should resume the debate on health care reform. Even cutting every discretionary program will not get us to a balanced budget. We must control the growth of health care costs. I find it ironic that many of the same Senators who opposed the health care reform bill last year now support this constitutional amendment.

This so-called balanced budget amendment is dangerous. It will remove all our flexibility in dealing with emergencies—economic troubles like recessions, or even natural disasters like volcanic eruptions, earthquakes, flooding, hurricanes, and massive fires. My home State has experienced many such disasters recently. If this amendment had been part of the Constitution, how would my friends and neighbors have coped?

Mr. President, I believe many of our colleagues would want to help in these emergency situations. That is why the Congress is the proper venue for deciding these issues—our Founding Fathers thought so, too.

This constitutional amendment throws our responsibility to the courts. The courts will decide if funding is appropriate. Supreme Court justices are not responsible to the people of my home State; they are not elected by anyone. They are not sent to the Nation's capital to tend to the needs of my constituents.

Mr. President, we have amended the Constitution only 17 times since we adopted the Bill of Rights. We have never changed the Constitution lightly. With each previous amendment, the American people voted to expand rights and outline responsibilities—we have never inserted an economic plan into the Constitution. This amendment sets a terrible precedent.

I voted in favor of several amendments to the House Joint Resolution 1. I could see that the resolution had considerable support, and I wanted to make sure that if it did indeed pass, we protected our most vulnerable populations; that we maintained the integrity of the Social Security trust fund; that we continued our fight against violent crime; that we respected our veterans; and that we exempt natural disasters from cuts.

I also believe that we should display common sense and work to reduce the massive deficit before we enacted sweeping, across-the-board tax cuts.

These safeguards all failed—every one of them. All attempts at tempering the resolution, or placing some sensible priorities into the legislation, were killed.

Mr. President, this is bad policy, and I cannot support any measure that will handcuff our country's economic policy. When I stand in this Chamber, I remember that I am not only a U.S. Senator but also a mother.

It might be popular to vote yes, but I won't worry about my own personal popularity until I know my children's economic future is safe. I do not believe we should trivialize our Constitution in order to give politicians a reason to make the kind of choices they should be making anyway.

This resolution will hurt our country and handcuff future generations. Amending the U.S. Constitution is not worth the gamble. For these reasons, Mr. President, I did not support House Joint Resolution 1.

Mr. PRESSLER. Mr. President, since 1981, there have been eight balanced budget amendment measures that have been approved by the Senate Judiciary Committee and reported to the Senate. Three of these measures have received floor consideration.

In 1982, the Senate passed Senate Joint Resolution 58 by a 69-to-31 vote. This marked the first time either House of Congress had approved such a measure. Although a substantial majority of the House of Representatives voted in favor of a counterpart of Senate Joint Resolution 58, the 236-to-187 margin fell short of the necessary two-thirds vote.

In 1986, the Senate rejected a balanced budget amendment (S.J. Res. 225) by a vote of 66-to-34, thus failing to achieve the necessary two-thirds majority by a single vote.

Then during 1994, the Senate defeated Senate Joint Resolution 41 by a vote of 63-to-37, 4 votes short of the two-thirds necessary for adoption.

Since coming to the Senate in 1979, I consistently have cosponsored and supported balanced budget amendment measures, and have voted for adoption of these measures at each and every opportunity. I strongly support the proposed amendment before us which was approved by the House of Representatives. With our vote today, the Senate will choose between a failed status quo or a new road toward true fiscal accountability.

Mr. President, there is compelling need for a balanced budget amendment to the Constitution. The Federal Government has run deficits for 23 years in a row and for 54 of the last 62 years. As a result, our national debt has spiraled to more than $4.8 trillion. The gross annual interest on the debt exceeds $300 billion.

Moreover, if we maintain the status quo—as reflected in the President's budget request for fiscal year 1996—the national debt would increase to more than $6.7 trillion in 2000. Mr. President, is this the kind of legacy we want to impose upon our children and grandchildren?

The harsh fact is that up until now we have tried every legislative means possible to lower deficit spending and achieve tax revenues in excess of outlays. In the past 10 years, we have seen Gramm-Rudman, Gramm-Rudman II, the 1990 budget amendment, and the failed 1993 budget plan. These well-intended measures have failed to move us closer to a balanced budget. Even if it were to succeed for one budgetary cycle, what assurances are there for continued balanced budgets and surpluses sufficient to eliminate our national debt?

There must be a measure beyond Federal statute and outside the present legislative process that would require continued balanced Federal budgets. That is why a constitutional measure is necessary.

The constitutional amendment before the Senate today would prohibit deficit spending except during any fiscal year in which a declaration of war is in effect or when the country is engaged in an urgent national security crisis. Also, the limit on deficit spending and the limit on the national debt may be waived by a recorded vote of three-fifths of the whole number of each House.

It seems that if the limits on deficit spending and the national debt could be waived by a simple majority vote of the House and the Senate, the purpose of the constitutional amendment would be nullified. It is clear more than a majority should be required to waive the amendment. Year after year huge deficits have been incurred by simple majority votes.

Requiring a supermajority vote is not unique. The Constitution currently has nine supermajority requirements on specific actions or measures. These supermajorities include: ratification of treaties; veto overrides; expulsion of a Member of the Senate or the House; impeachment of the President, Vice President, and other Federal civil officers and judges; waiver of disability of certain persons who engaged in rebellion against the United States; election of a Vice President by the Senate; and amendment of the Constitution. Also, supermajorities are provided for in each House under its constitutional right to determine the rules of its proceedings.

Measures such as a declaration of war or an amendment to the Constitution were rightly considered by the framers to be the most serious of policy commitments. They believed a broader consensus was needed for these beyond a simple majority. The framers also imposed supermajority requirements to ensure that the fundamental rights of individuals were not overrun by the tyranny of a majority. Mr. President, we have reached a point in our history that any serious thought of further mortgaging the future of our children and grandchildren should require a broader consensus than a simple majority. It is for them that we must get our fiscal house in order. It is for them that we must pass this balanced budget amendment.

The proposed amendment would take effect within 2 years after ratification by three-fourths of the States, or by 2002, whichever comes later. It is significant that 48 States, including my home State of South Dakota, have constitutional provisions limiting their ability to incur budget deficits. Such constraints have proven workable in the States.

It is not surprising that a large majority of persons throughout the country who have been polled on this issue support a balanced budget amendment. Certainly, a large majority of South Dakotans from whom I have heard and with whom I have met urge that this resolution be adopted. They know it is the only way to achieve balanced Federal budgets and reduction of the national debt. I hope, Mr. President, our colleagues will bring that about.

Mr. LEAHY. Mr. President, during the past few days, I have been dismayed at the attempts of the proponents of this constitutional amendment to find a fix to pick up a vote or two in order to obtain passage. It may make for high drama, but it also makes for bad law. This is the United States Constitution that they are seeking to amend and its provisions should be carefully crafted, studied and considered. Back rooms and political dealmaking have no place in amending the Constitution.

At the center of these desperate negotiations has apparently been a belated effort to jerryrig some type of budget resolution or implementing legislation to protect the Social Security trust fund from being used to balance the budget under this so-called balanced budget amendment. This is absurd.

The language of House Joint Resolution 1 is very clear. Section 1 states: ‘‘Total outlays for any fiscal year shall not exceed total receipts for that fiscal year.* * *’’ And section 7 states: ‘‘Total receipts shall include all receipts of the U.S. Government except those derived from borrowing. Total outlays shall include all outlays of the U.S. Government except for those for repayment of debt principal.’’ The undisputed reading of this language is that the Social Security trust fund will be covered by this constitutional amendment.

In addition to the unambiguous language of the constitutional amendment itself, the legislative history of House Joint Resolution 1 makes it clear that the Social Security trust fund is not protected. In fact, the proponents have fought back all efforts in the Senate Judiciary Committee to amend the same language in Senate Joint Resolution 1 and all amendments offered here on the Senate floor over the past month.

During Senate Judiciary Committee consideration of this constitutional amendment, Senator FEINSTEIN offered an amendment to exclude funds going in and out of the Social Security trust fund from the definition of total receipts and total outlays. Unfortunately, a majority of members of the Senate Judiciary Committee tabled Senator FEINSTEIN’s amendment by a vote of 10 to 8 on January 18, 1995.

During the Senate debate on House Joint Resolution 1, Democrats offered two separate amendments to take Social Security off the table. Senator REID offered an amendment to this constitutional amendment that would have legally protected the Social Security trust fund by excluding it from the definitions of total outlays and total receipts in section 7 of House Joint Resolution 1. But that amendment was tabled by a vote of 57 to 41 on February 14, 1995.

Just a few days ago, Senator FEINSTEIN offered a substitute balanced budget amendment that again would have legally protected the Social Security trust fund by excluding it from the definitions of total outlays and total receipts in the substitute amendment. Again, the proponents of this constitutional amendment tabled the Feinstein substitute amendment by a vote of 60 to 39. Whether the Tennessee Valley Authority is exempted and placed ‘‘off budget’’ may be in doubt, but there is no doubt that the Social Security trust fund is included by the proponents of this constitutional amendment.

Trying to craft some type of subsequent, legislative fix is folly. No court in the country would enforce a statute that tries to overrule the clear language of a constitutional amendment and the clear legislative history supporting that language. The only way to protect the Social Security trust fund from this so-called balanced budget amendment is to write that protection into the text of House Joint Resolution 1 itself. There is no other legally sound or enforceable way.

Moreover, any follow-up legislative effort to protect Social Security could be changed at any time by subsequent legislation and would offer no permanent protection. Unlike an amendment to the Constitution of the United States, a simple majority of Senators, or in the case of legislation changing the Budget Act 61 Senators, could change legislation trying to take Social Security off the tale. The legislation would fall far short of the protection of having something enshrined in the Constitution, which the Founding Fathers purposely made difficult to amend.

If proponents are finally willing to offer real protection for Social Security, why do it with only a budget resolution or statute? And if that is good enough for Social Security, why not cut the deficit through the same mechanism?

Let us be honest with the American people. The real reason the proponents of this so-called balanced budget amendment refuse to protect Social Security in the constitutional amendment itself is that they have no intention of protecting Social Security. Proponents of this constitutional amendment plan to use the annual surpluses in the Social Security trust fund to mask the true deficit. To make it easier to thump their chests that the budget is balanced, the supporters of this constitutional amendment hope to raid the $705 billion in annual surpluses in the Social Security trust fund that will accumulate between now and 2002.

It was most revealing that their recent offer to compromise with Senators CONRAD and DORGAN on this point was to stop counting the surpluses in the Social Security trust fund in 2012, or about the time that those surpluses are projected to dry up.

Let us put an end to this foolishness. Either protect Social Security in the language of House Joint Resolution 1 or not, but quit playing games with the Constitution of the United States. I have argued since this measure began being considered that we needed to tackle the important questions of implementing legislation first. But the proponents of this measure have refused. They remain prepared to leave every concern and serious problem for later.

But their mantra, that fundamental flaws in the constitutional amendment itself can be fixed in implementing legislation, rings hollow. Even if we believed their sudden change of heart on these mattes signalled a real change in philosophy, some problems created by the amendment cannot be corrected in mere implementing legislation. The Constitution defines the ground rules, and the Constitution overrules any contradictory implementing legislation.

Let us bring this sorry spectacle to an end. Let us vote to defeat the so-called balanced budget amendment. Maybe then the Senate could get past this slogan of an amendment and let us get on with real business, making the tough choices needed to take real action to reduce the deficit.

Mr. BIDEN. Mr. President, last week I announced my decision to support the balanced budget amendment.

I rise today to explain my choice.

Considering amendments to our Constitution is one of the Senate's most profound responsibilities. Our Nation has made only 17 such changes since the Bill of Rights was ratified over 200 years ago.

But in recent decades a structural imbalance has occurred in the way the Federal Government finances its operations. Each year, we find ourselves deeper and deeper in debt, with no reasonable prospect for constraining either the deficit or the debt.

We cannot balance our budget. Or, more precisely, we will not.

As I considered the balanced budget amendment as a possible solution to this problem, I had to first answer an important question—Is this an issue worthy of constitutional consideration?

From the point over 10 years ago when I offered my own constitutional amendment to balance the Federal budget, up to my vote for Senator REID's balanced budget amendment last year, I have held that this is an issue worthy of constitutional consideration.

The decision to encumber future generations with financial obligations is one that can rightly be considered among the fundamental choices addressed in the Constitution.

If this issue meets the test of constitutional significance, Mr. President, then is House Joint Resolution 1 the way to address it?

Mr. President, many of my colleagues, whose very valid concerns I have shared, have honored this Chamber with an eloquent presentation of the problems this particular amendment could cause.

I will respond to some of those arguments later.

But none of their arguments has overcome my concern for the future of our Nation's economy—for the country we will pass on to our children.

After so many years of seeking alternative solutions, I can see no other reasonable prospect for sharply curtailing the debt than the adoption of this amendment into our Constitution.

Mr. President, it is one thing to have deficits of $20 to $40 billion per year, which we could live with for the foreseeable future. But it is quite another thing to have deficits of $200 to $400 billion. And just 6 years from now, Mr. President, $400 billion is just what our deficit will be, not counting the surplus in the Social Security trust fund.

Under these extraordinary circumstances, it seems reasonable to me to require an extraordinary majority of Congress to continue deficit spending.

Even if this amendment passes and is ratified by the States, I know that we will continue to have some deficits. It is the potential size of deficits that bothers me; there is nothing sacred about a balanced budget.

But if we do decide to add to our national debt, it should be for important reasons, such as managing recessions or natural disasters—or securing the future well-being of our children—for reasons that can command the support of three-fifths of both Houses.

Over a decade ago, Mr. President, we strayed from the course that had, since the end of World War II, shrunk the national debt as a share of our economy. Since the early 1980's, we have foolishly, and significantly, increased our national debt year after year.

In 1980, Federal debt held by the public totalled $710 billion, and the interest we paid on the debt was $52 billion. This year, that debt has reached $3.6 trillion, and our interest payments will be $234 billion.

Recognizing the folly of this course, in 1984 I proposed a freeze on every program of the Federal Government—across the board. Although I wrote the plan with two Republican Senators, we received little support for the proposal, from either side of the aisle.

By the way, I am convinced, Mr. President, that had we acted then, the harm to many of the programs that I hold dear, responsibilities that moved me to enter public life, would have been softened.

As it is, without the freeze—that we were warned would harm so-called liberal programs—I have had to watch as those programs have gone through the wringer.

In 1981, when we lost control of the deficit, human services programs were 8.6 percent of Federal outlays. A decade later, they were 6.9 percent, a 20-percent reduction in their share of spending.

In 1981, education, training, employment and social services were 3.7 percent of Federal outlays. Over the next decade, as deficits and interest payments grew, they shrank to 2.3 percent, a 40-percent cut in their share of Federal spending.

After failing to pass the freeze, in the hope of restoring some discipline to our finances and reducing the deficit, I supported the Gramm-Rudman process, that put caps on the amount of deficit allowed, and required a balanced budget.

But the requirements changed every year; the only constant in the process was the annual increase in the national debt, and the guarantee of annual deficits.

And in 1993, we passed an historic budget agreement at the beginning of the Clinton administration, that will cut $500 billion from our deficits over 5 years. The healthy economy that followed passage of that plan has meant even more deficit savings.

If I thought that we could sustain this trend, Mr. President, I would withhold my support for this amendment.

But, what was the political response to that serious deficit reduction plan? It was denounced by those who now claim they want to attack the deficit.

That plan was passed by a single vote in both Houses, without one Republican vote. Moreover, that plan has been used by so-called deficit hawks to defeat the very Members of Congress who had the courage to vote for it.

And now we see again a plan by the new majority for tax cuts, defense increases—including star wars—and, of course, the promise of a balanced budget.

Mr. President, I've read this story before. We are all living out the consequences of the first time we tried that program.

It is clear now that there are no options left before us to turn the short-term success of the 1993 budget plan into a longer-term program to bring down future deficits.

And there are no other options to force those who voted against deficit reduction back then to face the consequences—requiring them to look at everything including revenues rather than continue the charade that the only thing we need to do to balance the budget is to cut foreign aid and AFDC.

Because they—and we—have been so successful in misleading the American people about the problem, those aspects of the Government's responsibilities that I entered public life to support have already been badly harmed as a consequence of these gigantic deficits: children, education, fighting crime and drugs, supporting organizations that promote international stability.

And those areas of the budget that need help the least—tax loopholes for the privileged, exotic weapons systems, people who aren't middle class or poor but who make money off of their programs—those have done the best.

I offer as evidence the recent votes in the House. Now, without the balanced budget amendment, our fiscal disarray is the pretext for cuts in school lunches, infant nutrition, the successful and effective Head Start Program, and educational programs that our future depends on. Do my friends who share my values—who share my indignation at this disregard for those least able to help themselves, this shortsighted slighting of the future—do they really believe that if we were to vote down the balanced budget amendment that those legislative priorities would change?

I am convinced—reluctantly—that unless we use this opportunity to try to restore control over our finances, we will not be able to re-establish our priorities.

Our fight is not—or should not be—against making deficit spending a more difficult choice.

Our fight, with or without a balanced budget amendment, is against those who would walk away from Government's responsibilities and who will sacrifice the future for short-term political advantage.

Despite the shrinkage in those programs in recent years, we still face a future of increasing national debt, and rising annual deficits, and those programs and responsibilities I feel most strongly about will continue to take the hits.

This year alone, we will pay $234 billion in interest on the debt. By 1997, interest will be $270 billion—more than either our defense or domestic spending.

If this trend is unsustainable—and it is—and if the hard choices we make are turned against us—and they are—What, then can we do?

I have concluded, Mr. President, that there is nothing left to try except the balanced budget amendment, forcing everything onto the table, and requiring us to justify why some areas have escaped the budget ax so far.

But what of the many arguments against this amendment—concerns that I have shared in the past. Let me explain my thoughts on some of those concerns today.

Mr. President, one of the strongest practical arguments raised against the balanced budget amendment is that it will cost us our ability to respond to recessions.

There are two points that I want to make in regard to that serious charge. First, the sad fact is that we have already lost that flexibility—by making deficits the norm in good times and in recessions. Until we regain control of our finances, deficits will remain an unintended consequence of our budget process, not a selective policy choice.

Second, Mr. President, even under the constraints of this amendment, it is possible to provide that flexibility. In Delaware, we have built a two percent surplus into each year's budget, to assure that we can cover unforeseen events that could raise spending or reduce revenues.

We could do that with the Federal budget, and restore its important stabilizing role, a role that is now lost in the annual red ink. This is not something that appears to be a realistic option in the near term, but if that is the only way to restore the effect of automatic stabilizers in the Federal budget, we will be able to choose that option.

This amendment will make automatic stabilization more difficult, but it will remain our choice to restore that function of the Federal budget to its former effectiveness.

There are other concerns that I share with my colleagues who oppose this amendment.

Together, we tried to make this a better proposal. I believe that this amendment could be improved by changes I have supported here on the floor and in the Judiciary Committee.

We tried to keep the Social Security trust fund off budget, where it is now, and where it should stay. We failed to pass that amendment, and this will allow us to continue to mask the current deficit with funds that are needed to meet future obligations.

I believe that this failure takes us further from the truth about our real deficit problems, and further from the truth about the very real problems in the Social Security system itself.

But let me stress for those who are concerned about the effect of this amendment on the Social Security system—this change in our Constitution does not, by itself, cut a dime from current benefits.

Under current rules, Social Security is now off budget, but by law its surpluses still go to purchase the accumulating pile Treasury bonds that we will have to pay off in the future.

Taking Social Security out of the balanced budget amendment would not change that aspect of the system, or prevent tampering with the commitments we have made in the past.

My concern, in addition to the ways in which that accumulating surplus will distort our definition of the budget, is that this amendment will increase the temptation to use the Social Security system to make the rest of the budget appear more balanced.

This is a valid reason to try to insulate Social Security from that temptation—but not reason to renounce what I have concluded is our last chance to restore control over our country's financial future.

We also tried, Mr. President, to assure that the real costs of a balanced budget amendment, and not just its surface allure, are apparent to the citizens who will be asked to ratify it in the coming months.

And we tried to provide a capital budget—to treat public investments the way families, businesses, and States treat their investments. And we failed.

But I want the record to show that we are not prohibited by this amendment from devising a capital budget. I predict that events and experience will show us that a capital budget is essential to setting priorities, and that we will find a way to fit such a process into our budget system.

We tried to avoid a potential shift in the constitutional balance of powers by ensuring that only the Congress would enforce a balanced budget, Mr. President, and we tried to avoid tying up the courts with constitutional questions about the President's role in enforcing a balanced budget.

Mr. President, I believe that these constitutional issues remain the greatest risk we will take when we add this amendment to our Constitution.

Now, with the acceptance of Senator Nunn's amendment, Mr. President, some of my concern on that issue has been relieved.

So where do we stand?

We can vote for this less than perfect amendment, that requires 60 percent majorities to permit deficits—and I predict that we will choose to permit those deficits, but smaller deficits, and less frequently, than before.

Or, Mr. President, we can continue to add every year to the debt burden of future generations.

We will steal today from the next generation, squeezing out the savings and investment that could increase future wealth.

We will continue to tie our own hands, to restrict our own ability—indeed, our responsibility—to set priorities in our annual budget process.

This year, interest on the national debt will cost the United States $234 billion; the entire domestic discretionary budget will be $253 billion.

By the time this amendment is intended to become law, in the year 2002, interest on the debt will be $344 billion, larger than every other category in the budget except for Social Security.

Given that prospect, Mr. President, I choose to take a chance on the balanced budget amendment.

I hope that reverence for the Constitution and the procedural roadblocks in the amendment will establish an ethic of budget balance and a new, responsible, tradition will grow from the action we take here today.

But only history will tell.

But I have sufficient confidence in our citizens and in our political institutions that we will learn from any flaws that remain in this amendment, and will make the best of its virtues.

Two hundred years of American history tells me it is right to have that confidence.

But at the end of the day, Mr. President, I am willing to take the first step today down this new path. I will vote for the balanced budget amendment, but I will do so with my eyes open.

It is not the panacea some of its proponents have advertised, but neither is it the plague its opponents have portrayed.

For me, it as a reluctantly chosen opportunity to regain responsible control over our affairs.

And I hope that the record of my words and actions on this amendment will help my fellow citizens, both in my

State of Delaware and in the other States, as they consider its ratification.

I hope that they consider fully the record of debate we have worked to establish here in the Congress. That record should make us all, on both sides of this profound issue, proud.

Mr. NUNN. Mr. President, on Wednesday, March 1, a story in the Washington Post discussing my judicial review amendment to the balanced budget amendment referred to the views of Prof. Kathleen Sullivan of the Stanford Law School. The views of Professor Sullivan, as reported in the Post, could be viewed as critical of my amendment limiting judicial review. That would not be an accurate reflection of Professor Sullivan's views.

I received a letter from Professor Sullivan yesterday in which she notes:

I have had the opportunity to read your remarks in the floor proceedings yesterday, and agree with you completely that it would be imprudent to pass the [Balanced Budget] Amendment in the mere unfounded hope that courts would not entertain lawsuits arising under it. Addressing the judicial review issue squarely, as you did, is plainly a step in the right direction.

I ask unanimous consent that the text of the letter from Professor Sullivan and the article in the Post be printed in the RECORD.

Mr. President, I am pleased that the Senate overwhelmingly adopted the amendment to limit judicial review under the balanced budget amendment. My amendment will ensure that no court interjects itself into the balanced budget process except as specifically authorized by Congress.

I look forward to working with the chairman of the Judiciary Committee, Senator HATCH, in drafting implementing legislation, including implementing legislation on the subject of judicial review. To the extent that Congress exercises the authority in the amendment to regulate the judicial role, there are ample precedents for statutory provisions to ensure that judicial review does not interfere with the taxing and spending powers of Congress. These could include, for example, providing exclusive jurisdiction in the Federal courts or in a designated Federal court; removal to Federal court of any case filed in a State court; and restriction of the remedies, if any, that a court could grant.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

STANFORD LAW SCHOOL,
March 1, 1995.

Senator SAM NUNN,
U.S. Senate,
Washington, DC.

DEAR SENATOR NUNN: Congratulations on your success yesterday in persuading your colleagues of the danger that the Balanced Budget Amendment, in its unamended form, would unwisely transfer constitutional authority from the Congress to the courts. I have had the opportunity to read your remarks in the floor proceedings yesterday, and agree with you completely that it would be imprudent to pass the Amendment in the mere unfounded hope that courts would not entertain lawsuits arising under it. Addressing the judicial review issue squarely, as you did, is plainly a step in the right direction. I am glad that you found my letter useful in addressing this issue.

You may have read me quoted in the Washington Post this morning as saying that your amendment renders the Balanced Budget Amendment more an ''exhoration'' than an ''enforceable requirement'' along the lines of many other constitutional provisions. While this quote is accurate, it leaves out my further comment to the reporter that the Balanced Budget Amendment is, for that very reason, better with the Nunn Amendment than without it. While I continue to believe that there are strong reasons not to tamper with the existing constitutional machinery in this area at all, I believe that any measure that reduces the net transfer of power from the legislative to the judicial and executive branches is desirable.

Very truly yours,
KATHLEEN M. SULLIVAN.

[From the Washington Post, Mar. 1, 1995]

DOLE DELAYS BUDGET AMENDMENT VOTE

ONE SUPPORTER SHORT OF PASSAGE, GOP PRESSED HOLDOUT DEMOCRATS

(By Eric Pianin and Helen Dewar)

Senate Majority Leader Robert J. Dole (R–Kan.) last night abruptly put off a final vote on the proposed balanced budget amendment after GOP leaders failed in a desperate day-long bid to pluck the critical 67th vote from among wavering Democrats.

Faced with almost certain defeat, Dole delayed the vote—until today or perhaps later in the week—to buy time while Republicans stepped up efforts to win over one of a handful of Democrats, particularly North Dakota Sens. Kent Conrad and Byron L. Dorgan, who have demanded changes in the measure to protect Social Security as well as other safeguards.

Sen. Robert C. Byrd (D–W.Va.), a leading opponent of the measure and a senior figure in the Senate, lashed out at Dole for postponing the vote, charging that Republicans appeared to be engaging in ''a sleazy, tawdry effort to win a victory at the cost of amending the Constitution of the United States.'' Byrd charged that Dole's action flouted a unanimous agreement to hold the critical vote yesterday, following more than a month of intense debate.

''This is a sad spectacle,'' Byrd said.

''I think the sad spectacle is that we may lose this vote,'' Dole retorted.

Dole refused to back down, saying there was still a chance Republicans could recruit at least one more senator to help pass the amendment by the two-thirds majority required. He said that in the wake of last fall's elections, when Republicans swept to control of Congress pledging to balance the budget and make dramatic changes in the face of government, the Senate owed it to the American people to make one more try.

''We still think there's some chance of getting this resolved by tomorrow and getting 67 votes,'' Dole said. ''If we fail, we fail.''

Dole's decision came after an extraordinary day of back-room dealing in which Dole, Senate Judiciary Committee Chairman Orrin G. Hatch (R–Utah) and other leaders pleaded with and cajoled every Democrat they could collar.

Republican leaders had assumed until early yesterday that the key to winning passage of the amendment was appeasing Sen. Sam Nunn (Ga.), a highly influential Democrat who had threatened to oppose the measure unless it was changed to prohibit the courts from intervening in future congressional tax and budget matters.

But even after Dole and other GOP leaders relented and the amendment was revised to satisfy Nunn and one other waffling Democrat, Sen. John Breaux (La.), Republican vote counters still came up one vote shy of the two-thirds majority.

In the end, it came down to whether Republicans could win the support of one or both of the Democrats from North Dakota. While the packed Senate chamber buzzed with anticipation during a half hour quorum call last evening, Conrad moved back and forth between the Republican and Democratic cloakrooms, conferring with each side.

Conrad had vowed to oppose the constitutional amendment unless it were rewritten to guarantee that the budget would not be balanced by using the Social Security trust fund. He also has advocated other changes, including language to ensure that Congress has some flexibility in responding to economic crises.

At one point, Conrad, Dorgan, Sen. Wendell H. Ford (Ky.) and other Democratic holdouts rejected a pledge from Dole and House Speaker Newt Gingrich (R–Ga.) that Congress would pass the Social Security guarantee in later legislation. But Republicans said they were still discussing ways of trying to guarantee passage of the bill protecting Social Security.

Hatch said last night that for a while it appeared Republicans could reach agreement with Conrad on the Social Security issue, but talks broke down when Conrad said he also wanted an exclusion for economic emergencies. Republicans said they hoped to pick up Dorgan's support if Conrad agreed to back the amendment.

Last night's dramatic developments capped five weeks of heated debate and political maneuvering over the amendment, which requires a three-fifths majority of both houses before Congress could spend in excess of projected revenue, except in times of war.

The House approved the amendment in late January, 300 to 132. While the overwhelming support in the House reflected the broad popular appeal of the measure in the abstract, Senate Democrats, who hold the balance of power in passing or defeating it, have played on voter concerns that Social Security, Medicare and other politically sensitive programs would become vulnerable if the amendment were adopted.

Others warned that it would dangerously alter the balance of power in Washington, hamstringing Congress in times of economic crisis and giving the president the upper hand in controlling spending.

''The amendment is so full of flaws, so reflective of flabby thinking, so arrogant in its disregard for the traditional checks and balances and separation of powers that its consequences could be nothing short of calamity,'' Byrd said. Senate Minority Leader Thomas A. Daschle (D–S.D.) described it as a ''shoot-now, ask-later approach'' that Congress will regret.

Nunn's provision was the only change that Democrats succeeded in making in the amendment; Republicans said they agreed to it after getting assurances that the House will accept it.

The provision would be unique in the Constitution. By removing the balanced budget requirement from the jurisdiction of federal courts, it would enable only Congress to enforce the amendment's provisions.

''This is like tying yourself to the mast but ensuring that you can untie yourself any time,'' said Stanford University law professor Kathleen M. Sullivan. Laws ''only work when there is pressure. [The Nunn amendment] renders the balanced budget amendment an exhortation to the Congress to be good, rather than an enforceable requirement.''

The tension-filled day began with an early morning meeting in which Hatch and Sen. Paul Simon (D–Ill.), a major proponent of the measure, told Nunn they would accept his proposal, reflecting a decision reached by Dole the night before that this was the only way to win passage of the amendment.

On the floor, Breaux, another of the Democrats who had been uncommitted, announced he would vote for the constitutional amendment as long as it was changed to include Nunn's proposal. In a soft voice, Hatch then said he would be willing to accept Nunn's proposal. The night before, Hatch had fervently vowed to oppose any change in the amendment's language, even if that meant its defeat. Nunn thanked Hatch and said he would now vote for the amendment.

But Nunn had hardly sat down before Dorgan was on the floor, saying he could not vote for the amendment unless Congress made clear in advance that it was not going to tap the Social Security trust fund for revenue to balance the budget.

While Democrats were resisting Republican entreaties, Senate GOP freshmen trooped into the chamber, sitting in a group in the back two rows, a visible reminder of the political earthquake that brought them to Congress and the balanced budget amendment to the forefront of the agenda of the new GOP majority.

Sen. Rick Santorium (R–Pa.) got right to the heart of their political message: ''The people who will stand in the way of this balanced budget amendment today will not be around long to stand in the way next time. It will pass. It is just a matter of when.''

Mr. CRAIG. Mr. President, I rise in support of House Joint Resolution 1, the bipartisan, bicameral, consensus balanced budget amendment to the Constitution.

There are many individuals who deserve special recognition for their efforts on behalf of this amendment—more than it is possible to include here at one time.

I want to begin by commending the former chairman of the Judiciary Subcommittee on the Constitution, the senior Senator from Illinois [Mr. SIMON]. He has toiled for many years in this vineyard. In this area, and in many others, Congress will miss his courage and leadership—and we all will miss his warmth—when he retires at the end of the 104th Congress. His staff, particularly Aaron Rappaport on the Judiciary Committee, have always been professional, hardworking, and invaluable to this effort.

It would not have been a debate on the balanced budget amendment without the able leadership of the President pro tempore of the Senate, Senator THURMOND of South Carolina. He has always been ahead of his time, as he was some 40 years ago when he first arrived in this body and became a principal sponsor of the balanced budget amendment.

I also want to recognized the chairman of the Judiciary Committee, Senator HATCH of Utah, and his skilled and helpful staff. Senator HATCH is an estimable constitutional lawyer, a skilled floor manager, and a long-time leader in this effort.

On the committee, on the floor, and at every step, the Senators from Alabama [Mr. HEFLIN] and Illinois [Mrs. MOSELEY-BRAUN] have poured much time and dedication into this effort for years.

Many more Senators deserve recognition. I think almost every one who votes ''aye'' today on final passage has done a lot of additional work on behalf of this amendment. I don't know when I've seen so many give so much for so worthy a cause.

Finally, I must recognize our distinguished majority leader, Senator DOLE of Kansas, the principal sponsor of Senate Joint Resolution 1, this measure as introduced and reported in this body. Without his guidance and leadership, the movement to pass this amendment would have faded long ago. I also appreciate the long hours and capable work put in by this staff over these recent, arduous weeks.

This extraordinary accomplishment, a bicameral, bipartisan, consensus version of the most important legislation, never could have come this far without the leadership and courage of my former colleagues in the other body, Representatives CHARLIE STENHOLM of Texas and DAN SCHAEFER of Colorado. When the House made history last month by passing this amendment for the first time in its history, it could not have happened without the blood, sweat, and dedication of these two statesmen.

Representative STENHOLM was my cofounder, 11 years ago, of CLUBB—Congressional Leaders United for a Balanced Budget, an informal bicameral group formed to keep this amendment alive after a decisive House defeat in 1982. Pete Wilson of California was our first Senate cochair. Former House CLUBB cochair JIM INHOFE of Oklahoma is now a Member of this body, as are other veteran House leaders, including Senators SNOWE of Maine and KYL of Arizona.

In language as well as congressional support, the language before us today has a long and distinguished pedigree.

Outside Congress, this amendment is supported by a great groundswell of public support and grass roots activism.

Otherwise the balanced budget amendment would not have come back after losing in the House in 1982 and the Senate in 1986. Otherwise it would not have come to the floor of one Chamber or the other a combined total of seven times in the last 5 years—in 1990 in the House, in 1992 in both bodies, in 1994 in both bodies, and this year in both.

While a great many citizens, taxpayer groups, public interest organizations, and trade associations have supported this movement over the years, particular emphasis should be given to the work of the National Taxpayers Union and, particularly, within that organization, to Mr. Al Cors, the chairman of the nationwide Balanced Budget Amendment Coalition.

I ask unanimous consent that, Mr. President, that at the end of my statement I may include correspondence from that Coalition supporting House Joint Resolution 1, as well as from other organizations.

THIS IS THE VOTE THAT COUNTS; DO WE TRUST THE PEOPLE?

Mr. President, when the 55 delegates to the Philadelphia Convention of 1787 convened at Independence Hall, they came with 55 perfect Constitutions for the young republic. They emerged with one version that, from any one of their points of view, was less than perfect.

But more than 200 years of history have shown that imperfect version, full of compromise and an occasional complication, has been eminently workable, has endured, and has remained a model for the world.

No matter how any of my colleagues may have voted on any amendment earlier, you now have a chance to pass an amendment that unites the underlying principle of virtually all versions of the balanced budget amendment.

No matter what any one of my colleagues would have wanted in your perfect version of such an amendment, we now have just one balanced budget amendment remaining before us.

The only effective balanced budget amendment is the one that passes.

Your constituents will understand, and I know you understand: Vote no, and you kill the only chance for an amendment, here and now.

Vote yes, and you will carry forward one of the great debates of our age. This amendment will go back to the House of Representatives, and from there to every State capital.

That's what this vote is really about—engaging the American people in the most sweeping public debate about the appropriate size, scope, and role of the Federal Government since the original Bill of Rights was sent to the States by the First Congress.

The question is clear: Do we trust the people with that debate? Do we trust the 80 percent of the people who demand this amendment? Do we trust the voters who demanded last November that the Federal Government change its ways?

This Senator does trust the American People.

That's why we have this process of amending the Constitution—because the Constitution is the people's law, not the government's law, and because the people have a right to take part in such a momentous debate.

FUNDAMENTAL RIGHTS, LIMITS ON GOVERNMENT

Before I start responding to points made in debate over the last few days, I want to refocus us on why we are here considering this amendment, in the first place.

A constitution is a document that enumerates and limits the powers of the government to protect the basic rights of the people. Within that framework, it sets forth just enough procedures to safeguard its essential operations. It deals with the most fundamental responsibilities of the government and the broadest principles of governance.

Our balanced budget amendment, House Joint Resolution 1, fits squarely within that constitutional tradition.

The case for the balanced budget amendment can be summed up best as follows:

The ability of the Federal Government to borrow money from future generations involves decisions of such magnitude that they should not be left to the judgements of transient majorities.

The right at stake is the right of the people—today and in future generations—to be protected from the burdens and harms created when a profligate government amasses an intolerable debt.

The Framers of the Constitution recognized that fundamental right. I return once more to the words of Thomas Jefferson, who explicitly elevated balanced budgets to this level of morality and fundamental rights when he said:

> The question whether one generation has the right to bind another by the deficit it imposes is a question of such consequence as to place it among the fundamental principles of government. We should consider ourselves unauthorized to saddle posterity with our debts, and morally bound to pay them ourselves.

Woodrow Wilson said, ''Money being spent without new taxation . . . is as bad as taxation without representation.''

Mr. President, deficit spending is taxation without representation. Americans are told that deficit are Uncle Sam's way of giving them a free lunch, providing $1.18 worth of government for just $1.00 in taxes. In reality, taking gross interest into account, the government has to spend $1.19 for every $1.00 of benefits, goods, services, and overhead in the budget.

THE DEBT IS THE THREAT

Even as we speak, we are adding to the Federal debt: $829,440,000 a day, 34,560,000 an hour, 576,000 a minute, and 9,600 a second.

In its January baseline, the Congressional Budget Office projects that annual Federal deficits will grow from $176 billion this year to more than double that amount, $351 billion, in fiscal year 2003, and to $421 billion by fiscal year 2005.

Deficits are really the cruellest tax of all, since they never stop taking the taxpayers' money. Americans are paying now, with a sluggish economy, for the Government's past addiction to debt. According to the Federal Reserve Bank of New York, the deficits of the 1980's already have depressed our standard of living by 5 percent. Unless things change, the next generation will pay even more dearly.

According to the National Taxpayers Union, for each year with a $200 billion deficit, a child born today will pay $5,000 in additional taxes over his or her lifetime.

The President's own fiscal year 1995 Budget, in its ''Analytical Perspectives'' volume, projects that future generations will pay as much as 82 percent of their lifetime incomes in taxes, under the current policies of borrow-and-spend.

In 1992, the nonpartisan General Accounting Office issued its report, ''Budget Policy: Prompt Action Necessary to Avert Long-Term Damage to the Economy.'' At that time, GAO projected that failure to take action on the deficit and the growing debt would produce a stagnant—even slightly declining—standard of living for Americans in the year 2020. In contrast, GAO said that simply balancing the Federal budget by 2001, and keeping it balanced, would raise our children's standard of living by 36 percent.

GAO and the Congressional Budget Office now project lower deficits, as a result of their scoring of last year's budget plan. However, the intermediate- and long-term deficit outlook has done no better than decline form cataclysmic to intolerable.

The current CBO baseline looks a great deal like—indeed, a little worse than—GAO's muddling through scenario report, in which the deficit is held at 3 percent of gross domestic product.

Under this muddling through scenario, our children's standard of living in 2020 would be 7 percent lower and the Federal debt would be 3 times larger than if the budget is balanced by 2001.

Our national economic policy should not be one of muddling through.

Even that scenario is based on somewhat optimistic assumptions. Interest rates are now near a 30-year low. If they bounce back upward some, the cost of interest payments on the debt will explode. Senator MURKOWSKI had a chart out here on the floor during this debate that displayed that graphically.

So, we must keep in mind that small changes for the worse in our economic picture over the next few years will make the deficit picture far worse.

Today, Federal budget deficits are the single biggest threat to our economic security. The Federal debt now totals $4.8 trillion, or about $18,500 for every man, woman, and child in America, and is growing.

As deficits grow, as the national debt mounts, so do the interest payments made to service that debt. Besides crowding out other fiscal priorities, these amount to a highly regressive transfer of wealth. About 20 percent of these payments go overseas.

Interest on the Federal debt is largely a transfer from middle-income taxpayers to large institutions, banks, corporations, wealthy individuals and foreign investors.

In fact, interest payments to wealthy foreigners make up the largest foreign aid program in history. According to the President's budget, in fiscal year 1994, the U.S. Government sent $44.5 billion overseas in interest payments. That's more than twice as much as all spending on actual international programs, including foreign aid and operating our embassies abroad, which totalled about $21 billion. Also in fiscal year 1994, 33.9 percent—$62.6 billion—of the dollars borrowed from the public came from overseas.

Annual gross interest on the debt now runs about $300 billion, making it now the second largest item of Federal spending, and equal to about half of all personal income taxes.

THE FRAMERS' ASSUMPTIONS

The Framers thought that the limited size and enumerated powers of Government, the limits on the money supply created by a gold standard, the moral imperative of the unwritten constitution, and the House's exclusive power to originate bills raising revenue all would protect this right. Jefferson would have preferred to put this protection in the Constitution. But others at the time viewed the idea that a restraint on indebtedness would be needed as being beyond belief.

Times have changed, as have the nature of government, monetary policy, and politics. The original constraints that protected the people from a profligate government, all of which had constitutional status, have all but dissolved. It's now about 60 years past time to replace them.

POLITICAL WILL

Critics of the balanced budget amendment argue that all we need is the political will, the leadership to balance the budget. That argument ignores the reality that the way the Federal Government makes its economic and political decisions has changed fundamentally over the last two generations.

The system is broken. The Government has spent more than it has taken in for 57 of the last 65 years. The budget was last balanced in 1969, and in 1960 before that. We are not talking here about some short-term failure of will that was cured with the last election or will be cured with the next one.

The impetus to borrow and spend has become a structural one in our system of government. It is a constitution-class crisis that demands a constitution-class solution.

NOT NARROW POLICY, BUT PERFECTING DEMOCRACY

The balanced budget is not narrow economic or fiscal policy. It is structural, systemic change that would help perfect representative democracy.

Over the last two generations, the political and budget processes have evolved in such a way that virtually all of the political rewards are for spending more and borrowing more. Narrow, highly organized, interest groups mobilize to reward spending increases for specific constituencies. The more general, public interest in restraining the size and fiscal appetite of government has been put at a systematic disadvantage.

The only way to put the general public interest back on a level playing field with the special interests is to make it harder to borrow and spend.

That's what our amendment does. For the first time, it creates accountability by requiring that deficits occur only when Members of Congress cast an identifiable vote to run a deficit.

By providing for accountability and by restoring the general public interest to a stronger representative voice, our amendment actually perfects our democratic process.

The essence of this reform is that we finally restore the principle that the government should grow no larger than the people are willing to pay for and we should pay for all the government we demand.

It's often said that Congress underestimates the wisdom of the people. Well, the people have spoken once again, and it's time for Senators to realize that, today, as is usually the case, good policy is good politics. The American people understand the balanced budget amendment, they want Congress to pass it, and they are right.

MAJORITY RULE

One of the curious objections raised against the balanced budget amendment is that it would threaten majority rule.

Those that dwell on the difficulty of getting three-fifths majorities to unbalance the budget or raise the debt limit are missing the point: They are still thinking, ''What do we need to do in order to keep deficit spending?''

That's why we put supermajorities in the amendment—not just to make it harder to deficit spend and increase the debt, but to deter Congress from deficit spending in all but legitimate and extraordinary circumstances. Under our amendment, when you balance the budget, you don't have to worry about mustering a supermajority.

Such a requirement is consistent with other provisions in the Constitution. Freedom of speech is protected by a supermajority requirement. So is freedom of religion. So is the right to keep and bear arms and every other right in the Constitution.

Because it takes supermajorities to amend the Constitution, every right protected in the Constitution by limiting the power of government is protected by supermajorities.

In addition, as has been noted by both sides in this debate, specific supermajorities are written into several procedures in the Constitution, including treaty ratification and overriding vetoes.

In our amendment, we create procedural restraints on the Federal Government to protect the right of the people to be free from excessive government debt. We use 60 percent supermajorities instead of two-thirds or absolute prohibitions because we foresee that the process will need to be flexible on occasion.

The Framers wanted to protect majority rule for the transaction of most of the Government's business. But sometimes, to protect fundamental rights or the integrity of specific process, they employed supermajority requirements to protect against, in the words of the Federalist Papers, a tyranny of the majority.

Let's look at the will of the majority from one more angle.

Two-thirds to four-fifths of the American people want the balanced budget amendment. Clear majorities of Congress want it. If it doesn't pass today, if it doesn't go the American people for a full public debate, it will be because a minority has blocked it here.

DISASTER ASSISTANCE

Some are concerned about whether requiring a three-fifths vote to deficit spend would thwart efforts to deal with natural disasters. From 1978–94, supplemental disaster appropriations topped $7 billion in only 1 year, 1992. We generally are talking about a very small portion of the Federal budget.

As Senator SIMON and others have suggested, creating a small disaster revolving fund, or for that matter, just planning to run small surpluses, would be sufficient to meet such needs.

On the other hand, Congress also has a history of dealing promptly and compassionately in such situations. Only one time over the last 15 years did a disaster bill fail to clear either body with less than a 60 percent majority. That was in 1992, in the House, amid much contention over the Budget Enforcement Act firewalls, the balanced budget amendment and other issues. And that bill fell only one vote short of 60 percent.

Congress is not going to turn its back on natural disaster victims under this amendment. To suggest it will is to ignore reality and history.

SEPARATION OF POWERS

Perhaps the most curious concern I have heard raised about the Simon-Hatch-Craig amendment is that it would transfer powers from the legislative branch to the Executive or the courts.

Let's look at the amendment. That doesn't occur in section 6, which begins with the words, ''The Congress shall enforce and implement this article * * *.''

This transfer doesn't appear later in section 6, which recognizes the need of Congress to use estimates in implementing legislation, obviously foreclosing some of the more inventive scenarios that might tempt Executive or court action.

It certainly doesn't appear in the clarifying language that the amendment's authors have added to section 6 to make sure that no one thinks the courts can raise taxes or construct equitable remedies.

There's no lint-item veto in here. There's no delegation of Congress' legislative power, implied or explicit, to anyone else.

In the same way that the first amendment begins with the words, ''Congress shall make no law * * *,'' this amendment restricts the power of the entire Government by making it harder to enact something into law.

The balanced budget amendment does not change in any way the balance of power among the branches of government. It is absolutely consistent with the spirit, the style, and the operations of the rest of the Constitution.

SLASH-AND-BURN SCENARIOS FOR PRIORITY PROGRAMS

During the course of this debate, as seems to happen every time a balanced budget amendment comes to the floor, the Treasury Department and various special interest groups did a disservice to serious public debate by releasing so-called studies that they tried to make look legitimate by attaching tables of numbers.

In reality, they were scare tactics, using dubious assumptions, and filled with manufactured numbers.

Such studies rely on sometimes questionable economic assumptions. But in every case, they did not look to the long-range benefits of balanced budgets. And in every case, they assumed a mindless, across-the-board, meat-ax approach to budget changes.

One of the chief benefits of the balanced budget amendment is that it will make Congress and the President set priorities. You don't have to set priorities when you don't have a credit limit. In an effort to scare as many people as possible, and attract as much attention as possible, these studies, including one issued by the Treasury Department, imply that the President and Congress have no priorities and would not select or change priorities under the amendment.

To this Senator, what their arguments really say is, these opponents are afraid that the amendment will work and that, when the Government must set priorities, the American people may not agree with their priorities.

Balanced budgets will produce a stronger economy, better able to sustain its defense capabilities while meeting its other needs. And I am confident that the people will demand, and willing to risk that Congress will deliver, an adequate defense budget.

DRI/McGraw-Hill, which is one of the world's leading nonpartisan economic analysis and forecasting firm has called on Congress to approve the balanced budget amendment.

DRI believes BBA is the path to the benefits of a balanced Federal budget. Their report, released just a few weeks ago, said, in part:

> A major argument for the Constitutional amendment is the credibility it may lend to the process. This credibility may permit a sharper drop in bond yields and thus an earlier boost in the economy.

The firm strongly endorsed the balanced budget amendment during a recent news conference on Capitol Hill.

They predicted that 2.5 million new jobs could be created by 2002 as more resources are freed up for private investment, interest rates drop, and businesses can afford to expand, buying more equipment and training.

The firm says the amendment should lower borrowing costs for businesses, encouraging private investment. Real nonresidential investment could grow by 4 to 5 percent by 2002, absent the $200 billion in Federal deficits which currently soak up capital.

The balanced budget amendment is the best friend of those who rely on essential Government programs, and of all other Americans. Interest payments on the Federal debt are already crowding out discretionary spending. As DRI said:

The current generation does not need to sacrifice its living standard to protect that of future generations from an unbearable federal debt. Budget balance demands neither recessions nor the dismantling of the federal government.

The amendment would relieve, rather then intensify, budget pressures in part through lower interest rates, according to DRI:

A ''virtuous cycle'' of lower structural deficits, lower federal debt, and lower interest rates can create half the required long-term deficit reduction through lower federal interest payments.

The lower interest rates and reduced borrowing would cut interest costs for the federal government; in fact, by 2002 half the savings in our budget simulations come from lower interest costs.

Lower interest rates mean the real glide path to a balanced budget will involve less short-term pain than some have warned. Even the Treasury Department, for example, in its study, which did not take into account the positive economic impact of balancing the budget, assumed interest cuts would provide less than a quarter of total savings in fiscal year 2002.

DRI/McGraw-Hill predicts that in the course of creating 2.5 million new jobs following passage of the BBA, increased business activity will allow the Federal budget to be balanced 2 years ahead of schedule. This could also provide the opportunity for an even more gradual glide path to a balanced budget, moderating spending slow-downs.

Cutting federal spending and balancing the budget will greatly benefit the U.S. economy in the long run. Shifting spending from personal and government consumption toward private investment raises the national capital stock, our proportionate domestic (rather than foreign) ownership of wealth, and thus our standard of living. (Source: DRI/McGraw-Hill Special Report, February 1995).

Finally, DRI/McGraw-Hill is convinced that balancing the Federal budget is in the best economic interest of the United States. They put it in concrete terms:

Balancing the budget clearly helps the U.S. economy. By the end of the 10 year forecast, real DGP is up $170 billion, or 2.5% from its baseline level. This is far from trivial and translates to about $1000 per household at today's prices.

THOMAS JEFFERSON—REVISITED

I turn one more time to the words and works of Thomas Jefferson.

Jefferson balanced the budget in all 8 of his years in the White House. He reduced the national debt by half during his first term and set policies in motion that resulted in a national debt of a mere $38,000—that's 38 thousand—in 1834 and 1855.

Jefferson's Louisiana Purchase has been tossed about as an example of how going into debt can be beneficial. But let's look at what we can learn from his experience.

It's true that the Louisiana Purchase was twice the size of the Federal budget in 1803, as noted by the Senator from West Virginia [Mr. BYRD]. But the Federal budget was only 1.63 percent of gross national product at the time.

Relative to the size of the gross domestic product, the Louisiana Purchase would translate into just under $225 billion in today's dollars probably because the Federal deficit last year was $203 billion.

Jefferson and his successors sold the land acquired from France and made a profit for the Federal Government.

Every year the Federal Government is borrowing the equivalent of a Louisiana Purchase. And what are we getting for it? Nothing except a higher bill for interest costs and a legacy of crushing debt to leave behind for our children.

OTHER ISSUES, CONCLUSION

There are many other issues relating to this amendment, too numerous to discuss in the time allotted. To address those as a matter of legislative history, I ask unanimous consent to insert various other materials in the RECORD.

As for those additional facets of the debate, I want to note that, with our approximately 4,000 pages of legislative history over the last 15 years, every question has been answered, every objection has been dealt with.

This amendment has a history, it has a pedigree. It is the bipartisan, bicameral, consensus that has been looked at by constitutional scholars, economists, public interest groups, and members of both bodies.

This is our one chance to vote, up or down, to send a balanced budget amendment to the House and then to the people.

I'll turn one last time to the words of Thomas Jefferson, when he wrote, in a 1798 letter to John Taylor:

* * * constitution. I would be willing to depend on that alone for the reduction of the administration of our government to the genuine principles of its constitution; I mean an additional article, taking from the federal government the power of borrowing.

And again, in 1798, he wrote:

If there is one omission I fear in the document called the Constitution, it is that we did not restrict the power of government to borrow money.

Just 3 years ago, 38 states ratified the 27th amendment, concerning variations in congressional pay, as proposed by James Madison 200 years ago.

It just goes to prove that occasionally it's time to turn to a new idea, and sometimes the answer is to turn to a classic.

Today, Mr. President, my colleagues, it's time to add Mr. Jefferson's amendment to the Constitution, right behind that of his friend, Mr. Madison. We could hardly be in better company, we could hardly seek wiser guidance, in contemplating this addition to our Constitution.

Thomas Jefferson also said:

I am not an advocate for frequent changes in laws and constitutions. But laws and institutions must go hand in hand with the progress of the human mind. As that becomes more developed, more enlightened, as new discoveries are made, new truths discovered and manners and opinions change, with the change of circumstances, institutions must advance also to keep pace with the times. We might as well require a man to wear still the coat which fitted him when a boy as civilized society to remain ever under the regimen of the their barbarous ancestors.

If you want to ignore the lessons of the last 35 years of excessive debt, vote no on this amendment.

If you are willing to leave our children a stagnant or declining standard of living, vote no on this amendment.

If you want to continue the failed status quo, vote no on this amendment.

If you agree with Jefferson that, ''as new discoveries are then vote yes on the balanced budget amendment.

If you trust the American People, and understand their demand that government change its ways, then vote yes on the balanced budget amendment.

If you want today to be the first day of new hope and opportunity for our Nation, our economy, and our children, then vote yes on the balanced budget amendment.

I ask unanimous consent that I may have printed in the RECORD numerous supporting materials, including letters and statements of endorsement from citizens' groups, information on public support of the balanced budget amendment, substantive analyses prepared by outside groups, and supporters here within Congress, fact sheets, and newspaper articles.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

THE BALANCED BUDGET AMENDMENT COALITION,
Washington, DC, February 6, 1995.

DEAR SENATOR: The undersigned organizations strongly urge you to vote for and support the Balanced Budget Amendment, S.J. Res. 1, introduced by Senators Dole, Hatch, Simon, Thurmond, Heflin, Craig, Moseley-Braun and others. This bipartisan proposal (over 40 total Senate cosponsors) has already passed the Senate Judiciary Committee on a 15 to 3 vote and is now being considered on the Senate floor.

The framers of the U.S. Constitution assumed each generation of Americans would pay its own bills—and that the federal budget would, over time, remain roughly in balance. According to Thomas Jefferson, ''we should consider ourselves unauthorized to saddle posterity with our debts, and morally bound to pay them ourselves.''

In today's era of mass media, special interest politics, and expensive and sophisticated election campaigns, the checks and balances established 200 years ago are not up to the job of controlling the federal deficit. Recent

Congresses and presidents have proven themselves incapable of acting in the broader national interest on fiscal matters. Whenever Congress considers spending cuts that could help balance the budget, only a few Americans are aware of it, and fewer still express their views about it. By contrast, those who stand to lose from budget restraint—typically the beneficiaries and administrators of spending programs—are well aware of what they stand to lose. They mount intensive lobbying campaigns to stop fiscal restraint.

This pro-spending and pro-debt bias has led to 25 straight unbalanced budgets. It took our nation 205 years—from 1776 to 1981—to reach a $1 trillion debt. Now, just 14 years later, the debt is $4.8 trillion. Each year, interest payments rise as the overall debt grows. These payments have been one of the fastest-rising items in the federal budget—they now account for the entire deficit, all by themselves. A succession of statutory remedies has failed to stem this historic and highly dangerous turn of events.

S.J. Res. 1 is a sound amendment that has evolved through years of work by the principal sponsors. It provides the constitutional discipline needed to make balanced federal budgets the norm, rather than the rare exception (once in the past 34 years), and it offers the proper flexibility to deal with national emergencies.

In addition to requiring a three-fifths majority vote to deficit spend or increase the federal debt limit, S.J. Res. 1 is designed to make raising federal taxes more difficult. It would require the approval of a majority of the whole number of both the House and Senate—by roll call votes—in order to pass any tax increase. This adds much-needed accountability.

Unless action is taken now, higher federal spending and debt will continue to cripple our economy and mortgage our children's future. We urge you to support S.J. Res. 1, the Balanced Budget Amendment.

Sincerely,

National Taxpayers Union; International Food Service Distributors Association; National Association of Wholesale-Distributors; American Legislative Exchange Council; National Association of Manufacturers; National Association of Home Builders; The Seniors Coalition; Financial Executives Institute; Concerned Women for America; The Business Roundtable; American Farm Bureau Federation; American Furniture Manufacturers Association; United We Stand America; United Seniors Association, Inc.; Howard Jarvis Taxpayers Association; Independent Bakers Association; Citizens for a Sound Economy; Council for Citizens Against Government Waste; Traditional Values Coalition; Automotive Service Association; National Retail Federation; National Truck Equipment Association; Truck Renting and Leasing Association.

National-American Wholesale Grocer's Association; U.S. Chamber of Commerce; National Cattlemen's Association; Associated Builders and Contractors, Inc.; National Ready Mixed Concrete Association; U.S. Business and Industrial Council; National Federation of Independent Business; National Association of Realtors; Small Business Survival Committee; Christian Coalition; The Concord Coalition; Printing Industries of America; International Council of Shopping Centers; Motorcycle Industry Council, Inc.; American Tax Reduction Movement; International Mass Retail Association; Texaco, Inc.; U.S. Federation of Small Business; American Machine Tool Distributors Assn.; Union Pacific; Common Sense for America; Americans for Tax Reform; American Bakers Association.

[IRET—Congressional Advisory, Feb. 27, 1995]

KEYNES IS ALIVE, BUT NOT WELL, IN WASHINGTON

(By Norman B. Ture, President)

Opponents of a Balanced Budget Amendment assert that recessions will be deeper and more prolonged if the amendment prohibits the federal government from running budget deficits. According to this Keynesian article of faith, increases in federal spending relative to federal tax revenues expand total—government, household, and business—spending and thereby produce increases in total production, employment, and income.

Much of this increase in government spending and decrease in government tax revenues occurs automatically as the economy moves into recession. With falling output, employment, and income, payroll and income taxes decrease, while government outlays for such things as unemployment compensation and food stamps go up. These so-called ''automatic stabilizers'' allegedly cushion the decline in households' and businesses' disposable incomes, allowing them to maintain higher spending levels than they otherwise would be able to undertake. Moreover, according to this argument, the federal government should take action to increase other spending and/or to reduce taxes to fortify the automatic bolstering of disposable income.

The argument is wrong analytically. It is also rejected by history. It should be rejected by the Senate as the basis for deciding the fate of the Balanced Budget Amendment.

It is certainly true that the government's revenues automatically decline and certain of its outlays automatically increase during a recession. These automatic fiscal changes, however, don't—can't—increase total real spending. The resulting gap between government spending and government revenues has to be financed, either by the government's borrowing the difference or by resorting to the monetary printing press. If the government borrows the money to finance the deficit, the lenders' disposable incomes—the amount of their current after-tax incomes available to purchase consumption products or business assets—is reduced by the amount they lend the government—the same amount as the increase in the disposable incomes of other people. No net increase in income available for spending occurs.

The same thing is true if the government takes discretionary actions to increase its spending and/or to cut taxes. The government's borrowing to make up the difference between its additional outlays and reduced revenues cancels any increase in disposable income that allegedly would be produced by running a deficit.

Of course, the government might resort to the money printing press to finance the deficit. This might lead to an increase in nominal aggregate demand but only at the cost of pushing up the price level. Real disposable income and spending would increase only if people were fooled and failed to spot the inflationary erosion of their actual incomes and purchasing power.

Public policy makers should not disregard Abe Lincoln's famous homily in making their policy decisions. They should, instead, rely on some homely, basic truths. Increases in the nation's income can't be produced by fiscal sleight of hand. Increases in real income depend on increases in real output. Increases in real output depend on increases in production inputs and/or in the efficiency of their use. Increases in production inputs depend on increases in the real rewards for supplying them.

Budget deficits will not maintain, let alone increase, real disposable income unless they result from fiscal actions that increase incentives for people to work, save, invest, innovate, start new businesses or expand existing enterprises.

History is no kinder to the Keynesian fiscalism than analysis. The record of the economy's aggregate performance reveals no evidence that budget deficits, *per se*, allay or moderate recessionary developments, or, indeed, that they exert any expansionary influence. Even the least demanding statistical tests of a relationship between federal budget outcomes and gross domestic product reject the notion that budget deficits are significant in moderating recessionary forces.

In this era of heightened concern about the federal government's preempting too much of the nation's production capability and misdirecting its use, opposition to curbing the growth in government spending and federal deficits by imposing a budget-balancing constitutional requirement is truly bizarre. Basing that opposition on the Keynesian fiscal mythology is even weirder. It is to be hoped that the U.S. Senate will base its decision about a Balanced Budget Amendment on consideration of the really relevant concern about how most effectively to discipline fiscal and budget policy decision making.

[American Legislative Exchange Council, Feb. 24, 1995]

MORE THAN 200 ECONOMISTS PUBLICLY SUPPORT BALANCED BUDGET AMENDMENT

(By Kerry Jackson and Ian Calkins)

Washington, DC., February 24, 1995—By endorsing a letter outlining their support for the Balanced Budget Amendment (BBA), 219 economists from across the country have publicly recognized the threat federal deficit spending poses to America's future.

Included in the list are such prominent economists as Dr. Richard Vedder of Ohio University, Dr. William Niskanen of the CATO Institute, and Dr. Gordon Tullock of the University of Arizona. The list was solicited by the American Legislative Exchange Council (ALEC) in response to news reports that many economists are opposed to the BBA. ALEC, the nation's largest bipartisan membership organization of state legislators, instead believes economists recognize the harm in an annual spending deficit that has hit $200 billion and is growing. With support from roughly 3,000 member state legislators, ALEC has been at the forefront of the Balanced Budget Amendment issue for 20 years.

''This list represents the most respected and brilliant minds in the field of economics'' said ALEC Executive Director Samuel A. Brunelli. ''What that tells us is simply this: the Balanced Budget Amendment is sound economic policy.''

Brunelli presented the letter and list Monday morning to Senator Paul Coverdell (R-Ga.) during a BBA Coalition meeting, where he reported the list was still growing as he left his office.

''There is a strong intellectual foundation in support of the Balanced Budget Amendment,'' Brunelli told Coverdell. ''This is just a representative group of scholars who realize the danger reckless deficit spending has on our present and future economy.''

By endorsing the letter, the economists are saying ''there is no rational argument against the Balanced Budget Amendment. Simple observation of the fiscal record of recent years tell us that the procedures through which fiscal choices are made are not working.'' And they understand the ''immorality of the intergenerational transfer that deficit financing represents cries out for correction.''

They also acknowledge the BBA would produce an ''increase in investor and business confidence, both domestic and foreign.''

One of the primary arguments against the BBA is the prospect that states will be forced to bear an inequitable financial burden if costs are shifted in balancing the budget, making them unwilling to ratify the measure. ALEC, however, has addressed that problem in its recently published Issue Analysis: Up to the Challenge: Why State and Local Governments Can Flourish Under the Balanced Budget Amendment. The paper exposes the cost-shifting argument as groundless and goes on to outline a number of ways states can actually save money if the BBA were enacted. As a membership organization that is closely associated with state lawmakers, ALEC believes there is enough support among the states to ratify the BBA.

''Already 29 states have passed a resolution calling for a limited Constitutional Convention to write a BBA,'' Brunelli said. ''That's more politically difficult legislation to pass than ratification, and it's only nine states shy of the number of states required to amend the Constitution.''

BALANCED BUDGET AMENDMENT—AN OPEN LETTER TO CONGRESS, FEBRUARY 1995

It is time to acknowledge that mere statutes that purport to control federal spending or deficits have failed. It is time to adopt constitutional control through a Balanced Budget Amendment. In supporting such an amendment, Congress can control its spending proclivities by setting up control machinery external to its own internal operations, machinery that will not be so easily neglected and abandoned.

Why do we need the Balanced Budget Amendment now, when no such constitutional provision existed for two centuries? The answer is clear. Up until recent decades, the principle that government should balance its budget in peacetime was, indeed, a part of our effective constitution, even if not formally written down. Before the Keynesian-inspired shift in thinking about fiscal matters, it was universally considered immoral to incur debts, except in periods of emergency (wars or major depressions). We have lost the moral sense of fiscal responsibility that served to make formal constitutional constraints unnecessary. We cannot legislate a change in political morality, we can put formal constitutional constraints into place.

The effects of the Balanced Budget Amendment would be both real and symbolic. Elected policitians would be required to make fiscal choices within meaningfully-constructed boundaries; they would be required to weigh predicted benefits against predicted tax costs. They would be forced to behave ''responsibly,'' as this word is understood by the citizenry, and knowledge of this fact would do much to restore the confidence of citizens in governmental processes.

It is important to recognize that the Balanced Budget Amendment imposes procedural constraints on the making of budgetary choices. It does not take away the power of the Congress to spend or tax. The amendment requires only that the Congress and the Executive spend no more than what they collect in taxes. In its simplest terms, such an amendment amounts to little more than ''honesty in budgeting.''

Of course, we always pay for what we spend through government, as anywhere else. But those who pay for the government spending that is financed by borrowing are taxpayers in future years, those who must pay taxes to meet the ever-mounting interest obligations that are already far too large an item in the federal budget. The immorality of the intergenerational transfer that deficit financing represents cries out for correction.

Some opponents of the Balanced Budget Amendment argue that the interest burden should be measured in terms of percentage of national product, and, so long as this ratio does not increase, all is well. This argument is totally untenable because it ignores the effects of both inflation and real economic growth. So long as government debt is denominated in dollars, sufficiently rapid inflation can, for a short period, reduce the interest burden substantially, in terms of the ratio to product. But surely default by way of inflation is the worst of all possible ways of dealing with the fiscal crisis that the deficit regime represents.

Opponents also often suggest that Congress and the Executive must maintain the budgetary flexibility to respond to emergency needs for expanding rates of spending. This prospect is fully recognized, and the Balanced Budget Amendment includes a provision that allows for approval of debt or deficits by a three-fifths vote of those elected to each house of Congress.

When all is said and done, there is no rational argument against the Balanced Budget Amendment. Simple observation of the fiscal record of recent years tells us that the procedures through which fiscal choices are made are not working. The problem is not one that involves the wrong political leaders or the wrong parties. The problem is one where those whom we elect are required to function under the wrong set of rules, the wrong procedures. It is high time to get our fiscal house in order.

We can only imagine the increase in investor and business confidence, both domestic and foreign, that enactment of a Balanced Budget Amendment would produce. Perhaps even more importantly, we could all regain confidence in ourselves, as a free people under responsible constitutional government.

Dr. Burton A. Abrams, University of Delaware.

Dr. Ogden Allsbrook Jr., University of Georgia.

Dr. Robert Andelson (Ret), Auburn University.

Dr. Annelise Anderson, Stanford University.

Dr. Terry L. Anderson, Political Economy Research Center.

Dr. Richard Ault, Auburn University.

Dr. Charles Baird, California State University-Hayward.

Dr. Charles Baker, Northeastern University.

Dr. Doug Bandow, Cato Institute.

Dr. Eric C. Banfield, Lake Forest Graduate School of Management.

Dr. Andy Barnett, Auburn University.

Dr. Carl P. Bauer, Harper College.

Dr. Joe Bell, SW Missouri State.

Dr. James Bennett, George Mason University.

Dr. Bruce L. Benson, Florida State University.

Dr. John Berthound, National Taxpayers Union.

Dr. Michael Block, University of Ariziona.

Dr. David Boaz, Cato Institute.

Dr. Peter J. Boettke, New York University.

Dr. Jeffrey Boeyink, Tax Education Foundation.

Dr. Cecil Bohanon, Ball State University.

Dr. Donald J. Boudreaux, Clemson University.

Dr. Samuel Bostaph, University of Dallas.

Dr. Dennis Brennen, Harper College.

Dr. Charles Britton, University of Arkansas.

Dr. Eric Brodin, Foundation for International Studies.

Dr. Richard C.K. Burdekin, Claremont McKenna College.

Prof. M.L. Burnstein, York University.

Dr. Henry Butler, University of Kansas.

Mr. Ian Calkins, American Legislative Exchange Council.

Dr. W. Glenn Campbell, Hoover Institute.

Dr. Keith W. Chauvin, University of Kansas.

Dr. Betty Chu, San Jose State University.

Dr. Will Clark, University of Oklahoma.

Dr. J.R. Clarkson, University of Tennessee.

Dr. Kenneth Clarkson, University of Miami.

Dr. J. Paul Combs, Appalachian State University.

Dr. John Conant, Indiana State University.

Dr. John F. Cooper, Rhodes College.

Mr. Wendell Cox, American Legislative Exchange Council.

Dr. Mark Crain, George Mason University.

Dr. Ward Curran, Trinity College.

Dr. Coldwell Daniel II, Memphis State University.

Dr. Michael R. Darby, U.C.L.A.

Dr. Otto A. Davis, Carnegie Mellon University.

Dr. Ted E. Day, University of Texas-Dallas.

Dr. Louis De Alessi, University of Miami.

Prof. Andrew R. Dick, U.C.L.A.

Dr. Tom Dilorenzo, Loyola College (MD).

Mr. James A. Dorn, Cato Institue.

Dr. Aubrey Drewry, Birmingham Southern College.

Dr. Gerald P. Dwyer Jr., Clemson University.

Dr. Robert B. Ekelund Jr., Auburn University.

Dr. Peter S. Elek, Villanova University.

Dr. Jerry Ellig, George Mason University.

Dr. John M. Ellis, University of California.

Dr. Kenneth G. Elzinga, University of Virginia.

Dr. David Emanuel, University of Texas-Dallas.

Dr. David J. Faulds, University of Louisville.

Mr. Richard A. Ford, Free Market Foundation.

Dr. Andrew W. Foshee, McNeese University.

Dr. William J Frazer, University of Florida.

Dr. Eirik G Furuboth, University of Texas-Arlington.

Dr. Lowell Galloway, Ohio State University.

Dr. David E.R. Gay, University of Arkansas.

Dr. Martin S Geisel, Vanderbilt University.

Dr. Fred R Glahe, University of Colorado.

Dr. Paul Goelz, St. Mary's University.

Dr. Robert Gnell, Indiana State University.

Mr. John C Goodman, National Center for Policy Analysis.

Dr. Kenneth V Greene, S.U.N.Y.—Binghamton.

Dr. Paul Gregory, University of Houston.

Dr. Gerald Gunderson, Trinity College.

Dr. James Gwartney, Florida State University.

Dr. Claire H Hammond, Wake Forest University.

Dr. Daniel J Hammond, Wake Forest University.

Dr. Ronald W Hanson, University of Rochester.

Dr. David R Henderson, Hoover Institution.

Dr. Robert Herbert, Auburn University.

Dr. A James Heins, University of Illinois.

Dr. John Heinke, Santa Clara University.

Dr. Alan Heslop, Claremont McKenna College.

Dr. Robert Higgs, Independent Institute.

Dr. P.J. Hill, Wheaton College.

Dr. Mark Hirschey, University of Kansas.
Dr. Bradley K Hobbs, Bellarmine College.
Dr. Randall Holcombe, Florida State University.
Dr. Steven Horwitz, St. Lawrence University.
Dr. Doug Houston, University of Kansas.
Dr. David A Huettner, University of Oklahoma.
Dr. William J Hunter, Marquette University.
Dr. Thomas Ireland, University of Missouri.
Dr. Jesse M Jackson Jr, San Jose State University.
Dr. Gregg A Jarrell, University of Rochester.
Dr. Thomas Johnson, North Carolina State University.
Dr. David L Kaserman, Auburn University.
Dr. Robert Kleiman, Oakland University.
Dr. David Klingaman, Ohio University.
Dr. W F Kiesner, Loyola Marymount University.
Dr. David Kreutzer, James Madison University.
Dr. Michael Kurth, McNeese State University.
Dr. David N Laband, Auburn University.
Dr. Everett Ladd, University of Connecticut.
Dr. Harry Landreth, Centre College.
Dr. Stanley Leibowitz, University of Texas—Dallas.
Dr. Dwight Lee, University of Georgia.
Dr. David Levy, George Mason University.
Dr. Dennis Logue, Dartmouth College.
Dr. Robert F Lusch, University of Oklahoma.
Dr. R Ashley Lyman, University of Idaho.
Dr. Jonathon Macey, Cornell University.
Dr. Yuri Maltsev, Carthage College.
Dr. Alan B Mandelstamm, Roanoke, Virginia.
Dr. George Marotta, Hoover Institute.
Dr. J Stanley Marshall, The James Madison Institute.
Dr. Merrill Mathews Jr, National Center for Policy Analysis.
Dr. Richard B Mauke, Tufts University.
Dr. Margaret N Maxey, University of Texas—Austin.
Dr. Thomas H Mayor, University of Houston.
Dr. Paul W McAvoy, Yale University School of Management.
Dr. Robert McCormick, Clemson University.
Dr. Paul McCracken, University of Michigan.
Dr. Myra J McCrickard, Bellarmine College.
Dr. J Houston McCulloch, Ohio State University.
Dr. Robert W McGee, Seton Hall University.
Dr. Mark Meador, Loyola College (MD).
Dr. Roger Meiners, Clemson University.
Dr. Lloyd J Mercer, University of California.
Dr. Richard Milam, Appalachian State University.
Dr. Dennis D Miller, Baldwin Wallace College.
Dr. Stephen Moore, Cato Institute.
Dr. John Moore, George Mason University.
Dr. John Moorhouse, Wake Forest University.
Dr. Laurence Moss, Babson College.
Mr. Bob Morrison, Tax Education Support Organization.
Dr. Timothy Muris, George Mason University.
Dr. J Carter Murphy, Southern Methodist University.
Dr. Gerald Musgrove, Economics America.
Dr. Ramon Myers, Stanford University.
Dr. Michael Nelson, Illinois State University.
Dr. William A Niskanen, Cato Institute.
Dr. Geoffrey Nunn, San Jose State University.
Dr. M Barry O'Brien, Francis Marion University.
Dr. David Olson, Olson Research Company.
Dr. Dale K Osborne, University of Texas—Dallas.
Dr. Allen M Parkman, University of Mexico.
Dr. E C Pasour Jr, North Carolina State University.
Dr. Timothy Patton, Ambassador University.
Dr. Judd W Patton, Bellevue College.
Dr. Sam Peltzman, University of Chicago Graduate School.
Dr. Garry Petersen, Tax Research Analysis Center.
Dr. Manfred O Petersen, University of Nebraska.
Dr. Steve Pejovich, Texas A&M University.
Dr. Timothy Perri, Appalachian State University.
Dr. William S Pierce, Case Western Reserve University.
Dr. Sally Pipes, Pacific Research Institute.
Dr. Yeury-Nan Phiph, San Jose State University.
Dr. Rulon Pope, Brigham Young University.
Dr. Robert Premus, Wright State University.
Dr. Jan S Prybyla, Pennsylvania State University.
Dr. Alvin Rabushka, Stanford University.
Dr. Don Racheter, Central College.
Dr. Ed Rauchutt, Bellevue University.
Dr. Robert Reed, University of Oklahoma.
Dr. John Reid, Memphis State University.
Dr. Barrie Richardson, Centenary College.
Dr. H Joseph Reitz, University of Kansas.
Dr. James Rinehart, Francis Marion University.
Dr. Mario Rizzo, New York University.
Dr. Jerry Rohacek, University of Alaska.
Dr. Simon Rottenberg, University of Massachusetts.
Dr. Roy J Ruffin, University of Houston.
Mr. John Rutledge, Rutledge & Company Inc.
Dr. Anandi P Sahu, Oakland University.
Dr. Thomas R. Saving, Texas A&M University.
Dr. Craig T Schulman, University of Arkansas.
Dr. Richard T Seldon, University of Virginia.
Dr. Gerry Shelley, Appalachian State University.
Dr. William Shughart II, University of Mississippi.
Mr. William E Simon, William E Simon & Sons.
Dr. Randy Simmons, Utah State University.
Dr. Daniel T. Slesnick, University of Tedas—Austin.
Dr. Frank Slesnick, Bellarmine College.
Dr. Daniel Slottje, Southern Methodist University.
Dr. Gene Smiley, Marquette University.
Dr. Barton Smith, University of Houston.
Dr. Lowell Smith, Nichols College.
Mr. Robert Solt, Iowans for Tax Relief.
Dr. John Soper, John Caroll University.
Dr. Michael Sproul, U.C.L.A.
Dr. Richard Stroup, Montana State University.
Dr. Michael P Sweeney, Bellarmine College.
Prof. Ronald Teeples, Claremont McKenna College.
Dr. Clifford Thies, University of Georgia.
Dr. Roy Thoman, West Texas State University.
Dr. Henry Thompson, Auburn University.
Dr. Mark Thornton, Auburn University.
Dr. Walter Thurman, North Carolina State University.
Dr. Richard Timberlake, University of Georgia.
Dr. Robert Tollison, George Mason University.
Prof. George W Trivoli, Jacksonville State University.
Dr. Leo Troy, Rutgers University.
Dr. Gordon Tullock, University of Arizona.
Dr. Norman Ture, Institute for Research on the Economics of Taxation.
Dr. Jon G. Udell, University of Wisconsin.
Dr. Hendrik Van den Berg, University of Nebraska.
Dr. T. Norman Van Cott, Ball State University.
Dr. Charles D Van Eaton, Hillside College.
Dr. Richard Vedder, Ohio University.
Dr. George Viksnins, Georgetown University.
Dr. Richard Wagner, George Mason University.
Dr. Stephen J K Walters, Loyola College (MD).
Dr. Alan R Waters, California State University.
Dr. John T Wenders, University of Idaho.
Mr. Brian S Wesbury, Joint Economic Committee.
Dr. Allen J Wilkins, Marshall University.
Dr. James F Willis, San Jose State University.
Dr. Gene Wunder, Washburn University.
Dr. Bruce Yandle, Clemson University.
Dr. Jerrold Zimmerman, University of Rochester.

[National Taxpayers Union, Dec. 29, 1994]

FACTS ABOUT THE NATIONAL DEBT

In FY 1995, interest payments on the National Debt are expected to be $310.0 billion. This is: the second largest item in the budget. (20% of all Federal spending); more than the total revenues of the Federal government in 1976; 92% of Social Security payments; $4,628 per family of three; $5,979 million per week, $854 million per day, $593,151 per minute, or $9,886 per second; 23% of all Federal revenues; and 52% of all individual income tax revenues.

The National Debt has now topped $4.75 trillion.

The Federal government has run deficits 56 out of the last 64 years and 33 out of the last 34 years.

The national debt has increased 1536% since 1960, 777% since 1975, 423% since 1980, 162% since 1985 and 49% since 1990.

During the 1960's deficits averaged $6 billion per year.

During the 1970's deficits averaged $35 billion per year.

During the 1980's deficits averaged $156 billion per year.

During the 1990's deficits averaged $248 billion per year.

It took over 200 years to accumulate our first trillion dollars in national debt. In the next four years, we will accumulate well over $1 trillion in additional debt.

[Congressional Leaders United for a Balanced Budget, Jan. 30, 1995]

THE REGRESSIVE EFFECT OF DEFICIT SPENDING—INTEREST PAYMENTS

While we hoard the crumbs, the whole loaf is being taken away from us.—Joe Kennedy, in testimony before the House Budget Committee.

Until we control our deficit problem, interest payments will continue to devour increasingly larger portions of the budget. Interest payments have increased from 6% of the budget in 1960 to more than 14% of the budget today. After adjusting for inflation, gross interest payments have increased by 97% since 1980. This explosion in debt payments has forced a corresponding reduction in the goods and services the government can provide. Until we bring the budget under control, interest payments will continue to devour a increasingly larger portion of the budget.

Interest payments will cripple the ability of future generations to make necessary investments in health care, education, and other programs. Interest payments will continue to crowd out funding for discretionary programs. GAO has estimated that interest payments will reach $400 billion dollars by the year 2020 if we fail to bring the deficit under control. The growth of interest payments and entitlement spending will force a half a trillion dollars of deficit reduction each year just to maintain a deficit path of three percent of GDP by the year 2020. All government programs would be subject to severe cuts every year under this scenario.

Interest payments already are crowding out worthy programs. Net interest will be over $235 billion this year. This money will not be available for federal investment, social programs or defense. Interest payments are: 8 times higher than expenditures on education; 50 times higher than expenditures on job training; 55 times higher than expenditures on Head Start; 140 times higher than expenditures on childhood immunizations.

Interest payments represent a transfer of wealth from middle-class taxpayers to upper-income individuals and foreign investors. Interest is paid to individuals who own Treasury Bills—primary the wealthiest 10% of citizens and institutional investors. Nearly 20% of interest payments are sent overseas to foreign investors. In 1993, the Treasury sent $41 billion overseas in interest payments.

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[Congressional Leaders United for a Balanced Budget, Jan. 30, 1995]

FACTS ABOUT OUR NATIONAL DEBT AND INTEREST PAYMENTS

Our national debt currently exceeds $4.7 trillion—about $18,500 for every man, woman and child in the United States. (Source: Department of Treasury, Monthly Treasury Statement.)

The national debt has increased by $3.6 trillion since the Senate last passed (but the House defeated) the Balanced Budget Amendment in 1982. The debt has also increased by more than $160 billion since the House voted on the BBA in March 1994. (Sources: Department of Treasury, Monthly Treasury Statement; FT '95 Budget of the United States, Historical Tables.)

Under current policies, future generations are projected to face a lifetime net tax rate of 82% in order to pay the bills that we are leaving them. (Source: FY '95 Budget of the United States, Analytical Perspectives.)

If we continue current policies into the next century, we may be forced to enact half-a-trillion dollars in deficit reduction each year just to restrain the deficit to three percent of GDP. (Source: General Accounting Office, Budget Policy: Prompt Action Necessary to Avert Long-Term Damage to the Economy)

In 1994, gross interest payments exceeded $296 billion. This is greater than the total outlays of the federal government in 1974. (Source: FY '95 Budget of the United States, Historical Tables.)

In 1994, gross interest payments consumed about half of all personal income taxes. (Source: National Taxpayers Union)

In FY '94 we spent an average of $811.7 million a day on gross interest payments. That's $33.8 million an hour, and $564,000 per minute. (Source: Congressional Budget Office, The Economic and Budget Outlook: Fiscal Years 1995–1999.

In 1993, the U.S. government sent $41 billion overseas in interest payments on Treasury bills held by foreign investors. This represents more than twice the amount of spending on all international programs. (Source: FY '95 Budget of the United States, Analytical Perspectives.)

Net interest payments in 1994 were five and a half times as much as outlays for all education, job training and employment programs combined. (Source: FY '95 Budget of the United States, Historical Tables.)

The drain on national savings caused by the deficit during the 1980's resulted in a loss of 5% growth in our national income. This translates into roughly three and a quarter million jobs lost. (Source: The New York Federal Resource Board, CBO)

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[Congressional Leaders United for a Balanced Budget, Jan. 30, 1995]

THE ECONOMIC CONSEQUENCES OF MAINTAINING THE STATUS QUO

According to the Congressional Budget Office, under current policies the deficit will bottom out at $176 billion in FY 1995 before increasing again, reaching $284 billion in 2000 and $421 billion in 2004. In 1995, the year in which the deficit is the lowest, the deficit will equal 2.5 percent of Gross Domestic Product. The deficit will rise as a percentage of GDP, reaching 3.1 percent of GDP in 2000 and continuing to increase to 3.6 percent of GDP by 2005.

In June of 1992, the General Accounting Office released a study entitled *Prompt Action Necessary to Avert Long-Term Damage to the Economy*, which set out several scenarios for budget policy, including one that is remarkably similar to current budget projections—reducing the deficit enough to hold annual deficits to approximately 3 percent of GDP. The GAO found that this scenario, which it called the ''muddling through option'' would not be sufficient to avoid the severe economic consequences of deficit spending. Among the conclusions that GAO reached:

A failure to reverse current trends in fiscal policy ''will doom future generations to a stagnating standard of living, damage U.S. competitiveness and influence in the world, and hamper our ability to address pressing national needs.''

Simply maintaining a deficit at three percent of GDP ''offers no escape either from progressively harder decisions or from an unacceptable economic future. It only postpones the date of a full confrontation with the underlying problem.''

If we continue on the current ''muddling through'' path, by 2005 ''the amount of deficit reduction that will be required to limit the deficit to three percent of GDP will increase exponentially. By the year 2020, it will require *a half a trillion dollars of additional deficit reduction each year* just to maintain a deficit path of three percent of GDP.''

''The muddling through path requires one to make harder and harder decisions just to stay in place, partly just to offset the growing interest costs that compound with the deficit. . . . To select this path is to fend off the disaster of inaction, but it would lock the nation into many years of unpleasant and relatively unproductive deficit debates rather than debates about what government ought to do and should be done. It is death by a thousand cuts.''

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[From Government Waste Watch, Winter 1994]

THE BALANCED BUDGET AMENDMENT:—OUR ECONOMIC SECURITY IN THE BALANCE

(By Larry Craig and Paul Simon)

''The question whether one generation has the right to bind another by the deficit it imposes is a question of such consequence as to place it among the fundamental principles of government. We should consider ourselves unauthorized to saddle posterity with our debts, morally bound to pay them ourselves.''

That statement, as relevant as today's headlines, was made almost 200 years ago by Thomas Jefferson. This perspective, once at the very foundation of our political system, urgently needs to be reasserted.

It should be, as early as February, when Congress takes up our Balanced Budget Amendment to the Constitution, S.J. Res. 41.

Our nation's founders saw a balanced budget and prompt repayment of debt not merely as issues of fiscal policy, but as a moral imperative. Failure to meet these goals was considered not simply economic folly, but a violation of the basic right of the people to be free from a profligate government.

Yet today, federal budget deficits are the single biggest threat to our economic security. The government has spent more than it has taken in for 55 of the last 63 years. The budget was last balanced in 1969. The result is a federal debt totaling $4.4 trillion, or more than $17,000 for every man, woman, and child in America, and growing.

WHAT ARE THE HARMS OF BUDGET DEFICITS?

Like every family and business, when the government borrows, it must make interest payments. Annual gross interest on the debt now runs about $300 billion, making it the second largest item of federal spending next to Social Security. This equals an incredible 57 percent of all personal income taxes.

Now in a sluggish economy, Americans are paying for the government's past addiction to debt. Unless things change, the next generation will pay even more dearly.

Last year, Congress's nonpartisan General Accounting Office (GAO) said that, under current trends, our children's standard of living in the year 2020 would stagnate at today's levels—extinguishing the prospect that each generation of Americans would be able to leave the next a legacy of greater opportunity. In contrast, GAO found that balancing the budget by 2001 would produce a 36 percent improvement in the nation's standard of living by 2020.

An added danger exists because the national government has a power that families and business don't: It can put the Treasury's printing presses in high gear, devalue the currency, and monetize the debt. Of course, the resulting inflation would depress the worth of people's incomes and assets and produce the same outcome: a lower standard of living.

WHY HAS IT BEEN SO HARD TO BALANCE THE BUDGET?

Our system of government has changed fundamentally: While almost all Americans want a balanced budget, there's no way to put this general public interest on a level playing field with the specific demands of mobilized, organized interest groups.

The unlimited ability to borrow naturally leads to unlimited demands to spend beyond our means. Every American belongs to at least one group that benefits from federal spending. And everyone would like to see his or her taxes held down. If they don't have to say ''no,'' many elected officials see political peril in doing so.

That is, there's no way to make it a fair fight until we put a rule in place that the government can't break or amend with impunity, that guarantees we get no more government than we are willing to pay for, and calls on us to pay for all the government we demand.

HOW THE BALANCED BUDGET AMENDMENT WORKS

The amendment would prohibit federal outlays from exceeding receipts unless three-fifths of both houses of Congress specifically vote to run a deficit. Similarly, the limit on the national debt could be increased only with a 60-percent super majority vote. A ''constitutional,'' or absolute majority on a roll call vote would be required to raise taxes, contrasted with the current requirement for only a simple majority of those present and voting—or even just a voice vote. The president would be required to balance the budget he or she submits to Congress.

By making it more difficult to continue deficit spending and by requiring specific recorded votes, the amendment would make Congress more accountable to the public. The difficulty in obtaining ''super majorities'' to increase borrowing or raise taxes would force the president and congressional leaders to find ways to live within the confines of the amendment.

WHAT DO THE AMENDMENT'S OPPONENTS HAVE TO SAY?

We have spent years working with colleagues, legal scholars, economists, and public policy groups like the Council for Citizens Against Government Waste to refine our amendment and find out how it would work. We have become more committed to passing the amendment, more certain of the need for it, and more confident of its appropriateness to become part of the Constitution, as we have seen every question answered and every criticism solidly rebutted. For example:

IT'S NOT NEEDED

Opponents argue that ''political will'' and budget process reforms should be sufficient to balance the budget. Perhaps they should be; in reality, they haven't been.

In 1978, 1979, 1982, 1985, 1987, and 1990, Congress enacted and presidents signed laws requiring balanced budgets. Every one was amended or ignored when push came to shove. After all, it is as easy to amend a law or waive a rule as it is to pass it. Amending the Constitution requires two-thirds majorities in Congress and ratification by three-fourths (38) of the states, formidable hurdles that have allowed the enactment of only 17 amendments since the original Bill of Rights in 1789.

IT WON'T WORK

Skeptics contend that presidents and congresses would evade the amendment by using accounting gimmicks, such as putting items off-budget. Our amendment is carefully drafted to avoid this kind of danger. For example, precise definitions ensure that no category of outlays or receipts can be placed outside the scope of the amendment.

IT WOULD WORK TOO WELL

Forgetting that they also said the amendment wouldn't work at all, opponents argue that it would put a ''straitjacket'' on the economy by preventing Congress from using fiscal policy to counteract economic downturns.

Our amendment anticipates the need for flexibility that could arise in the long term. During a true emergency, Congress should be able to muster the three-fifths vote needed to stimulate the economy through temporary deficit spending. Our amendment would ensure that such spending is the exception rather than the rule.

Years of unbalanced budgets, in good times and bad, have made deficits the greatest danger to our economic well-being. Keep in mind that most of the deficit spending this year went simply to pay interest on the debt. To the extent that deficits can stimulate the economy, today there's almost nothing left over to do so after making interest payments.

IT WOULD THWART THE WILL OF THE MAJORITY

The Constitution's framers wrote that one of the purposes of a constitution is to protect certain rights deserved by all Americans by placing these rights beyond the reach of a ''tyranny of the majority.''

The rights enshrined in the Constitution, such as freedom of speech and religion, represent absolute prohibitions on government action. Jefferson favored an absolute prohibition on government borrowing. Our amendment does not go that far. But it does recognize that to protect our children from a tyranny of debt, deficit spending should require more than a simply majority vote.

Moreover, our amendment requires a 60-percent majority in exactly one circumstance: when spending in the budget would exceed revenues. The amendment in no way affects the majority's ability to set budget priorities within a balanced budget. Therefore, the amendment would restore our system to working the way the framers of the Constitution intended.

GOOD PROGRAMS MIGHT GET CUT

Every dollar borrowed incurs interest costs which already result in significantly fewer dollars for high-priority programs and in higher taxes. In fact, if no federal debt ever had been accumulated in the first place, the government would run a $200 billion surplus over the 1995–1999 period.

Some worry, if the budget must be balanced, it will be done fairly. However, the government's escalating interest payments—with gross interest totaling $294 billion in 1993—are blatantly regressive. These represent a transfer of funds from the working middle class—who pay the bulk of federal taxes—to the large banks, corporations, and wealthy individuals who hold Treasury securities. About 15 percent of these payments go to rich investors of governments overseas.

The greatest unfairness is for the government to live off a giant credit card today and send the bill to the next generation amounting to a massive taxation without representation.

CONCLUSION

The best way to ensure the continued soundness of essential programs, stabilize the economy and pass on a legacy of economic opportunity to our children is to reverse the growth in the federal debt. Without a balanced budget amendment to the Constitution, it is unlikely we will ever find the discipline to restore this rationality to our budget decisions.

[From the Washington Times, October 1993]

ECONOMIC SECURITY IN THE BALANCE

(By Larry Craig and Paul Simon)

''Once the budget is balanced and the debts paid off, our population will be relieved from a considerable portion of its present burdens and will find out new motives to patriotic affection, (and) additional means for the display of individual enterprise.''

That statement, as relevant as today's news, was made more than 150 years ago by President Andrew Jackson. This perspective on the federal government and the economic well-being of the people, once at the very foundation of our political system, urgently needs to be reasserted.

It should be, early in November when Congress takes up our Balanced Budget Amendment to the Constitution, S.J. Res. 41.

Federal budget deficits are not an abstract problem; they are now the single biggest threat to our nation's economic security. When the economy is unstable, seniors on fixed incomes suffer the most.

The government has spend more than it has taken in for 55 of the last 63 years; the budget was last balanced in 1969. The result is a federal debt totaling $4.3 trillion, or about $17,000 for every man, woman and child in America, and growing.

Like every family and business, when the government borrows, it must make interest payments. Annual gross interest on the debt now runs about $300 billion, making it the second-largest item of federal spending, next to Social Security. This amount equals an incredible 57 percent of all personal income taxes.

Every dollar borrowed incurs interest costs that result in significantly fewer dollars for high-priority programs and in higher taxes. With a growing population depending on Social Security, the best way to ensure its continued soundness is to stabilize the economy and reverse the growth in interest costs—which compete with Social Security for dollars—by balancing the budget.

The fiscal costs and economic drag of the federal debt imperil both seniors today and their children. Last year, Congress' nonpartisan General Accounting Office said that, if nothing changes, our children's standard of living in the year 2020 will stagnate at today's levels—putting an end to the American dream of each generation leaving the next a legacy of opportunity. In contrast, balancing the budget by 2001 would produce a 36 percent improvement in the nation's standard of living by 2020.

Who collects interest payments on the federal debt? About 15 percent goes overseas. Almost all of the rest goes to large banks, corporations, state and local governments, and wealthy investors. Thomas Jefferson objected to any federal indebtedness, fearing that taxes on farmers, laborers, merchants and their families would escalate forever to pay the interest on a growing debt.

Why has it been so hard to balance the budget? The unlimited ability to borrow leads naturally to unlimited demands to spend. Every American belongs to at least one group that benefits from federal spending. And everyone would like to see his or her taxes held down. If you don't have to say ''no,'' then many elected officials see only political peril in doing so.

Our system of government has changed fundamentally: While almost all Americans want a balanced budget, there's no way to put this general, public interest on a level playing field with the specific demands of mobilized, organized interest groups.

That is, there's no way to make it a fair fight until we add to the Constitution a rule the government can't break, that guarantees we get no more government than we are willing to pay for and calls on us to pay for all the government we demand.

Fifty years before Jackson, Jefferson said, ''We should consider ourselves unauthorized to saddle posterity with our debts, and morally bound to pay them ourselves.... I wish it were possible to obtain a single amendment to our Constitution...an additional article, taking from the government the power of borrowing.''

It's time to live up to Mr. Jefferson's vision.

[From CLUBB—Congressional Leaders United for a Balanced Budget, Revised January 30, 1995]

FACTSHEET: ALARMIST ATTACKS ON THE BALANCED BUDGET AMENDMENT

Yesterday, the Treasury Department released a study projecting several ''horror story'' scenarios of the kinds of policy decisions the Administration foresees might be necessary if the Balanced Budget Amendment, is added to the Constitution. The ''results'' of these studies were broken down by state. Other studies have been released by other organizations purporting to demonstrate the impact that a balanced budget amendment will have.

These studies actually send four messages: (1) Opponents fear the amendment will work; (2) The case against the amendment is so weak that opponents must resort to scare tactics; (3) The methodology used assumes arbitrary, across-the-board approaches; and (4) The study represents a failure to face up to long-term responsibilities and consequences.

(1) Opponents fear the amendment will work: Critics raise the specter of what budget policy options might be considered if Congress and the President must comply with a Balanced Budget Amendment. However, their arguments are directed against the deficit reduction that will be required to balance the budget.

The study ignores the impact on government services, program beneficiaries, and taxpayers from remaining on a course that will result in the federal debt increasing 90% over the next ten years, and annual spending on interest payments increasing by two-thirds. As Senator Paul Simon has pointed out, every dollar spent on interest payments is a dollar that can not go to valued programs.

Forcing the government to live within its means will require setting priorities and making some difficult decisions. This will not happen without the Amendment and it must happen to safeguard our future economic security.

(2) Scare tactics: As Rep. Olympia Snowe said in a 1994 Budget Committee hearing, people start pounding the table when they're losing the argument. Arguments like those in the Treasury and Wharton studies rely on alarming individuals and groups about how severely they might be impacted. However, even if federal spending continued to increase 3.1% a year, it would fall into balance with revenues (as projected in CBO's January baseline) by the year 2002. Currently, spending is projected to grow an average of 5% a year through 2001.

If we act promptly, reasonable restraint, not massive spending cuts or tax increases, will take us to a balanced budget. However, CBO projects deficits again increasing rapidly after 1996. The longer we wait, the greater the pain of deficit reduction will become.

(3) Arbitrary, unrealistic methodology: The study assumes that Congress will abdicate its responsibility to set priorities and that the deficit reduction will occur in an across-the-board manner. This approach, which is common in such ''horror story'' reports regarding a BBA, implies that the President and Congress have no priorities and assumes they would not set priorities within a balanced budget framework. The Treasury Department study manufactures per-program and per-state numbers that likely bear no resemblance to the decisions Congress and the President eventually will make.

This very lack of priority-setting is at the root of the $4.7 trillion national debt; today, marginal programs are funded because they never have to compete with essential programs. Under the amendment, Congress and the President would be faced with a fiscal and political imperative to set priorities. Government could promise no more than the people were willing to pay for and we would pay for all the government we demand.

Treasury acknowledges that its ''estimates are static in nature and reflect no macroeconomic feedback.'' Thus, the study does not discuss the long-term economic security, growth, and higher living standards that will result from balanced budgets and are at the core of the case for the amendment. In 1992, the non-partisan General Accounting Office compared the economic effects of balancing the budget by the year 2002 with a ''muddling through'' scenario that assumed policies to maintain deficits of 3% of GDP. GAO found that balancing the budget by the year 2000 would promote significantly greater economic growth than the muddling through option.

(4) Failure to take responsibility for the long term: CBO's preliminary budget projections found that the deficit will leap back upward to $421 billion by FY 2005. The deficit as a share of gross domestic product (GDP) would pass the 3% mark before the next century.

The preliminary CBO baseline resembles the ''Muddling Through'' scenario set out in GAO's 1992 report, Budget Policy: Prompt Action Necessary to Avert Long-Term Damage to the Economy. Under that scenario, by 2020, per capita GDP would be 7% lower and the federal debt three times larger than if the budget were balanced from the year 2001 on. Moreover, the annual deficit reduction required to maintain the deficit at 3% of GDP (''muddling through'') would give rise to more than $500 billion a year by FY 2020.

Approaches like those taken by Treasury imply that Americans will find each and every federal program so indispensable, so sacred, that protecting every single program, every interest today, outweighs our children's standard of living and the government's ability to continue providing priority services and benefits in the coming years.

(Prepared by the Offices of Senator Larry Craig (202) 224–2752 Congressman Nathan Deal (202) 225–5211.)

[CLUBB—Congressional Leaders United for a Balanced Budget]

FACTSHEET: BALANCED BUDGET REQUIREMENTS IN THE STATES

Debate on a proposed Balanced Budget Amendment to the U.S. Constitution highlights the status of the states as ''laboratories of democracy.'' While the supporters of H.J. Res. 1 do not argue that the federal Constitution should have a balanced budget requirement *because* the states have such restraints, the experiences of the states are instructive.

While they vary widely in form, 49 of the 50 states have significant balanced budget requirements.

It is also true that, while, standing alone, many of the state provisions appear to be less restrictive than H.J. 1 for the federal government, there are important institutional differences which dictate the terms of the federal proposal.

In 35 of the states, balanced budget requirements are written into constitutions. In 13 others they are statutory. Nine of those have constitutional debt limits that are usually interpreted as constitutional balanced budget requirements. In one (Wyoming), the unwritten imperative is strong enough that it is regarded as having ''constitutional status.''

But that's only a glimpse into the rich diversity through which states control indebtedness.

In 43 or more states, balanced budget requirements are supplemented by special executive branch budget powers. Twenty-one states have spending limits, 7 have revenue limits, and 3 have both. Fifteen require more than a simple majority to pass any budget.

Noteworthy differences include whether capital, trust fund, or other budgets are included under state balanced budget requirements.

There's a lot we can learn from specific state balanced budget initiatives and apply to the federal proposal.

The states can afford to exempt portions of their budgets because state bond ratings—generally applying to capital investments—serve as the ultimate disciplinarian. There are no bond rating services for the federal government in part because foreigners and others line up to bank on the full faith and credit of the U.S. government. In addition, some bond issues are subject to public referenda.

States sometimes mislead when defining a ''deficit.'' That led to the language before Congress now, ''Total outlays for any fiscal year shall not exceed total receipts for that fiscal year . . .''

The processes of defining and amortizing ''capital investments'' can be abused. For example, New York City, prior to its financial crisis in the s, wrote off spending for school textbooks by declaring their ''useful life'' to be 30 years.

Some states can use revenue and borrowing to meet balanced budget requirements. Under H.J. Res. 1, raising the debt limit requires a 3⁄5 majority to counter this state-proven tendency.

The imposition of budget discipline on states whether from balanced budget requirements or bond ratings has led to establishment of ''rainy day'' funds. Many states now set aside excess revenues in good times requiring less indebtedness during recessions.

Despite such diversity, the experience of the states shows that balanced budget requirements have had a salutary effect.

From 1980 to 1992, the states' outstanding long-term debt rose from $120 billion to $369 billion, a 208 percent increase; total state spending growth was about 4 percent greater than revenue growth. During the same period, federal debt grew from $905 billion to $4.002 trillion, a 340 percent increase; federal spending growth was about 38 percent greater than revenue growth.

The similarities between state and federal budget experiences support adoption of a federal balanced budget amendment; the differences demonstrate why H.J. Res. 1 is the approach best suited to the federal level.

That variance and relative complexity of state provisions contributed to the development of the one-page simplicity of the Stenholm/Smith federal amendment. An amendment to the U.S. Constitution should state a broad, fundamental principle and provide the bare bones of process necessary to enforce that principle.

The states' experiences demonstrate that exempting any portion of federal spending from a balanced budget amendment would create potential loopholes. The ''higher authorities'' that generally check abuses at the state level do not exist at the federal level. ''Pet programs'' could easily be pushed into whatever funding category was not covered by a BBA. Debt would continue to soar, and the Constitution would be affronted.

The federal government has no line item veto and a relatively weak rescission process. The lack of such supplementary means for imposing discipline is among the reasons why the federal BBA needs to be more restrictive than state counterparts. At the same time, a BBA is the single most important mechanism, and the most constitutionally elegant, for enforcing the fundamental principle that the people should be protected from the abuses of profiligate government borrowing.

SILVER SPRING, MD, *February 15, 1994.*

Hon. PAUL SIMON,
U.S. Senate,
Washington, DC.

DEAR SENATOR SIMON: I am pleased to have this opportunity to express my support for the Balanced Budget Amendment.

For 37 years I worked for the Social Security Administration, serving as Chief Actuary in 1947–70, and as Deputy Commissioner in 1981–82. In 1982–83, I served as Executive Director of the National Commission on Social Security Reform. And I continue to do all that I can to assure that Social Security continues to fulfill its promises.

The Social Security trust funds are one of the great social successes of this century. The program is fully self-sustaining, and is currently running significant excesses of income over outgo. The trust funds will continue to help the elderly for generations to come—so long as the rest of the federal government acts with fiscal prudence. Unfortunately, that is a big ''if.''

In my opinion, the most serious threat to Social Security is the federal government's fiscal irresponsibility. If we continue to run federal deficits year after year, and if interest payments continue to rise at an alarming rate, we will face two dangerous possibilities. Either we will raid the trust funds to pay for our current profligacy, or we will print money, dishonestly inflating our way out of indebtedness. Both cases would devastate the real value of the Social Security trust funds.

Regaining control of our fiscal affairs is the most important step that we can take to protect the soundness of the Social Security trust funds. I urge the Congress to make that goal a reality—and to pass the Balanced Budget Amendment without delay.

Sincerely,

ROBERT J. MYERS.

CLUBB—CONGRESSIONAL LEADERS UNITED FOR A BALANCED BUDGET

The following quotes are from a News Conference held by Senators Craig, Simon and Robb joined by former Senator Tsongas, and Robert Myers on February 7, 1995.

Concord Coalition co-chair and former Democratic Senator Paul Tsongas responded to President Clinton's budget proposal released Monday, which, as reported in the media, breaks Clinton's campaign ledge to cut deficits in half during his first term.

''The budget which came from the President yesterday said, I've given up; that as long as I am President of the United States there will never be a balanced budget. That is an astonishing statement.''

Paul Tsongas, talking about Social Security and the BBA:

''It is embarrassing to be a Democrat and watch a Democratic President raise the scare tactics of Social Security.''

''It pains me that the Democratic party should be the party that turns its back on the young.''

Paul Tsongas talked about those who've supported BBA in the past, but who now say they will vote against a BBA without a Social Security exemption.

''It's flushing out those who never meant it, those whose cynicism I think is now going to be on display.''

''The calculation is quite explicit, how do I somehow kill the Balanced Budget Amendment without having my fingerprints on the deed. And the use of Social Security is the chosen weapon.''

''The question is, where is the cover? And the cover is the Social Security subterfuge.''

''Those who vote to exclude Social Security are voting to kill the Balanced Budget Amendment. It is that simple, it is that clean and should be stated.''

Senator Paul Simon (D–IL):

''Every time we have a deficit, we're borrowing from your six year-old. And what we're saying is let's stop borrowing from six year-olds.''

Tsongas, responding to Simon:

''Eventually the six year-old will rebel, having been given massive debt by you and I.''

Paul Tsongas' general comments on BBA and balancing the budget:

''Without the Balanced Budget Amendment the budget will never be balanced—that's a given. There is simply not the discipline and self will in this place to do it.''

''This is not rocket science. It's not what is in your head or in your heart. It's what is in the lower part of your regions that is in question.''

Tsongas responded to a question about how much budget cuts to balance the budget would hurt people across the country.

''If you don't do it now; if you let those numbers run themselves out for ten years, then you are looking at far more draconian measures.''

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THE SENIORS COALITION,
Fairfax, VA, March 1, 1995.

Hon. LARRY CRAIG,
U.S. Senate,
Washington, DC.

DEAR SENATOR CRAIG: I wanted to take just a moment to thank you for your dedication and extraordinary effort to get a Balanced Budget Amendment passed. We believe very strongly that a bankrupted country cannot care for its elderly, its young or its poor, and that a Balanced Budget Amendment is desperately needed at this time.

The Seniors Coalition commissioned The Luntz Research Companies to conduct a poll late last week to determine if public support for the Balanced Budget Amendment was still as strong as it had been at the end of January. I would like to share some of the results with you.

As far as we have been able to determine, this nationwide poll contains the most recent data available on the public's opinion of the Balanced Budget Amendment. The questions were asked as part of an omnibus national survey conducted of 1,000 registered voters from February 22nd to 23rd. The survey has a margin of error of ±3.1% at the 95% confidence level.

When people were asked if they supported the Senate passing the same Balanced Budget Amendment passed by the House of Representatives, an overwhelming 79% of respondents supported Senate passage of this measure. This figure is identical to the results of a Wirthlin poll conducted January 25th to 28th. Public support for the Balanced Budget Amendment has not fallen over this past month.

Of those supporting the Balanced Budget Amendment, 61% were strongly supporting the BBA and 18% were somewhat supportive of the BBA. Compared to the Wirthlin poll: 52% strongly favored and 27% somewhat favored a BBA at the end of January. This suggests that not only do people still support a BBA, but they do so with a stronger conviction.

When senior citizens were asked how they felt about the Balanced Budget Amendment, 80% of those age 55–64 and a strong 71% of those age 65+ supported the BBA. By geographic region, people in the Northeast support the BBA at 80%, those in the South by 79%, those in the Midwest by 76%, in the West by 78% and along the Pacific by 81%.

We were also curious to know how people would feel about their Senator if the Balanced Budget Amendment failed. Respondents were asked if they would vote for or against their Senator in the next election if he or she were the one to cause the BBA to fail by one vote. Nearly half, 46%, said they would vote against their Senator if this were the case. These were evenly split, 23% each, along the lines of definitely against or probably against. Comparatively, of the 34% who answered they would vote for their Senator, only 11% were firm in their conviction.

Senior citizens were consistent with this trend and 45% of those age 55–64 and 41% of those age 65+ indicated they would vote against their Senator if they blocked passage of the Balanced Budget Amendment. Of interest in these numbers is that seniors were lower than the general average of 34% in stating they would vote for their Senator under this scenario. Of those age 55–64, only 30% would vote in the affirmative and 31% of those age 65+ would vote to re-elect their Senator.

By geographic region, those that would vote against their Senator if they were responsible for the failure of the Balanced Budget Amendment was as follows: Northeast—43%; South—50%; Midwest—46%; West—45%; and Pacific—48%.

The respondents were also asked if they felt that those Senators who have claimed they want to learn more about the Balanced Budget Amendment were correct in opposing the BBA, or were they putting politics ahead of the national interest. An astounding 60% of the voters surveyed thought that politics was being put ahead of the national interest. This number held strong among seniors of all ages at 59% in both the 55–64 and 65+ categories.

In geographic regions, 58% of those in the Northeast, 65% of those in the South, 56% of those in the Midwest, 60% of the West and 58% of the Pacific thought that politics were taking precedence over the national interest.

The results of this poll clearly show that despite all the rhetoric and debate over the past month on what a Balanced Budget Amendment would mean for America, seniors—and voters in general—are still strongly committed to forcing Congress to balance its budget, and they want their Senators to do the right thing.

Sincerely,

JAKE HANSEN,
Vice President for Government Affairs.

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THE SENIORS COALITION,
Fairfax, VA, March 2, 1995.

MEMORANDUM

Re The American Association of Retired Persons and the Balanced Budget Amendment.
To: All Interested Parties.
From: Kimberly Schuld, Legislative Analyst.

The AARP commissioned The Wirthlin Group to conduct a survey for them January 25–28, 1995 on a variety of questions pertaining to the BBA. Since then, the AARP and the National Council of Senior Citizens have been twisting the poll's results and methodology to claim that public support for a BBA is low—once Americans are told what the BBA will mean to them.

The key word here is TOLD. The poll utilizes a series of questions designed to lead people to a mis-informed and generally incorrect impression of what the BBA will do. Namely, the line of questioning implies that Social Security and Medicare will face drastic cuts, and state and local taxes will skyrocket as the federal faucet is turned off.

An AARP Press Release announcing the poll results states, ''. . . most Americans do not understand the potential impact of the Balanced Budget Amendment and are adamantly opposed to using Social Security and Medicare to reduce the federal deficit.''

Quite bluntly, the AARP has effectively provided a political scare campaign for those members of Congress wishing to avoid facing their constituents with the news that they want to vote against the BBA. We all know the arguments against excluding Social Security from the constitutional amendment, but the AARP has electrified the ''third rail'' to the political benefit (is it really?) of the White House.

ANALYSIS OF THE AARP/WIRTHLIN POLL

The poll consisted of sixteen questions to 1,000 adults, with a 200 oversample to adults 50 and older. The margin of error is ±2.8% at a 95% confidence level. A copy of the questions is attached.

The poll starts off with a question about the direction of the country and then asks: ''Do you favor or oppose a balanced budget amendment to the U.S. Constitution that would require the federal government to balance its budget by the year 2002?'' Favor: 79%. Oppose: 16%.

The next question tests how people perceive the budget can be balanced: spending cuts, taxes or both. This is followed by a question on equal percentage across-the-board cuts in every federal program.

The next two questions ask specifically if Social Security and Medicare should be included in across-the-board cuts. As could be expected, the respondents would favor exemptions for both programs. A key element to these two questions (#5 and #6) is the use of the word ''exempt''. The word ''exempt'' is not used anywhere in the poll except in relation to Social Security and/or Medicare. This sets up a connection in people's minds that these programs may be in graver danger than other government programs.

Question #7 sets up the respondent for the ''truth in budgeting'' excuse the Administration has been spinning. When offering people the choice between passing the BBA first, or identifying cuts first, the poll throws in ''consequences'' associated with cuts. The connotation is that there are going to be dire ''consequences'' to balancing the budget. This sets up the respondent to answer question #15 (open-ended) with a negative response on how they think the BBA will affect them personally.

Questions #8, #9 and #10 ask about whether respondents think it is necessary to cut Defense. Social Security and Medicare to balance the budget, or whether the budget could be balanced without these programs. As could be expected, the response for cutting Defense is overwhelming compared to SS and Medicare. The group of questions sets up a ''good cop/bad cop'' scenario in the mind of the respondent whereby they identify Defense as the ''bad guy'' as well as being reminded which party tends to support Defense. It is also important to remember that at the time this poll was taken the newspapers and network news broadcasts were full of stories about the Republicans wanting to increase Defense spending in the Contract With America.

Questions #11 and #12 address taxes; their role in the budget balancing process and reform ideas. This also serves to set up negative responses to question #15. In #11, 48% of the people believe there will have to be tax increases to balance the budget. Then the next question, they are asked to declare a preference for one of a variety of tax cuts. This conflict sets up a negative impression that tax cuts are good and the BBA is bad because there must be tax increases to accomplish its goal.

Question #13 throws together ''programs for the poor, foreign aid, and congressional salaries and pensions''. Respondents are asked how far these programs COMBINED would go toward balancing the budget if they were cut. By throwing these widely divergent programs together, the pollsters are setting up the respondent to believe that balancing the budget will mean higher taxes and cuts in taxpayer-financed programs.

Question #14 is the keeper. Respondents are asked if they still support a BBA with the following choices: Social Security should be kept separate from the rest of the budget and exempted from a BBA because it is a self-financed by a payroll tax or Social Security is part of the overall government spending and taxing scenario, thus should be subject to cuts along with the rest of the budget.

The results of this questions dramatically flip the BBA support from question #2: BBA with SS Exempt: 85%. BBA that cuts SS: 13%.

Question #16 now asks: ''Do you favor or oppose the balanced budget amendment, even if it means that your state income taxes and local property taxes would have to be raised to make up for monies the federal government no longer transfers to your state?'' Favor: 38%. Oppose: 60%.

This question ends the phone call on a gross mis-interpretation that dire consequences of doom and gloom are on the horizon, all at the voter's expense. This is exactly the type of question that re-reinforces the ''angry voter'' complex of the middle class family.

These anti-BBA results are achieved by planting the seed of doubt slowly but surely that:

1. It is the intention of BBA supporters to cut Social Security and Medicare.
2. It is the intention of BBA supporters to beef up Defense spending at the expense of everything else.
3. Taxes will inevitably go up with a BBA.
4. A BBA will have a negative direct impact on families ''beyond the beltway.''

Any time a Senator, Congressman, reporter or lobbyist starts to talk about poll results showing 85% of Americans oppose a BBA unless it exempts Social Security, bear in mind that the spin-meisters achieved this number by forcing the assumption that draconian Social Security cuts are a foregone conclusion.

Leaders from the Republican party, the Democratic party, the Administration and the President himself have all gone to great lengths to state that social security benefits are off the table.

Any member of congress who contends NOW that the new Republican leadership cannot be trusted to keep their hands off Social Security is also implicating their own party leaders and the President of the same un-trustworthiness.

TESTIMONY OF JAKE HANSEN, DIRECTOR OF GOVERNMENT AFFAIRS, THE SENIORS COALITION FOR THE JOINT ECONOMIC COMMITTEE, JANUARY 23, 1995

BALANCED BUDGET AMENDMENT: IMPERATIVE TO SOCIAL SECURITY

Mr. Chairman, this is not a new issue to The Seniors Coalition. Since our inception we have fought for a Balanced Budget Amendment. We have had experts on Social Security and an expert economist look at the issue, as well as hearing from thousands of our members. Their conclusion: give us a Balanced Budget Amendment.

During the elections and in recent debate, we have heard from many politicians that a Balanced Budget Amendment will destroy Social Security. However, the question is not ''Will a Balanced Budget Amendment destroy Social Security'', but rather ''Can Social Security survive without a Balanced Budget Amendment?''

As you know, up until 1983, the Social Security system ran on a pay-as-you-go basis. That is, the amount of money going into the Trust Funds from payroll deductions was basically equal to the amount of money being paid to beneficiaries of the day.

In the late seventies, the economy was a disaster. Inflation was up, leading to higher cost of living payments than had been anticipated. Unemployment was up, meaning that less money was being paid into the system than had been anticipated. The result: Social Security was headed for bankruptcy at break-neck speed.

In 1983, a bi-partisan effort saved Social Security by changing the benefit structure and raising Social Security payroll taxes. This effort created a new—and potentially worse—problem: a rising fund balance in the Social Security Trust Funds. For the past ten years, more money has been pouring into the Trust Funds than is needed to meet today's obligations.

This balance has been ''borrowed'' by the federal government. Today, the federal government owes the Trust Funds about $430 billion. By the year 2018, according to the Social Security Board of Trustees, that figure will be a shade over three trillion dollars. At that time, the entire federal debt will be—who knows, eight, ten, twelve trillion dollars?

The point is, how will the government ever pay back the Trust Funds? They could: turn on the printing presses and monetize the debt, so that a Social Security check would buy a loaf of bread; borrow the money—hurting both the economy and the Federal Budget; make massive cuts in benefits; raise taxes, and thus, destroy the economy for everyone; or simply renege on the debt.

Mr. Chairman, The Seniors Coalition doesn't find any of these alternatives acceptable.

The Chairman of our advisory board, Robert J. Myers (often referred to as the father of Social Security) wrote of his support of a Balanced Budget Amendment last year and said: ''In my opinion, the most serious threat to Social Security is the federal government's fiscal irresponsibility. If we continue to run federal defects year after year, and if interest payments continue to rise at an alarming rate, we will face two dangerous possibilities. Either we will raid the trust funds to pay for our current prolificacy, or we will print money, dishonestly inflating our way out of indebtedness. Both cases would devastate the real value of the Social Security Trust Funds.''

The bottom line, is that if we want to protect the integrity of Social Security the only way is through a Balanced Budget Amendment.

With that said, the question becomes will just any old Balanced Budget Amendment do? The answer is, some are better than others, and some are absolutely not acceptable.

First, some people are suggesting that Social Security should be exempted. That should be something that an organization like ours would leap at. The fact is, we are concerned that such an Amendment would end up destroying Social Security as more and more government programs would be moved to Social Security to circumvent the Balanced Budget Amendment. We believe this would destroy Social Security, and will not support such an Amendment.

Our first choice would be a Balanced Budget Amendment that controls taxes as well as spending—such as the Amendment that has been presented by Congressman Barton. We support tax limitation and would like to see this Amendment voted on. We would urge every Member of Congress to vote for this Amendment.

If, this Amendment does not pass, then we willingly support a Balanced Budget Amendment such as the one offered by Senators Hatch and Craig. While I am concerned about taxes, I believe that last year's elections showed us that we, the people, do have the ultimate power. And, I believe that had we been forced to pay for all the government we were being given, we would have made massive changes much sooner.

Mr. Chairman, we believe that what is most important is that America be given a serious Balanced Budget Amendment as soon as possible. We will work with you and your colleagues in every way possible to make that happen. Thank you.

THE SENIORS COALITION,
Fairfax, VA, January 24, 1995.

MEMORANDUM

Re Balanced Budget Amendment.
To: Senator Craig.
From: Jake Hansen, Vice President for Government Relations.

The Seniors Coalition has supported a balanced budget amendment for several years. On behalf of our one million members nationwide. I am requesting your support of S.J. Res. 1 in the next few weeks.

It is vital that Congress pass a measure that would require the federal budget to be balanced. Our members feel that if the government were forced to evaluate its spending the way every family in America evaluates their own, this country would not be ''heading down the wrong path.'' While there are a great many factors that contribute to this public perception, the bottom line for many Americans is that the government takes too much from them and spends too much on programs that do not work. The time to end the cycle of taxing and spending has come.

I also want to touch briefly on the role of Social Security in the balanced budget amendment. We feel that there is no reason to exempt Social Security from a balanced budget. In fact, such an exemption would create a serious policy and political crisis for Congress, and would lead to the destruction of the Social Security system.

If Social Security is exempted, the total force of balancing the budget will find its way to Social Security. There will be an overwhelming temptation to either redefine government programs as Social Security programs, or pull money out of the Trust Fund to balance the budget by cutting Social Security taxes to offset tax increases elsewhere. In fact, there would be nothing to stop Congress from ''borrowing'' as much money as it wanted from the Trust Funds to finance any other government program.

We feel confident that the political climate surrounding Social Security is enough to protect it, thus engaging in destructive policy in the name of protection will only lead us down the path of truly committing damage to the Social Security system.

What is most important is that America be given a serious balanced budget amendment as soon as possible.

BALANCED BUDGET AMENDMENT ALERT FROM THE SENIORS COALITION, JANUARY 26, 1995.

This morning the opponent of a BBA launched a full scale attack on the Balanced Budget Amendment with Social Security bombs. Seniors across the country are watching C–SPAN with renewed and unjustified fear. It is vital that their scare campaign be stopped.

Exempting Social Security from the Balanced Budget Amendment will destroy the Social Security system—NOT protect it.

Balancing the budget will create tremendous pressure and that pressure will blow through any available escape hatch. Whatever is exempted from the balanced budget requirement becomes that escape hatch!

As the total force of balancing the budget falls on Social Security, there will be overwhelming pressure to redefine many government programs as Social Security programs. This endangers its original purpose. There would be nothing to stop Congress from ''borrowing'' as much money as it wanted from the trust fund to finance any government program if Social Security is exempted from the Balanced Budget Amendment.

Exempting Social Security from the Balanced Budget Amendment would open a loophole in the requirement that would completely gut its effectiveness by allowing all social welfare and other programs (such as Medicare and Medicaid) to be financed off-budget, in deficit, as the ''New Covenant Social Security.''

Failure to pass a Balanced Budget Amendment will destroy Social Security.

Eventually, $400 billion plus will have to be returned to the Social Security trust fund to pay benefits to retired baby-boomers. Without starting a balanced budget process now, the battle over Social Security will be like nothing Congress has ever seen thirty years from now.

Without balancing the budget, Social Security benefits will always be subject to cuts, new taxes and means-testing. This permanently erodes any confidence in discussions of systemic reforms for future generations.

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60 PLUS,
Arlington, VA, February 9, 1995.

Hon. LARRY E. CRAIG,
U.S. Senate,
Washington, DC.

DEAR SENATOR CRAIG: I am writing to you to express the strong support of the 60/Plus Association for the Balanced Budget Amendment to the Constitution, which is now being considered by the U.S. Senate.

The 60/Plus Association is a two-year-old, nonpartisan, seniors advocacy group with more than 225,000 members. For the 103rd Congress, we presented the Guardian of Seniors' Rights award to 226 House and Senate Members.

The Balanced Budget Amendment is the best friend the Social Security system and our nation's seniors could have. The Senate should pass H.J. Res. 1, as passed by the House of Representatives in a strong bipartisan vote, and submit it immediately to the States for ratification.

Continuted, growing deficit spending is the greatest threat to the integrity of the Social Security system and to the present and future benefits paid from Social Security trust funds. Past deficits have created a national debt of $4.8 trillion—an alarming 70 percent of our Gross Domestic Product. Gross interest payments now consume nearly one-fifth of total federal spending and will surpass Social Security as the largest item of spending by the end of the decade.

This national debt already has depressed the economy and lowered seniors' standard of living. As the costs of servicing that debt continue to climb and to squeeze all other budget priorities, they threaten the very existence of Social Security. Today's Social Security surpluses represent a commitment to seniors tomorrow. But a debtor bankrupted by an excessive debt load is not able to meet any of its commitments. Bitter experience has shown that only the Balanced Budget Amendment can save our nation from that fate.

While well-intentioned, these attempts to exempt Social Security from the discipline of the Balanced Budget Amendment are completely misguided. Instead of protecting seniors, exemptions like that in the Reid Amendment would allow the Social Security trust funds to run unlimited deficits. This would create an irresistible temptation to pay for all sorts of unrelated programs out of the trust funds, completely destroying the unique purpose for which they were created and rendering them insolvent.

The debt is the threat to Social Security and America's seniors. A ''clean'' balanced budget amendment, such as H.J. Res. 1. is their best protector. The 60/Plus Association urges you and your colleagues to pass their urgently needed legislation and resist the scare tactics of those who create any loopholes that would compromise either balancing the budget or protecting Social Security.

Former Senator Paul Tsongas summed it up best when he said he was ''embarrassed as a Democrat to watch a Democratic President raise the scare tactics of Social Security.''

In other words, it's 'scare us old folks time again' as opponents drag a 30-year-old red herring across the trail.

Many seniors—including this one—vividly remember the scare tactics then—the LBJ TV ad—a giant pair of scissors cutting through a Social Security card—with the clear implication that a vote for Barry Goldwater and Republicans would mean the end of Social Security.

Seniors didn't buy that canard then, nor do they now, 30 years later, judging by the response we get from a vast majority of seniors.

Sincerely.

JAMES L. MARTIN,
Chairman, 60+.

NATIONAL TAXPAYERS UNION,
February 6, 1995.

[Legislative memo]

Re Balanced Budget Amendment—Critique of Amendment To Exempt Social Security and Scoring in NTU Annual Rating of Congress.
To: U.S. Senators.
From: David Keating, Executive Vice President.

An amendment to SJR 1 by Senators Reid, Feinstein, and others will propose to exempt Social Security trust funds (OASDI) from a balanced budget rule. A vote against this proposal will be heavily counted as a pro-taxpayer vote in our annual Rating of Congress.

NTU strongly supports prompt passage, early this year, of the best Balanced Budget Amendment (BBA) that can get the needed two-thirds vote. This means a genuine, effective BBA, not the dishonest ''cover'' substitutes offered by BBA opponents.

KEY REASONS WHY CONGRESS SHOULD NOT EXEMPT SOCIAL SECURITY FROM THE BALANCED BUDGET AMENDMENT

Exempting Social Security would render a Balanced Budget Amendment meaningless and endanger Social Security. It would give Congress an excuse to delay action on huge Social Security deficits that will occur as today's younger workers retire. Although the Social Security system currently collects more in taxes than it spends on benefits, this will change early in the next century and eliminate the effectiveness of the balanced-budget rule. At that time, other federal funds should be in a surplus position to prevent large government budget deficits that would harm the economy. But the Reid Amendment would only require a balancing of non-Social Security receipts and outlays, resulting in huge legal federal budget deficits at that time.

1. It would create a huge loophole in the Amendment and encourage Congress to raid trust fund revenues.—A future Congress that wished to circumvent the Amendment could, by a simply majority vote, authorize deficits by reducing trust fund taxes and revenues and increasing ''operating'' fund taxes and revenues by an equal amount. Trust funds could pay for Social Security benefits by

running a deficit. This has the potential to be more than a $300 billion loophole.

2. Congress could also create deficits by channeling other programs aimed at aiding the elderly through the trust funds.—Candidates include veterans' benefits and pensions, which total over $20 billion a year. Supplemental Security Income at over $25 billion a year is another likely candidate, as is Medicare (over $110 billion) and the approximately three-fourths of Medicaid spending (or over $65 billion) that benefits the aged. A portion of funds spent on the retired poor by the Food Stamp, low-income home energy assistance, housing subsidy, and other social service programs might be transferred to newly exempt trust funds. Some or all of federal employee or military retirement programs may also become part of Social Security.

3. It would legalize an ANNUAL total budget deficit of over $2,000,000,000,000 ($2 trillion) in the year 2050!—Even if the Social Security exemption was faithfully observed, it would allow huge deficits in the Social Security trust funds in the next century that will occur under current policies as today's children retire.

4. Such loopholes could result in spending money from trust funds for other programs.—A future Congress and president that wished to circumvent the balanced-budget rule could do so simply by funding non-Social Security programs from trust fund accounts. There is nothing in the proposed exemption that would prohibit spending money from trust funds for non-retirement or non-disability programs. A simple majority of Congress could thus effectively circumvent any debt limit.

5. It would endanger Social Security.—Net interest on the national debt has grown from a mere 7.7 percent of federal spending in 1978 to 14 percent in 1995. Not only will interest begin to crowd out Social Security, but the continued buildup of debt will impair the ability of future taxpayers to refund moneys borrowed from the trust fund. Only an all-inclusive Balanced Budget Amendment will force Congress to balance the budget and create a sound environment for the future of Social Security.

IRET CONGRESSIONAL ADVISORY,
February 8, 1995.

A BALANCED BUDGET AMENDMENT MUST NOT EXCLUDE SOCIAL SECURITY

A few Senators who voted for a balanced budget amendment last year are saying they may oppose the amendment this year unless a special exemption for Social Security is attached to it. This may be a gambit to kill the amendment. Granting Social Security special constitutional status is not morally or economically justified, would greatly weaken the amendment, and ironically would add new burdens to the Social Security System in the long run.

The purpose of a balanced budget constitutional amendment is to compel Congress and the President to balance the federal budget. That means holding overall government expenditures at or below total government revenues. It does not mean holding some spending to no more than some revenues—with exemptions for national defense or the highway trust fund or medicaid or Social Security or any other program that might have a legitimate national purpose or powerful constituency.

Carving out Social Security benefits and taxes from the budget calculations would leave an especially large hole because Social Security benefits are the federal government's largest expenditure and second largest tax. Social Security benefits already exceed total national defense spending, formerly the largest expenditure category, and are growing much more rapidly; by the end of the decade federal payments of Social Security benefits will be about 60 percent greater than what the nation spends on national defense. On the tax side, the Social Security payroll tax is exceeded in size only by the individual income tax. Millions of individuals owe more in Social Security taxes than they do in income taxes. The employer share of the Social Security tax is, by itself, a bigger revenue source than the corporate income tax. A balanced budget amendment that leaves out Social Security would be seriously incomplete on both the expenditure and tax sides.

A Social Security exclusion would jeopardize passage of a balanced budget amendment in two ways. First, the exclusion would complicate the task of balancing the (redefined) budget in the near term. The Social Security trust fund is running a surplus for the time being. If Social Security were artificially removed from budget calculations, the deficit would suddenly appear bigger and reducing it to zero over the next several years would require extra large spending cuts or tax increases. That would make a balanced budget amendment appear more painful, which could scare away some potential supporters. Second, the version of the amendment with the exclusion gives political cover to opponents of a balanced budget amendment. Because a balanced budget amendment has strong public support, resisting it openly is politically risky. By putting forward the flawed version, which has no chance of passing Congress, opponents can to claim to voters that they back a balanced budget amendment even as they fight versions that would be more acceptable and effective. That is known as having your cake and eating it too.

In addition, as Senator Dole and others have cautioned, a Social Security exemption would create a giant loophole in the amendment. The contents of Social Security are defined by statute and can be modified by statute. If Social Security were excluded from the amendment while other spending were not, Congress could shield other programs from tough budget choices by passing statutes to shift them into Social Security. Under the pressure of dodging a constitutional amendment, some of the government programs that might be reclassified as part of Social Security are unemployment compensation, worker retraining, and spending on the earned income tax credit. And because Congress is inventive, this is just for starters.

At present, the Social Security trust fund is running a surplus. That would allow many other programs to be shifted into Social Security without busting its trust fund in the short run. When the baby boom generation starts retiring, however, Social Security will experience unsustainably large deficits under present benefit formulas. That looming crisis has nothing to do with a balanced budget amendment. It will be caused by the expanding number of retirees and other taxpayers. If the Social Security System has become a repository for myriad government programs when the demographic crunch arrives, the squeeze on the core program, benefits for the elderly, will come sooner and be harsher because of the extraneous spending that has become embedded in the Social Security System and is also making demands on its revenues.

Social Security projections under current budget formulas point to an enormously adverse impact on the availability of saving for private sector uses. Federal ''entitlements'', of which Social Security is the largest, already preempt much private saving, and, if nothing is done, entitlement spending will before very long consume all private saving. The core economic objective of a balanced budget amendment is to prevent federal budget developments from commandeering private saving. The Social Security System is projected to go into deficit early in the next century and thereafter fall deeper and deeper into debt, becoming the biggest federal government consumer of private saving. It makes no sense to enact a balanced budget amendment but allow Social Security to escape balanced budget discipline. To protect private saving from the inroads of federal deficits, a balanced budget amendment must apply to all government programs, including Social Security and other ''entitlements''.

A balanced budget amendment would force hard choices to be made regarding federal spending programs. Some defenders of a special exemption for Social Security assert that Social Security deserves privileged treatment. Although Social Security is politically popular (which in itself affords much protection), it is not clear on economic or moral grounds why Social Security should receive higher priority than other federal spending. For instance, is paying Social Security benefits a more noble or urgent federal government function than providing for the national defense, enforcing federal laws, or undertaking basic scientific research?

Treating Social Security benefits and taxes differently from all other government outflows and inflows would have some economic justification if Social Security were analogous to private saving, but it is not. Unlike private saving, Social Security payments are not voluntary choices reflecting individuals' preferences. As with other taxes, people can face fines and prison if they refuse to pay Social Security taxes.

With private saving, the funds are invested productively and the eventual payouts to savers come from the returns on those investments. Whereas many advocates of the Social Security program describe it as an efficient government-run saving program, it is, in reality, the largest Ponzi scheme in the history of the world. Social Security payroll taxes go to the U.S. Treasury, and the Treasury, after issuing IOUs to the Social Security trust fund, uses the taxes to help pay the government's current bills. That is not real saving. It is akin to a person earning income, writing himself a bunch of IOUs, putting those IOUs in a piggy bank, and then spending all the money. No matter how full of IOUs the piggy bank becomes, it will not hold even a dime of saving. In other words, the government no more directs Social Security revenues into productive investments than it does other tax revenues.

If a balanced budget amendment to the constitution is to be meaningful in subjecting federal budget policy to financial discipline, it must apply to all federal spending and revenues. It should not exempt the largest spending item and the second largest tax. The national issues the amendment addresses are too important to fall victim to a parliamentary ploy.

MICHAEL S. SCHUYLER,
Senior Economist.

CONGRESSIONAL LEADERS UNITED FOR A BALANCED BUDGET,
January 24, 1995.

FACT SHEET—HOW THE BALANCED BUDGET AMENDMENT PROTECTS SOCIAL SECURITY

THE BBA WOULD PUT AN END TO THE RAPID GROWTH IN INTEREST PAYMENTS THAT THREATEN TO CROWD OUT SOCIAL SECURITY SPENDING

Interest payments on the federal debt have nearly quadrupled since 1980. Net interest payments in 1993 were $200 billion and are expected to exceed $300 billion annually by the end of the decade. Until we balance the budget, spiralling interest payments will continue to crowd out other spending, including Social Security.

BALANCING THE BUDGET WOULD AVERT THE THREAT OF RUNAWAY INFLATION

No industrialized nation has reached the level of debt we will face next century without monetizing the debt by printing more dollars. Monetizing the debt would lead to explosive inflation. Huge debt burdens contributed to ruinous inflation in Germany in the 1920's and several Third World nations in the 1980's. Runaway inflation would have a particularly severe impact on senior citizens living on a fixed income. It would not do any good to get a $1,000 retirement check if bread costs $100 a loaf.

THE BBA WOULD FORCE CONGRESS TO DEAL WITH DEFICITS IN TIME TO PREVENT A BUDGET CRISIS FORCING DRACONIAN CUTS EACH YEAR JUST TO ''MUDDLE THROUGH''

The General Accounting Office has warned that if the amount of deficit reduction required just to limit the deficit to three percent of GDP would increase exponentially by the year 2005. By the year 2020, Congress would be required to enact a half a trillion dollars of additional deficit reduction each year just to retrain the deficit to three percent of GDP. No program—including Social Security—would be able to escape deep spending cuts under this scenario.

BALANCING THE BUDGET WOULD PROMOTE THE ECONOMIC GROWTH NECESSARY TO SUSTAIN THE SOCIAL SECURITY TRUST FUNDS

GAO, CBO and most economists warn that continued growth in deficit spending would result in lower productivity and deteriorating living standards. As real wages for taxpaying workers decline, there will be increasing resistance to the taxes necessary to meet the growing commitments of the Social Security program. GAO found that balancing the budget by the year 2001 would lead to the higher productivity and growth in real wages that would be necessary to support our commitments to the growing elderly population.

THE AMENDMENT WOULD HELP ENSURE THAT CONGRESS TAKES ACTION BEFORE THE SOCIAL SECURITY TRUST FUNDS BEGIN RUNNING YEARLY DEFICITS

Although the Social Security trust funds currently run a surplus, within a generation, they will face cash shortfalls. A balanced budget amendment would provide Congress and the President with the necessary incentive to take corrective action to deal with this threat and provide for the long-term solvency of the trust funds.

THE AMENDMENT PRESERVES STATUTORY PROVISIONS PROTECTING SOCIAL SECURITY

The current statutory protections for Social Security would not be eliminated by the BBA. For example, under current law, any legislation that would change the actuarial balance of the social security trust funds are subject to a point of order which requires a 3/5 vote to waive in the Senate. Under the 1985 Gramm-Rudman-Hollings Act and the 1990 Budget Enforcement Act, Social Security was completely protected from all sequesters. Social Security is not subject to the spending caps in the 1990 budget agreement. Given political realities, Congress would be likely set budget priorities in such a way that protections for Social Security are maintained or even enhanced.

EXEMPTING SOCIAL SECURITY WOULD OPEN UP A LOOPHOLE IN THE BBA AND TEMPT CONGRESS TO DEFUND THE TRUST FUNDS, THREATENING RETIREMENT BENEFITS AND THE TRUST FUND SURPLUSSES

Exempting the Social Security trust funds from the amendment would create a perverse incentive for Congress to totally use them as a source to fund new or totally unrelated programs, threatening the ability of the trust funds to fulfill their current obligations to retirees. For example, Congress could pay for current and new non-Social Security spending by simply depositing FICA taxes into general Treasury revenues, instead of into the trust funds. Congress also could pass legislation to shift spending for Medicare, other retirement programs, or any number of programs to the Social Security trust funds to avoid a 3/5 vote to unbalance the budget. Thus, non-Social Security outlays and receipts could be ''balanced'' simply changing program definitions and draining the Social Security trust funds.

THE CONSTITUTION IS NOT THE PLACE TO SET BUDGET PRIORITIES

A constitutional amendment should be timeless and reflect a broad consensus, not make narrow policy decisions. As noted above, the financial status of Social Security will change drastically, and perhaps quite unpredictably, in the next century. We should not place technical language or overly complicated mechanisms in the Constitution and undercut the simplicity and universality of the amendment.

CONGRESSIONAL LEADERS UNITED
FOR A BALANCED BUDGET,
January 18, 1995.

FACT SHEET—A BALANCED BUDGET AMENDMENT EXEMPTION WOULD IMPERIL SOCIAL SECURITY

A BBA EXEMPTION WOULD THREATEN THE REVENUES FOR THE SOCIAL SECURITY TRUST FUND

Placing the OASDI/Social Security trust funds outside the Amendment's deficit restrictions would provide a perverse incentive for a future Congress to shift FICA (and related income) taxes out of the trust funds. Portions of those taxes could be transferred to general Treasury accounts to balance the ''operating'' budget covered by the BBA, but at the cost of gutting the OASDI trust funds. The current stable revenue stream for Social Security could be critically diverted in small steps which would add up to disaster for the system. A precedent for this already exists: The income taxes on Social Security benefits in the 1983 ''bailout'' go directly into the trust funds, but higher income taxes imposed on Social Security retirees in 1993 are diverted to general Treasury revenues.

SOCIAL SECURITY COULD EASILY BE OVERWHELMED BY NON-SOCIAL SECURITY PROGRAMS MOVED TO SOCIAL SECURITY'S LEDGER IN AN ATTEMPT TO HIDE THEM BEHIND THE CLOAK OF ITS EXEMPT STATUS

It's easy to predict well-meaning efforts to protect a whole range of social programs by arguing they fall under the general intent of Social Security to provide a safety net. Contrary to the claims of those who want an exemption, funding for current Social Security would not be set aside for protection, but would be pilfered by reclassifying more and more programs as Social Security. This is an even greater threat than simply providing a loophole for deficit spending. As other programs intrude on Social Security, its stability will steadily erode.

A SOCIAL SECURITY EXEMPTION DEFEATS THE INTENT OF THE BBA BY PROVIDING THE GREATEST DEFICIT LOOPHOLE IN HISTORY

As if the direct threat to Social Security isn't enough, exempting it would create an enclave for additional federal debt while at the same time, government could proudly proclaim a ''balanced budget.'' Projects which risk being assigned a low priority under the BBA could avoid facing scrutiny and be paid for by draining the Trust Funds. The Social Security deficit tomorrow could be bigger than the total deficit today.

THE DEBT IS THE THREAT

The greatest threat to Social Security is the federal debt itself. Gross interest payments on the debt already are nipping at the heels of Social Security as the second largest single item in the federal budget. Social Security is in no way immune to the increasing pressure interest payments place on every single federal spending item as the growing debt forces ever larger debt service costs.

EVERY CURRENT STATUTORY PROTECTION FOR SOCIAL SECURITY CAN CONTINUE UNDER BBA

Social Security is the best statutorily protected program in the federal budget. Those laws are perfectly compatible with a BBA and can remain in force, continuing to protect the system. The BBA takes away the major threats to Social Security so existing statutes can do their jobs. But if the federal budget does not have the spending restraint imposed on it by a Constitutional Amendment, we cannot guarantee that the statutes which protect Social Security now can be maintained.

CONGRESSIONAL LEADERS UNITED
FOR A BALANCED BUDGET,
January 30, 1995.

THE BALANCED BUDGET AMENDMENT—A NECESSARY AND APPROPRIATE ADDITION TO THE CONSTITUTION

THE AMENDMENT CORRECTS AN INSTITUTIONAL BIAS TOWARD DEFICIT SPENDING

Representatives may know that chronic deficits threaten the nation's long-term prosperity, but they also know that their short-term interest lies in spending more on the demands of various special interests. When faced from all sides with demands for more spending and less taxes, Congresses and Presidents have taken the easy way out by borrowing more money. A Balanced Budget Amendment corrects this bias by creating immediate political and economic consequences for running a deficit.

THE AMENDMENT PROTECTS RIGHTS DESERVING CONSTITUTIONAL PROTECTION

The ability to borrow money from future generations is a power of such magnitude that should not be left to the judgments transient majorities. Thomas Jefferson favored a Constitutional prohibition of federal indebtedness, fearing that taxes on farmers, laborers, merchants and their families would escalate forever to pay the interest on a growing debt. The threat of economic and political harm from deficit spending is the type of governmental abuse appropriately proscribed by the Constitution.

Even Professor Laurence Tribe of Harvard, a leading opponent of the amendment, told the Senate Budget Committee in 1992 that ''The Jeffersonian notion that today's populace should not be able to burden future generations with excessive debt, does seem to be the kind of fundamental value that is worthy of enshrinement in the Constitution. In a sense, it represents a structure protection for the rights of our children and grandchildren.''

THE AMENDMENT IS CONSISTENT WITH THE AMERICAN PRINCIPLE OF PROTECTING THE INTERESTS OF POLITICALLY UNDER-REPRESENTED GROUPS FROM MAJORITY ABUSE

The Constitution has always served to protect unrepresented minorities from the abuses of government. The framers of the Constitution were extremely concerned that the rights of the public would be trampled by the tyranny of the majority and crafted a Constitution that balanced the protection of minority rights against the principal of majority rule. Senator Byrd made an eloquent statement on behalf of this principal during a debate regarding the Senate filibuster, stating that ''There have come times when the protection of minority is highly beneficial to a nation. Many of the great causes in the history of the world were at first only supported by a minority. and it has been shown time and time again that the minority can be right. So this is one of the things that's so important to the liberties of the people.''

Living off a giant credit card and sending the bill to the next generation is a form of taxation without representation in a very real sense. Requiring a higher threshold of support for deficit spending will protect the rights of future generations who are not represented in our political system but will bear the burden of our decisions today.

Requiring a higher threshold of support for deficit spending will protect the rights of future generations who are not represented in our political system but will bear the burden of our decisions today. The ability to borrow money from future generations is a power of such magnitude that it should not be left to the judgments of transient majorities.

Thomas Jefferson agreed with BBA proponents that, ''The question whether one generation has the right to bind another by the deficit it imposes is a question of such consequence as to place it among the fundamental principles of government.'' With what does a constitution deal, if not with ''the fundamental principles of government?''

The BBA is based on exactly the same principles as the rest of the constitution.—It would protect the fundamental rights of the people by restraining the federal government from abusing its powers. Morally dubious things should be difficult to do. That's the underlying principle for requiring 3/5 votes in both Houses to approve deficit spending.

Conclusion.—Thousands of pages and hundreds of hours of committee testimony, floor debate, and committee reports have answered every question and concern about the BBA. The only reason left for voting against the BBA is if you believe that it's all right to leave our children a legacy of excessive—and growing—debt. The determination of BBA opponents shows that they fear what BBA supporters have promised all along: the amendment will work.

CONGRESSIONAL LEADERS UNITED FOR A BALANCED BUDGET,
January 30, 1995.

WOULD THE BBA ''END MAJORITY RULE?'' NO. IT WOULD PROTECT FUNDAMENTAL RIGHTS.

A common criticism of the balanced budget amendment is that it would ''end majority rule.'' Those who focus on the difficulty of achieving a 3/5 majority to approve deficit spending are missing the point about this amendment. They are stuck in the status quo, revealing their reverence to an outdated pattern of thought; that deficits are the norm. Or, alternately they betray preferences FOR deficit spending. The mind-set exposed is, what would we need to do under the BBA to continue deficit spending?

Opponents of requiring super majorities to approve deficit spending ignore one point, intentionally or otherwise: Under a balanced budget amendment simple majorities will continue to rule. The amendment does not affect the ability of a majority to spend on programs it deems important and to set budget priorities as it sees fit. Super majorities would come into play only when deficit spending looms because the majority abdicates its responsibility to produce a balanced budget. They would serve as a deterrent to irresponsible fiscal policy, while allowing necessary flexibility when a consensus emerges to deal with a national emergency.

Some opponents of the amendment write as though super majorities were a foreign concept to the framers of the constitution. One of their explicit purposes outlined in the Federalist Papers, was to put certain rights and powers beyond the reach of the ''tyranny of the majority,'' and protect current minorities and future majorities from abuse by transient, coalescing ''factions.'' The BBA is very much within that spirit.

Every right protected in the constitution is protected with super majority requirements. That's what is necessary to amend the explicit rights stated in the document.

Senator Byrd of West Virginia, a leading opponent of this measure, might himself have made our point best when he said, ''There have come times when the protection of a minority is highly beneficial to a nation. Many of the great causes in the history of the world were at first only supported by a minority. And it has been shown time and time again that the minority can be right. So this is one of the things that's so important to the liberties of the people.''

The unfettered power to deficit spend carries with it the temptation to exercise that power to the point of abuse. Incurring huge debts on behalf of our children really is a form of taxation without representation. Our children are a minority whose economic interests demand to be represented through the super majorities provided for in the balanced budget amendment.

[U.S. Chamber of Commerce, Washington, DC]

BALANCED BUDGET AMENDMENT: CONSTITUTIONAL ISSUES

The U.S. Chamber of Commerce, the nation's largest business federation, has endorsed S.J. Res. 1, the Balanced Budget Amendment to the U.S. Constitution. The Chamber believes that this measure will help move the federal government toward fiscal responsibility. This paper discusses the most significant constitutional and legal questions raised by this landmark legislation, along with some of the conclusions reached by the U.S. Chamber.

IS A BALANCED BUDGET REQUIREMENT APPROPRIATE SUBJECT MATTER FOR THE CONSTITUTION?

Some commentators have argued that a balanced budget requirement is a mere rule of accounting, incompatible with the broad principles embodied in the Constitution. It is worth noting that the Constitution already contains several narrowly-focused economic and fiscal provisions, including the requirement of ''a regular statement and account of the receipts and expenditures of all public money'' (Article I. Section 9) and the requirement that ''duties, imposts and excises . . . [be] uniform throughout the United States'' (Article I, Section 8).

Moreover, the Balanced Budget Amendment embodies two principle themes of the Constitution: limitation on federal power, and protection of politically under-represented groups against majoritarian abuse. Thomas Jefferson, who perceived the inherent tendency of central government to expand, supported a constitutional prohibition of federal borrowing as a means of protecting individual liberty. For most of the nation's history the growth of the federal government was held in check by an implicit policy against deficits, except during war or recession. In recent times, the erosion of this principle has created persistent structural deficits, removed the need to limit and prioritize programs, and led to an excessively large federal sector. The BBA requirement that federal operations be funded from current revenues restores an important principle of fiscal responsibility and limited government.

Likewise, the protection of groups with limited access to the political process has emerged as a major theme of Constitutional law.[1] Limitations have been placed on governmental actions which unfairly impact racial minorities, aliens and other ''discreet and insular'' groups.[2] Because future generations who will bear much of the burden of current policy lack input in to the electoral process, it may be that their interests are undervalued in federal budget decisions. The Balanced Budget Amendment seeks to ensure that the vital interest of young and future Americans are reflected in the decisions of Congress, embodying a principle of fairness and political inclusion consistent with the best provisions of the Constitution.

CAN THE DEFICIT PROBLEM BE SOLVED SHORT OF AMENDING THE CONSTITUTION?

Statutory attempts to impose fiscal discipline upon the federal government have failed, largely because Congress was able to change the rules in mid-game. The ambitious deficit reduction targets of the 1985 Gramm-Rudman-Hollings law were repeatedly modified when they conflicted with Congress' spending ambitious. Likewise, big-ticket items such as unemployment compensation payments and disaster relief are customarily designated as ''emergency'' spending, which exempts them from spending caps. Between 1980 and 1990, each year's actual spending exceeded the targets of that year's budget resolution by an average of $30 billion (the excess was $85 billion in 1990).[3]

Each statutory response to the deficit has shown the same vulnerability: hard-won budget rules can be waived or modified by a simple majority vote. Not surprisingly, a majority can usually be assembled to support more spending. The key advantage of a Constitutional amendment is that tough budgetary rules can be placed beyond the reach of simple Congressional majorities *S.J. Res. 1* requires yearly enactment of a balanced budget, unless Congress approves a specific deficit for that fiscal year by a three-fifths vote of each house. (A simple majority of each house can waive the balanced budget requirement during a time of war.) The supermajority requirement reflects the view that incurring a deficit should be an exceptional event that requires clear consensus. This legislation commits future Congresses to avoid structural deficits, while providing them the flexibility to respond to true emergencies.

IS THERE ANY PLACE FOR STATUTORY SOLUTIONS?

While the Balanced Budget Amendment mandates a zero deficit by FY 2002 (or the second fiscal year after enactment), it does not specify how to get there. The Chamber believes that enactment of a BBA will force Congress to take a close look at statutory mechanisms designed to reach that goal, and this will probably begin well in advance of final ratification by the states. In approving *S.J. Res. 41*, the Senate Judiciary Committee contemplated enactment of ''legislation that will better enable the Congress and the President to comply with the language and intent of the amendment.''[4] Additional budget process reforms may include tax and spending limitations, line-item veto authority, and the creation of an independent commission to recommend spending cuts. The BBA will thus lay the groundwork for further budget process reforms at the statutory level.

Footnote at end of article.

WILL CONGRESS AND THE PRESIDENT STILL HAVE THE FLEXIBILITY TO RESPOND TO NATIONAL EMERGENCIES?

S.J. Res. 1 does not prohibit Congress from running a deficit in a given year; it merely requires that this decision be approved by three fifths of each house. This degree or consensus is required for many important decisions, including the approval of a treaty, and override of a Presidential veto. In the BBA, the three-fifths requirement reflects the view that incurring a deficit should be an exceptional event that is carefully scrutinized. At the same time, this provision allows Congress and the President the flexibility to respond to genuine emergencies. Should large-scale domestic problems such as recessions or natural disasters alter budget needs, it will be possible to assemble a three-fifths consensus that recognizes this. In the case of foreign aggression, the balanced budget requirement can be suspended by a simple majority vote of each house.

WILL THE AMENDMENT THRUST THE COURTS INTO AN INAPPROPRIATE ROLE OF CUTTING PROGRAMS AND RAISING TAXES?

Some commentators have raised questions about the enforcement of a Balanced Budget Amendment. A primary concern is that Congressional efforts to meet the balanced budget requirement would be challenged in the courts, and the judiciary would be thrust into the role of weighing policy demands, slashing programs and increasing taxes. On the other hand, there is a legitimate and necessary role for the courts in ensuring technical compliance with the amendment. The Chamber believes that these concerns can be reconciled in implementing legislation, which draws upon existing legal principles.

In general, the courts have shown an unwillingness to interject themselves into the fray of budgetary politics. The New Jersey Supreme Court observed that ''it is a rare case . . . in which the judiciary has any proper constitutional role in making budget allocation decisions.''[5] The judiciary has remained clear of most budget controversies through doctrines of ''nonjudiciability,'' including ''mootness,'' ''standing,'' and the ''political question'' doctrine.

A case is considered moot and can be rejected by the court, if the matter in controversy is no longer current (this will be a factor in many budgetary controversies, such as those based on unplanned expenditures or flawed revenue estimates which become apparent near the end of the fiscal year). The doctrine of standing limits judicial access to parties who can show a direct injury over and above that incurred by the general public. The logic is that the grievances of the public (or substantial segments thereof) are the proper domain of the legislature.[6] The U.S. Supreme Court has held that status as a taxpayer does not automatically confer standing to challenge federal actions,[7] and has barred taxpayer challenges of budget and revenue policies in the absence of special injuries to the plaintiffs.[8] The political question doctrine is a elated principle that the courts should remain out of matters which the Constitution has committed to another branch of government. The Supreme Court has held that a ''political question'' exists when a case would require ''nonjudicial discretion.''[9] This would be the case with many budgetary controversies, such as the choice to cut particular programs, which by their nature require ideological choices and the balancing of competing needs.

In contrast, courts have asserted jurisdiction over politically tinged controversies where they find ''discoverable and manageable standards'' for resolving them. In *Baker v. Carr*,[10] the U.S. Supreme Court reasoned that objective criteria guide judicial decisionmaking and limit the opportunity for overreaching. In the balanced budget context, the ''discoverable and manageable standards'' principle can help demarcate lines between impermissible judicial policymaking, and the needed enforcement of accounting rules and budget procedures.

In all likelihood, a strong framework of accounting guidelines will emerge from implementing legislation. The Senate Judiciary Committee has interpreted Section 6 of the bill to impose ''a positive obligation on the part of Congress to enact appropriate legislation'' regarding this complex issue.[11] Judiciary Committee staff on both the House and Senate side have indicated their intention that implementing legislation embrace stringent accounting standards that will minimize the potential for litigation. Should legitimate questions arise concerning the methods by which Congress balances the budget, these standards will also provide objective criteria which meet constitutional standards for judicial intervention.

The implementing package is also likely to establish guidelines for judicial involvement, defining what issues are judiciable and which parties have standing to challenge Congressional decisions. State budget officers, for example, could be given standing to contest unfunded federal mandates. The enforcement procedures, coupled with budget process and accounting guidelines, will operate against a backdrop of traditional legal principles to rationally limit judicial action. The effect should be to prevent judicial overreaching into legislative functions, while providing a check on Congressional attempts to evade the requirements of the BBA through procedural and numerical gimmickry.

FOOTNOTES

[1] See John Hart Ely, ''*Toward A Representation-Reinforcing Mode of Judicial Review*,'' 37 Md. Law Review 451 (1978).

[2] *United States* v. *Carolene Products Co.*, 304 U.S. 144 (1938), footnote 4.

[3] Source: ''*The Economic and Budget Outlook*,'' Congressional Budget Office (January 1993), p. 108.

[4] S. Rpt. 103–163, 103rd Congress, 1st Session (1993), p. 6.

[5] *Board of Education* v. *Kean*, 457 A.2d 59 (1982).

[6] *Flast* v. *Cohen*, 392 U.S. 83 (1968) (Harlan, J., dissenting).

[7] *Massachusetts* v. *Mellon*, 262 U.S. 447 (1923).

[8] *United States* v. *Richardson*, 418 U.S. (1974) (plaintiffs challenged a statute allowing the CIA to avoid public reporting of its budget); *Simon* v. *Eastern Kentucky Welfare Rights Organization*, 426 U.S. 26 (1976) (plaintiffs challenged a Revenue Ruling granting favorable tax treatment to certain hospitals as inconsistent with the Internal Revenue Code).

[9] Id.

[10] *Baker* v. *Carr*, 369 U.S. 186 (1962).

[11] S. Rpt. 103–163, 103rd Congress, 1st Session (1993).

U.S. CHAMBER OF COMMERCE,
Washington, DC, 20062–2000.

THE ECONOMIC EFFECTS OF THE BALANCED BUDGET AMENDMENT

The U.S. Chamber of Commerce, the nation's largest business federation, endorses S.J. Res. 1, the Balanced Budget Amendment of the U.S. Constitution. The Chamber believes that this measure will help move the federal government toward fiscal responsibility. This paper discusses the most significant economic questions raised by this landmark legislation along with some of the conclusions reached by the U.S. Chamber.

Q. Why should we balance the federal budget?

A. There are several reasons why the federal budget should be balanced. Most fundamentally, the Balanced Budget Amendment would improve accountability in federal spending decisions. Government officials are generally inclined to increase government spending to improve services to their constituents. This, of course, is countered by their reluctance to raise taxes. But since borrowing can substitute for raising taxes, legislators find they can offer high level of services without the pain of raising the current level of taxes. Consequently, when it's time to make tough spending decisions, Congress finds it can dodge the question by just borrowing the difference. The proper counterweight to higher government spending—raising taxes—is circumvented by the seemingly painless act of federal borrowing. This leaves us with more government than taxpayers are willing to pay for. Over time, such borrowing leaves us with a bloated government sector and the problem of paying off the debt.

The Balanced Budget Amendment restores the proper balance between spending and taxes, and forces government officials to prioritize difficult spending choices. It improves the process whereby such decisions are made, forcing Congress to use much greater discipline.

Also, no matter whether the government finances its spending through taxes or borrowing, its still spending and therefore commanding economic resources. To those who believe in limited government and market systems, the *level* of federal spending is as much of a concern as how the amount is financed. Limiting government borrowing blocks the path of least resistance to government expansion, and so we expect that a Balanced Budget Amendment would act to limit the reach of government into the economy.

Q. Wouldn't Congress just raise taxes to close the deficit?

A. In a way. Congress already has. After all, the difference between Government borrowing and raising taxes is just a question of taxes today or taxes tomorrow. The important point is that, no matter how it's financed, the government is spending economic resources, and the amount of spending will surely be greater when government is allowed to use deficit spending.

And tax increases to close the deficit gap are being used now anyway—witness the tax increases in 1982, 1983, 1984, 1985, 1988, 1989, 1990 and 1993. In other words, we're already getting the tax increases. By requiring a balanced budget, we expect to place additional pressure on Congress to tackle the spending cuts that should be made.

To answer the question more directly. Congress can't just raise taxes, leave spending intact, and walk away—if it could, it would have done so a decade ago and spared us this long debate on deficit spending. So while it may raise some taxes to close the deficit, Congress will have to confront its voracious spending habit. The end result will be a lower level of government spending, and less government involvement in the economy.

In addition, a couple of provisions in the BBA make it more difficult to raise taxes. Under the amendment, tax increases require both a roll call vote (instead of anonymous voice votes) and a constitutional majority (which means 51 votes would be required in the Senate and 218 votes in the House to raise taxes, instead of a majority of those voting). This may not sound like much of a hurdle, but note that President Clinton's 1993 tax increase would have needed an additional two Senate votes under such a requirement. Instead, it passed after Vice President Gore's vote broke a 49–49 deadlock.

Finally, of course, congressmen and women would have to face the political consequences of raising taxes at the voting booth. Because a roll call vote would identify those who voted to raise taxes, legislators would be held to a higher level of accountability.

Q. What is the primary economic impact of running government deficits?

A. The worst thing about government deficit spending is that it distorts the economy's balance between saving and investment, producing adverse long-term productivity growth. The funds the government is borrowing have to come from somewhere, and generally they come from private saving and private investment. Throughout the 1980's and early 1990's, we've seen the saving rate fall from about 8% to consistently below 4%—too low to fuel the kind of investment we need to keep up our high productivity. Since long-term productivity growth is the key to rising standards of living, it's dangerous to be skimping on investment.

Federal borrowing is not inherently wrong or bad for the economy; it depends on how the funds are used. If the funds were being used exclusively to create stronger schools, better highways, safer bridges, and so forth, we would be increasing the productive capacity of the economy. This means that we would be creating the means by which future generations can create the wealth to pay back the borrowed funds. But if we're using those funds to provide ourselves with consumption-oriented short-term benefits that don't improve our long-term productive capacity, then we're raising our standard of living by lowering that of future generations. To quote NationsBank economist Mickey Levy: ''Deficits matter most because they distort the way current national resources are allocated, generally favoring current consumption at the expense of private investment.''[1]

Q. Are there other effects of deficit spending that harm the economy?

A. In a complex, interlocking, international economy, you can expect sustained deficit spending to cause other distortions as well. First, chronic government borrowing tends to put upward pressure on interest rates. Businesses seeking to raise capital and households applying for mortgages have to compete with the federal government in securing loanable funds. This increase in demand pushes interest rates up. Consequently, fewer loans are made to the private sector, and those that are made carry a higher interest rate. This is known as ''crowding out,'' since government borrowing displaces some private borrowing.

Second, because our economy is increasingly linked to the global market, there are important international impacts related to the budget deficit.[2] Higher interest rates tend to raise the foreign exchange value of the dollar, meaning that our trading partners face price increases on the goods and services they buy from the U.S. This lowers our exports, pushing up our trade deficit. Many contend that one of the major forces behind the huge trade deficits of the 1980s was the federal budget deficit.

Third, the amount we're paying to service our national debt has grown almost fivefold since 1979—from $43 billion to $203 billion in 1994. As a share of total government outlays, interest payments on the debt have about doubled from 7.4% during the 1970s to over 14% currently. That means that for the same amount of revenue, there's less money for other government programs, whether it's for national defense, our court system, Head Start, or environmental clean-up. No matter what the budget priorities are, fewer funds are available.

To sum up, there are serious economic side-effects of deficit spending that Washington tends to ignore. In addition to restoring discipline to the spending decisions of Congress, the Balanced Budget Amendment seeks to remove the economic distortion caused by chronic deficit spending.

Q. Back to that notion of ''crowding out'' for a moment. If increased government borrowing leads to higher interest rates, as you claim, then why did interest rates fall during the 1980s just as the budget deficit was expanding?

A. The key to this apparent paradox is the behavior of inflation during the 1980s. After starting out the decade in the double-digits, the inflation rate fell sharply due to tighter monetary policy and, in mid-decade, the collapse of oil prices. Since expectations of future inflation are embedded in market interest rates this decline in inflation pushed interest rates down. This more than offset the impact of increasing federal deficits which were working at the same time to push interest rates up.

So while it's true that market interest rates fell significantly during the 1980's it's correct to say that they would have fallen even further had the federal budget been brought into balance. In fact later in this document we'll present results from an econometric study that show significantly lower interest rates as a result of moving to a balanced budget.

Q. Doesn't government spending represent an investment in the economy, with highway and transportation construction, funds going to education, etc?

A. Some government spending can be regarded as ''investment spending,'' meaning that funds spend now will generate stronger economic growth later. Spending on infrastrucutre—highways, bridges, dams, and mass transit, for example—and other programs such as education are often thought of that way, since they provide benefits over a long period of time. But the bulk of government spending goes to projects and programs that don't provide much of a return over time, but instead represent ''current spending.'' Such programs include Social Security, Medicare, federal retirement programs, unemployment insurance, agricultural extension offices, and so forth. While many of these programs are desirable, we need to recognize that we're borrowing vast sums to pay for benefits that are only short-lived. If this generation believes that the current level of spending on entitlements such as Social Security is appropriate, that's fine, but the funding should therefore come from the current generation, not the next.

Because an extra dollar of private investment is generally more efficient that an extra dollar of government investment, our productive capacity generally grows less when funds are diverted away from the private sector. This means that productivity and wage growth will be held back, lowering our standard of living.

Q. Why a Balanced Budget Amendment now? After all, we've gotten along without it for 200 years.

A. Until about 1960 or so, running a balanced over time was almost an unwritten Constitutional amendment. The U.S. government ran deficits during the War of 1812, the severe recession of 1837–43, the Civil War, and the Spanish American War, to name a few episodes. But in other periods, the federal government ran surpluses to reduce its outstanding debt. On the whole, only emergencies justified running a deficit.

But since 1960, this informal rule apparently has gone by the wayside. In the past 34 years, the U.S. has avoided a deficit only once, when in 1969 there was a surplus of $3 billion. Given the chronic deficits we've come to expect, its time to make explicit through a Constitutional amendment the old implicit principle of government living within its means.

Q. Will passing a Balanced Budget Amendment really add discipline to the federal government?

A. Lawmakers have tried statutory measure to rein in government deficit spending, but they just haven't worked. For example, in 1985 Congress passed the Gramm-Rudman-Hollings deficit reduction bill, which was supposed to reduce the deficit to zero by fiscal year 1991 from the $293 billion deficit projected at the time for fiscal year 1991.[3] As it turned out, even with passage of GRH, we ended up with a $196 billion deficit in 1991 and a $289 billion deficit in 1992. That's because hard-won budget rules can be waived or modified by a simple majority vote. The Balanced Budget Amendment, on the other hand, requires a three-fifths vote of each house to enact a budget with a deficit (in times of war, only a simply majority is required).

It's clear that these statutory measures haven't worked, and so it's time to turn to the stronger medicine of a balanced budget amendment.

Q. Didn't we move to balancing the budget with the passage in August 1993 of President Clinton's budget package, the Omnibus Budget Reconciliation (OBRA)?

A. Washington made some progress in trimming the deficit in 1993 when it passed OBRA. The nonpartisan Congressional Budget Office estimated in September 1993 that OBRA will cut $433 billion of debt over the next five years from the projected baseline (i.e., pre-OBRA) level of debt.[4] But not only is the post-OBRA deficit still at $222 billion in FY 1998 (CBO January 1995 estimate), but it's also on the rise. By 2005, according to CBO, the deficit is projected to hit $421 billion. As a percentage of total output, that means the deficit rises from 2.7% of GDP in FY 1998 to 3.6% in FY 2004.[5]

Like the budget deals in the previous decade before it, OBRA clearly does not solve the deficit problem. That's why it's imperative to turn to a constitutional, rather than a statutory, remedy for our chronic deficit problem.

Q. What's the relationship between the federal deficit and federal debt?

A. The federal deficit is the difference between the government's outlays and receipts in any one year, while federal debt is the total amount of government debt outstanding. The debt, in other words, is the total accumulation of deficits over the years. In 1994, the federal deficit was $203 billion, and the total federal debt by year-end was $4.64 trillion.[6]

Q. A federal debt of $4.6 trillion sounds like a lot, but is it historically high?

A. In absolute terms, it's the highest it's ever been. But because of inflation and the growth of our economy, it's best to answer this question by measuring the federal debt relative to the size of the economy; that is, to look at the ratio of debt to GDP. Today, the total debt held by the public is 52% of current GDP.[7] While that's less than half of 1946's 114% of GDP, we don't have as much to show for it. The debt then paid for victory in World War II, while the current debt is simply funding higher levels of consumption.

Moreover, this ratio is currently moving in the wrong direction. It's grown from below 30% during the 1970s to just over 40% during the mid-1980s, and now to over 50%. In contrast, the federal debt ratio in the postwar period was pruned from 114% to 68% by 1951, and generally kept falling until the early 1970s.

Q. So the federal debt's higher, and it's been growing for twenty years. But while some continue to feel economic discomfort from structural changes unrelated to the higher federal debt (such as the defense build-down and the commercial real estate overhang), the U.S. seems to be doing fine. What's the crisis?

A. The growing federal debt is not a problem that can be characterized as ''a wolf at the door,'' which requires immediate attention. Instead, to use the analogy introduced by President Carter's top economist, Charles

[1] Footnotes at end of article.

Schultze, it's a ''colony of termites in the wall.''[8] In other words, it's a serious long-term problem that can be ignored in the short-term. The damage—lower investment, lower productivity, slower wage growth, etc.—may be hard to perceive or even hidden by other economic forces, but that doesn't mean it's not occurring. The termites are still chomping away and must still be dealt with, because the destruction can be massive.

Q. Won't the Balanced Budget Amendment hamper government activity in times of a national emergency, such as a war?

A. The Amendment will not compromise America's ability to respond to national emergencies. In general, the Amendment can be suspended for a specific fiscal year whenever three-fifths of both Houses of Congress vote to do so. In wartime, this requirement is lowered to a simple majority.

Q. Won't balancing the budget cause a serious disruption of economic growth?

A. If the deficit were reduced all at once—from FY 1995's projected $162 billion to zero next year, for example—there indeed would be a severe disruption. Because the removal of so much fiscal stimulus in one year is not advisable, the Balanced Budget Amendment calls for the provision to become law in FY 1999 or two years after the ratification by three-quarters of the states, whichever is later. The Amendment does not provide a specific path for deficit reduction in the meantime, but Congress would have five years to implement the needed changes.

While we should expect some disruption—balancing the budget is not, in the short-term, an economic growth policy—we will see several long-term benefits after the budget is balanced. And the short-term distress can be mitigated, according to economic simulations performed in a 1992 study conducted by Laurence H. Meyer & Associates, a nonpartisan and highly regarded macroeconomic consulting firm based in St. Louis, Missouri. If we had started in 1993 and balanced the budget by 1998, using Federal Reserve policy to cushion the economy, the LHM&A model shows that total output would be between 1% to 1.6% higher in 2003.[9] Even 1% additional output means an economy that's $80 billion larger (measured in today's dollars).

Q. Does it make any difference whether Congress balances the budget using tax increases or spending cuts?

A. It makes a big difference. In the study cited above, LHM&A found that the highest gains from deficit reduction come from expenditure cuts. That is because increases in taxes create disincentives for labor and investment, mitigating some of the beneficial effects of deficit reduction on interest rates.

In the following table we report the results of two policy simulations conducted by LHM&A in which the budget is balanced, and compare it to the baseline case where policy is left as is.

The first column shows where the economy would be if no action were taken.

The second column shows where the economy would be if expenditures were cut by the entire amount necessary to balance the budget (''All Spending'').

The final column shows the results of balancing the budget by raising spending and cutting expenditures by exactly the same amount (''Mix'').

The two balanced budget scenarios assume that the Federal Reserve eases monetary policy enough to maintain the unemployment rate at the baseline level of 5.2%. The following table compares how the economy would look with and without deficit reduction by showing some of the results for the first five years.

THE ECONOMIC IMPACT OF BALANCING THE BUDGET

[The First 5 Years of Deficit Reduction]

	No deficit reduction	Deficit reduction scenarios	
	Baseline	All spending	Mix
Levels in the fifth year:			
Federal deficit ($ bill)	−251	0	−1
3-month T-bill rate (percent)	5.5	4.7	4.6
30-year Government bond yield (percent)	6.9	5.7	5.8
AAA corporate bond yield (percent)	7.1	5.8	5.9
Average annual growth, first 5 years (percent):			
Real GDP	2.6	2.8	2.7
Inflation	3.3	3.5	3.4
Real personal disposable income	2.3	1.7	1.5

Notice how interest rates are significantly lower in the scenarios where the deficit has been reduced. This is the fuel for the higher level of business investment. In fact, the inflation-adjusted value of the nation's plant and equipment (what economists call the real capital stock) is 2% higher after the first five years of deficit reduction, and 6% higher after ten years, when comparing the result of the ''All Spending'' scenario to the baseline. While those figures may sound small, they mean $120 billion worth of additional computers and manufacturing plants within five years, and $390 billion more in ten years. And it should be noted that the capital stock is almost 2% higher when the budget is balanced entirely through spending cuts rather than an equal mix of spending cuts and tax increases.

While inflation is a bit higher in the deficit-reduction scenarios (due to the Federal Reserve's cushioning), growth in real GDP (inflation-adjusted output) is stronger, on average, in the five-year period, as the deficit is reduced. Real personal disposable income grows at a slower rate (1.7% and 1.5% versus 2.3%) in the cases where the deficit is lowered. But note that it's stronger in the case where all of the deficit reduction comes from reductions in government spending. This shows that moving to a balanced budget will inflict some economic pain. The short-term pain is unavoidable, but it helps set the stage for stronger growth in the years after the deficit has been balanced.

Of course, the active participation of Federal Reserve is an important component of LHM&A's simulations, and it comes with the price tag of slightly higher inflation. But the important point is that the model suggests a path that the economy can follow to get to a balanced budget without severe economic hardship.

Another factor that would help the transition that's hard to model is the boost to consumer and business confidence we would expect to find once a credible balanced-budget plan were enacted. Business investment should be higher, and the return of resources from the public to the private sector as government spending cuts are carried out should improve overall productivity in the economy.

Q. Most of the states have some sort of balanced budget requirement. What has been their experience?

A. According to the National Association of State Budget Officers, the application of the state experience to the Federal experience is not clear-cut. The state balanced budget requirements are diverse and written so generally that they're subject to varying interpretations. According to their 1992 statement, the tradition of balanced budgets, rather than the enforcement provisions or the threat of lower bond ratings, plays the most important role in developing balanced budgets.[10]

FOOTNOTES

[1] Mickey D. Levy, *Deficitphobia: Right for the Wrong Reasons*, in ''Economic and Financial Perspectives,'' CRT Government Securities Ltd., New York, December 1993, pg. 1.

[2] Benjamin M. Friedman, *U.S. Fiscal Policy in the 1980s: Consequences of Large Budget Deficits at Full Employment*, in ''Debt and the Twin Deficits Debate,'' James M. Rock, ed. Mayfield Publishing Company, 1991.

[3] Laurence H. Meyer & Associates, *Balancing the Budget by 1991: The Gramm-Rudman-Hollings Proposal*, November 1985, pg. 5.

[4] Congressional Budget Office, *The Economic and Budget Outlook: An Update*, September 1993, pgs. 26–29.

[5] Congressional Budget Office, *The Economic and Budget Outlook: FY 1996–2000*, January 1995, pg. 58.

[6] Ibid, pg. 51.

[7] Congressional Budget Office, *Federal Debt and Interest Costs*, May 1993, pg. 92.

[8] Charles L. Schultze, *Of Wolves, Termites and Pussycats*, ''The Brookings Review,'' Summer 1989, pgs. 26–33.

[9] Laurence H. Meyer & Associates, *Balancing the Budget: An Analysis of the Economic Effects of Deficit Reduction*, prepared for the Chase Manhattan Bank, December 1992, pg. 1.

[10] National Association of State Budget Officers, *State Balanced Budget Requirements: Provisions and Practices*, June 1992, pg. 3.

U.S. CHAMBER OF COMMERCE,
Washington, DC.

BALANCED BUDGET AMENDMENT: THE ROLE OF THE COURTS

Some lawmakers and commentators have raised questions about the enforcement of a Balanced Budget Amendment to the U.S. Constitution. A primary concern is that Congressional efforts to meet the balanced budget requirement would be challenged in the courts, and the judiciary would be thrust into a non-judicial role of weighing policy demands, slashing programs and increasing taxes.

On the other hand, there is a legitimate and necessary role for the courts in ensuring compliance with the amendment. Congress could potentially circumvent balanced budget requirements through unrealistic revenue estimates, emergency designations, off-budget accounts, unfunded mandates, and other gimmickry. Certainly, the track record of the institution under the spending targets of Gramm-Rudman-Hollings and other statutory provisions is no cause for optimism.

It is our view that the need to proscribe judicial policymaking can be reconciled with a constructive role for the courts in maintaining the integrity of the balanced budget requirement. Congress is expected to address technical issues such as accounting standards, budget procedures and judicial enforcement in followup implementing legislation. By drawing on the existing legal principles of ''mootness,'' ''standing'' and ''nonjudiciability,'' implementing legislation can define an appropriate role for the courts in making the amendment work. The net effect can be to prevent judicial assumption of legislative functions such as selecting program cuts, while allowing the courts to police a framework of accounting standards and budget procedures.

TRADITIONAL LIMITS ON JUDICIAL INTERVENTION

In general, the courts have shown an unwillingness to interject themselves into the fray of budgetary politics. The New Jersey Superior Court observed that ''it is a rare case * * * in which the judiciary has any proper constitutional role in making budget allocation decisions.''[1] The judiciary has remained clear of most budget controversies through the principles of ''mootness'' and ''standing,'' as well as the ''political question'' doctrine.

A case is considered moot, and can be rejected by the court, if the matter in controversy is no longer current. In *Bishop v. Governor,* 281 Md. 521 (1977), taxpayers and Maryland legislators claimed that the governor's proposed budget violated the state's balanced budget law, because $95 million was contingent upon enactment of separate federal and state legislation. The Maryland Court of Appeals dismissed the case as moot because by that time the separate legislation had been approved, and the relevant fiscal year had elapsed. Mootness will be a factor in many potential challenges to Congressional action under a federal Balanced Budget Amendment, particularly those based on unplanned expenditures or flawed revenue estimates which become apparent near the end of the fiscal year.

The doctrine of standing limits judicial access to parties who can shoe a direct injury over and above that incurred by the general public. The logic is that the grievances of the public (or substantial segments thereof) are the proper domain of the legislature.[2] The U.S. Supreme Court has generally held that status as a taxpayer does not confer standing to a challenge federal actions[3], and has barred taxpayer challenges of budget and revenue policies in the absence of special injuries to the plaintiffs.[4] A state cannot sue the federal government on behalf of its citizens,[5] and it is doubtful that Members of Congress have standing to challenge federal actions in court.[6]

The political question doctrine is a related principle that the courts should remain out of such matters which the Constitution has committed to another branch of government. The U.S. Supreme Court has held that a ''political question'' exists when a case would require ''nonjudicial discretion.''[7] This would be the case with many budgetary controversies, such as the choice to cur particular programs, which by their nature require ideological choices and the balancing of competing needs. In theory, at least, Congress brings to this task a ''full knowledge of political, social and economic conditions. * * *,'' as well as the legitimacy of elected representation.[8] The New Jersey Supreme Court recognized this in a case where local governments challenged funding decisions made by the governor and legislature, holding that the allocation of state funds among competing constituent groups was a political question, to be decided by the legislature and not the judiciary.[9] The Michigan Supreme Court has likewise held that program cutting decisions are a non-judicial function.[10]

A ROLE FOR THE COURTS

The courts have asserted jurisdiction over politically tinged controversies where they find ''discoverable and manageable standards'' for resolving them. In *Baker v. Carr*, the U.S. Supreme Court reasoned that objective criteria guide judicial decisionmaking and limit the opportunity for overreaching. In the balanced budget context, the ''discoverable and manageable standards'' principle can help demarcate lines between impermissible judicial policymaking, and the needed enforcement of accounting rules and budget procedures.

In all likelihood, a strong framework of accounting guidelines will emerge from implementing legislation. The Senate Judiciary Committee has interpreted Section 6 of the bill to impose ''a positive obligation on the part of Congress to enact appropriate legislation'' regarding this complex issue.[11] Judiciary Committee staff on both the House and Senate side have indicated their intention that implementing legislation embrace stringent accounting standards that will minimize the potential for litigation. Should legitimate questions arise concerning the methods by which Congress ''balances'' the budget, these standards will also provide objective criteria which meet constitutional standards for judicial intervention.

The implementing package is also likely to establish guidelines for judicial involvement, defining what issues are judiciable and which parties have standing to challenge Congressional decisions. Where Congress has defined standing within the relevant statute, the courts have generally deferred to this request for judicial input, and entertained suitable cases.[12] This approach has the advantage of defining appropriate controversies and plaintiffs more precisely. In the Balanced Budget context, the right to raise particular arguments could be delegated to specific public officials. State budget officers, for example, could be given standing to contest unfunded federal mandates.

We are satisfied that such enforcement procedures, coupled with budget process and accounting guidelines, will operate against a backdrop of traditional legal principles to rationally limit judicial action. The effect should be to prevent overreaching into legislative functions, while providing a check on Congressional attempts to evade the requirements of the BBA through procedural and numerical gimmickry.

FOOTNOTES

[1] *Board of Education f. Kean,* 457 A.2d 59 (N.J. 1982).

[2] *Flast v. Cohen,* 392 U.S. 83 (1968), (Harlan, J., dissenting).

[3] *Massachusetts v. Mellon,* 262 U.S. 447 (1923). The courts have allowed taxpayer claims that public funds were used to support an unconstitutional purpose. The two important decisions in this area are both establishment of religion cases. *Flast v. Cohen,* 392 U.S. 83 (1968); *Valley Forge Christian College v. Americans United for Separation of Church and State,* 454 U.S. 464 (1982).

[4] *United States v. Richardson,* 418 U.S. 166 (1974) (plaintiffs challenged a statute allowing the CIA to avoid public reporting of its budget); *Simon v. Eastern Kentucky Welfare Rights Organization,* 426 U.S. 26 (1976) (plaintiffs challenged a Revenue Ruling granting favorable tax treatment to certain hospitals as inconsistent with the Internal Revenue Code).

[5] *South Carolina v. Katzenbach,* 383 U.S. 301 (1966).

[6] *Goldwater v. Carter,* 444 U.S. 996 (1979).

[7] *Baker v. Carr,* 369 U.S. 186 (1962).

[8] *Id.*

[9] *Camden v. Byrne,* 82 N.J. 133 (1980).

[10] *Michigan Assn. of Countries v. Dept. of Management and Budget,* 418 Mich. 667 (1984).

[11] *S. Rpt. 103–163,* 103rd Congress, 1st Session (1993).

[12] Nowak, John E. et al. Constitutional Law, West Publishing Co. (1983), p. 87. In Lujan v. Defenders of Wildlife, 112 Sup. Ct. 2130 (1992), the Court voided a citizen suit under the Endangered Species Act, holding that Congress' power to define standing by statute is limited by Article III of the Constitution. The decision that citizen suit provisions must be carefully articulated and supported by clear legislative goals.

Footnotes at end of article.

U.S. CHAMBER OF COMMERCE,
Washington, DC, Thursday, February 9, 1995.

U.S. CHAMBER THROWS SUPPORT BEHIND BALANCED BUDGET AMENDMENT

WASHINGTON.—The U.S. Chamber of Commerce today pledged to ''pull out all the stops'' to ensure passage of the balanced budget amendment.

In a press conference rallying support for the upcoming Senate vote, Chamber Senior Vice President Bruce Josten said, ''We believe that passage of the balanced budget amendment is imperative if we are to restore the critical principle of fiscal responsibility and limited government. It is the lynch pin in our approach to taming government spending and shrinking government waste.

''Large and growing federal deficits reduce savings and investment, stymie income and job growth and lower productivity growth and our standard of living,'' Josten said. ''Deficits result in the accumulation of government debt and ultimately lead to higher taxer.

''Together with the line-item veto and the prohibition on unfunded mandates, passage of this balanced budget amendment will place renewed emphasis on fiscal discipline, force Congress to cut spending and constrain its ability to raise taxes.''

Josten promised the full extent of the Chamber's capabilities to ''pull out all the stops and pledge to use every aspect of our broad grassroots organization to ensure the passage of a balanced budget amendment.

''We urge all the senators to vote for its passage and we will count it as a key vote in our chamber rating system,'' he said.

NFIB,
SMALL BUSINESS NEWS,
Washington, DC.

BALANCED-BUDGET AMENDMENT CRUCIAL TO SMALL-BUSINESS GROWTH

WASHINGTON, February 9.—Jack Faris, president of the National Federation of Independent Business, the nation's largest advocacy group for small business, urged small-business owners to write and call Congress to support the idea of adding a balanced-budget amendment to the Constitution.

Faris said Congress must heed broad-based public support for a balanced-budget amendment, especially that coming from the small-business sector.

''Small-business owners have voted overwhelmingly for a balanced budget and deficit reduction in several NFIB surveys,'' Faris said. ''They understand that high deficits rob small businesses of available capital and mean less money for private investment. When small firms can't afford to expand and buy equipment, fewer jobs are created and less revenue is sent to the Treasury.''

The 1994 deficit hit $223 billion, Faris said, pointing out that the public debt, the accumulation of each year's deficit, reached $4.7 trillion.

''It's inconceivable that a business could spend or borrow as irresponsibly as the federal government has,'' Faris said. ''A small firm has to live within a budget. If owners spent and borrowed money like the federal government, they'd be out of business in a heartbeat.''

The NFIB Education Foundation, the organization's research arm, found that federal taxes and frequent tax law changes rank among the top problems of entrepreneurs.

''Small-business owners voted in November in greater numbers than ever before to elect lawmakers who wouldn't conduct 'business as usual,' Faris said. ''and a balanced-budget amendment would be a major step toward controlling the size of the federal government.''

NFIB represents more than 600,000 small and independent firms. Small business makes up 99 percent of the private sector, hires approximately half of the country's workforce, and creates some two-thirds of all new jobs, according to NFIB.

[News release from Financial Executives Institute]

FINANCIAL EXECUTIVES INSTITUTE ANNOUNCES TOP 10 LEGISLATIVE AGENDA

MORRISTOWN, NJ, January 16, 1995.—Financial Executives Institute, a professional association of corporate financial executives, is prepared to work with the Congressional leadership to enact the initiatives contained in the ''Contract with America.'' In a letter that outlines its legislative agenda for 1995, FEI urged its 14,000 members to support such ''Contract'' initiatives as deficit reduction, product-liability reform, regulatory reform, and capital-gains reform.

''For years we've been urging Congress to put a lid on spending and manage the taxpayers' money more wisely,'' says P. Norman Roy, president of FEI. ''Now, we seem to have people in Congress who are determined to give the taxpayers good value for their tax dollars. It's a good start.''

Heading FEI's agenda of ten key issues is passage of the Balanced Budget Amendment, which would prohibit federal outlays from exceeding total receipts. If the amendment passes, it will require a three-fifths majority in both houses of Congress for the federal government to incur a deficit. Despite strong Republican support, passage of the Amendment is not certain; passage will require a two-thirds majority in each house.

Other FEI ''top ten'' initiatives include:

Line-Item Veto—give the president the authority to strike any appropriation or specific tax provision from proposed legislation;

Product-Liability Reform—create uniform product-liability laws, covering state and federal actions;

Securities-Litigation Reform—limit the growth of lawsuits filed by class-action attorneys on behalf of shareholders whose stock prices have shown unusual market performance and make losing litigants responsible for winners' costs;

Tax Reform—allow individuals to exclude 50 percent of capital-gains income from taxes and reduce the corporate capital-gains tax to 17.5 percent. Also, explore alternatives to the current tax system, such as a flat rate with higher exemptions or replacing both corporate and individual taxes with value-added and/or personal-consumption taxes;

Regulatory Reform—eliminate regulations that stifle business initiative and competitiveness; also reduce paperwork and require federal agencies to calculate the costs and benefits of compliance;

Federal Financial Management Reform—strengthen the Chief Financial Officers Act, the goal of which is to get the government's fiscal house in order;

Entitlement Reform—resolve the long-term imbalance between the government's entitlement promises and its ability to pay for them and ensure the long-term solvency of Social Security and Medicare;

Health-care Reform—develop broad national agreement on a specific health-care reform initiative rather than leave the solution to the individual states, which could lead to multiple state rules and an onerous administrative burden for companies with multi-state operations;

Procurement Reform—Pass and implement the Federal Acquisition Streamlining Act of 1994, which is expected to save taxpayers $12.3 billion over the next 5 years by reducing cumbersome regulatory burdens and needless bureaucracy in the government's acquisition of products and services from the private sector.

Financial Executives Institute, the leading advocate for the views of corporate financial management, is a professional association of 14,000 senior financial executives from nearly 8,000 major corporations throughout the United States and Canada.

[News release from Associated Builders and Contractors, Inc., Rosslyn, VA, February 9, 1995]

ABC SUPPORTS BALANCED BUDGET AMENDMENT

Passage of the Balanced Budget Amendment (S.J. Res. 1) would promote much needed restraint in government taxation and spending, according to Charlie Hawkins, senior vice president of Associated Builders and Contractors.

''We can no longer tolerate the practice of freely granting exceptions to budget rules in order to accommodate funding demands. Congress must respond to the call to cease runaway spending and begin the kind of reform that the Balanced Budget Amendment dictates,'' Hawkins said.

Hawkins said the amendment would force the president and Congress to set priorities rather than to continually postpone making difficult choices. The prospect of having to move toward balanced budgets in the near future would have an immediate positive impact on the budget process and would provide a Constitutional gurantee that we will adhere to a deficit reduction plan, he said.

''Deficit spending should no longer be a way of life for the federal government. Every American family must live within its means and balance its budget. Forty-nine of the 50 states operate under some form of a balanced budget requirement—it makes sense that the federal government would compel itself to work with similar self-control,'' he said.

Hawkins added that the amendment should not include an exemption for Social Security. Such an exemption would put Social Security at risk by creating an incentive to link other programs to the entitlement program to exempt them from deficit calculations. ''The best protection for Social Security is a balanced budget,'' he said.

Associated Builders and Contractors is a national association representing more than 17,000 construction and construction-related companies located in 80 chapters throughout the country.

NAW CALLS ON THE SENATE TO PASS THE BALANCED BUDGET AMENDMENT

WASHINGTON, DC February 9, 1995.—The National Association of Wholesaler-Distributors (NAW) today called on the United States Senate to pass S.J. Res. 1, the Balanced Budget Amendment to the Constitution.

''On behalf of the 45,000 companies represented by NAW, we strongly urge every Member of the Senate to support S.J. Res. 1. An historic opportunity for national fiscal discipline has finally arrived, and we must seize it,'' said Dirk Van Dongen, NAW President.

''NAW and its member companies have actively supported a Constitutional Amendment for a balanced Federal budget for many years. After decades of uncontrolled Federal spending, our members again state the obvious: government budget discipline is essential. No longer should Federal outlays exceed receipts. Furthermore, we strongly believe that Congress should rely on spending restraints—not tax increases—to balance the budget, rather than further burdening hard-working American taxpayers.''

''There is little doubt that for too long American companies have felt the effects of the Federal deficit; a deficit that is projected to begin growing again soon. Now is our best chance to show real leadership—to permanently rein in government spending. If we are unsuccessful, Federal debt and deficits—and politics—will continue to cripple our economy and mortgage our future. The Balanced Budget Amendment moves our country in the right direction and it unburdens our employers and employees along the way. The Senate should pass it and send it to the states without hesitation,'' concluded Van Dongen.

(NAW represents 45,000 companies through a federation of wholesale distribution firms and national, state and local associations.)

CITIZENS GROUP URGES SENATE TO PASS BALANCED BUDGET AMENDMENT

STATEMENT OF PAUL BECKNER, PRESIDENT CITIZENS FOR SOUND ECONOMY

WASHINGTON, DC.—On behalf of Citizens for a Sound Economy (CSE), I offer my strong support of the proposed balanced budget amendment to the Constitution. Our 250,000 members are among the 80% of Americans who believe it is time for the federal government to put its fiscal house in order by doing what every American family must do—balance its budget.

The federal government continues to be plagued by wasteful deficit spending; Congress appropriates money it does not have and should not spend. The American people are fed up with the status quo that has given them $200 billion deficits, a $4.8 trillion national debt, bigger government, higher taxes, and a reduced standard of living. The House of Representatives has acted. Now it is time for the Senate to do its part.

The balanced budget amendment is about so much more than November's elections or the ''Contract with America.'' It is about Democrats and Republicans joining together to rise above partisan interests to act in the national interest. It is about the people's representatives finally standing up and saying, ''Passing The Buck Stops Here.''

I urge the Senate to do the right thing—for America and its future generations that we are so shamelessly willing to burden with our debt. Pass the balanced budget amendment. Pass it now.

CSE is a 250,000 member grassroots advocacy organization founded in 1984 to defend and promote America's free enterprise system.

COALITION URGES PASSAGE OF BALANCED BUDGET AMENDMENT IN THE SENATE ''GET WITH THE PROGRAM,'' SAYS SMALL BUSINESS GROUP

WASHINGTON, DC.—The Small Business Survival Committee [SBSC] urged members of the United States Senate to swiftly pass the Balanced Budget Amendment to begin restoring fiscal sanity, as well as America's faith, in the federal government.

''It is no surprise that those Senators lined up against the Balanced Budget Amendment [BBA] are those who continue to support big government, and continue to view government as the solution—not the problem. President Clinton, Senator Robert Byrd and the ''right to know'' crowd are fighting a losing battle and should get with the fiscal accountability program,'' said SBSC President Karen Kerrigan.

SBSC and a coalition of organizations supporting passage of the Balanced Budget Amendment held a press conference today to collectively voice support for swift action in the United States Senate.

"I find it particularly insincere that Senators called for a "right to know" amendment, are the same Members who secretly stuff appropriation bills with pork and special interest programs, and continue to push funding for programs which have proven to be an abysmal failure. It seems to me that these practices are now in "the know," after years of hiding such fiscal abuse, and taxpayers want this to end," added Kerrigan.

The Small Business Survival Committee is a 40,000-member nonpartisan, nonprofit advocacy organization.

STATEMENT ON THE BALANCED BUDGET AMENDMENT

(By Grover G. Norquist)

Americans for Tax Reform, the national clearinghouse for the grassroots taxpayers movement, strongly supports the Balanced Budget Amendment to the United States Constitution.

In addition, as the organization which opposes all tax increases as a matter of principle, we are delighted to support the Constitutional amendment requiring a 60% supermajority to raise taxes, to be voted in the House of Representatives on April 15, 1996. We are grateful for the leadership of freshman Representatives John Shadegg (R–AZ) and Linda Smith (R–WA) on this issue. In addition, we are pleased to see the supermajority as a likely initiative issue in several new states next year. Voters will choose the next President of the United States in November, 1996 as they vote on these initiatives.

Tax increases are not the solution to reducing the budget deficit: they merely feed politicians' appetite for increased federal spending. However, politicians use the federal deficit as a bogus rallying cry for the supposed need to raise taxes. That is why a balanced budget requirement and a supermajority requirement are necessary to keep taxes down and control federal spending. The Balanced Budget Amendment shuts off one spigot feeding federal spending by prohibiting deficit spending. The supermajority amendment shuts off the other spigot by making tax increases difficult. Together, they shut the valve which finally chokes off runaway federal spending. In the nine states which currently have a supermajority requirement, spending growth has slowed dramatically.

Taxpaying Americans have been robbed of their prosperity in the last half-century by the explosion of federal spending, fueled by deficit spending and dramatic increases in taxes. As Congressman Joe Barton has pointed out, federal taxes went from 5% of a family's income in 1934 to almost 19% in 1994. It is time that we reign in the beast. It is time that taxpaying Americans finally have leverage over spending interests. That is why we are strongly in support of the Balanced Budget Amendment and the supermajority amendment.

FARM BUREAU CALLS FOR BALANCED BUDGET AMENDMENT

WASHINGTON, Jan. 5, 1995.—Passage of a balanced budget amendment should be the first step in a series of needed changes in the federal government's policies on taxation, spending and regulations, Farm Bureau told the Senate Judiciary Committee today.

"Farm Bureau has supported a balanced budget amendment to the U.S. Constitution for 15 years," said Utah Farm Bureau President Ken Ashby. "Farmers and ranchers believe a balanced budget amendment can help provide much needed budget discipline that, unfortunately, seems impossible to achieve in government today."

Ashby, who grows alfalfa, hay and grain, said a more hands-off approach of federal regulations on private economic activity and on state and local governments, in combination with a reduction in deficit spending, would benefit all Americans. He said if a balanced budget amendment is passed, Congress must not slow down on spending reform.

"These changes in public policies will take months of serious consideration and debate by the Congress," Ashby said. "You cannot do everything at once, and we do not expect you to. But we also do not want you to simply pass a balanced budget amendment and then go back to business as usual."

As part of the Farm Bureau proposal, Ashby called on the senators to push for a balanced budget amendment that would require a three-fifths "super majority" vote of both houses of Congress to ignore the balanced budget requirement. He said "this provision will elevate the scrutiny of proposed new spending and force Congress to go on record when it decides to increase spending."

He told the Judiciary panel that as a result of the 1990 farm bill and the 1990 Omnibus Budget Reconciliation Act, government payments to farmers have been reduced by approximately one-third. He recognized some cuts as necessary to reduce the Federal debt, but said farmers are not the only segment of the population that needs to pitch in.

"Farmers have not been entirely happy with these reductions but understand that cuts are necessary if a balanced budget is to be achieved," Ashby said. "Now it is time for all government programs, including social security and defense, to follow agriculture's example and contribute to spending control."

Farm Bureau, he said, also believes any amendment proposal should require the president to submit a balanced budget to Congress. Ashby said this provision would help spread the responsibility for balancing revenue and spending among the legislative as well as the executive branch.

Ashby told the panel that the current practice of allowing passage of tax increases by a majority of the members present on the floor of either house must change. He told the committee that a majority of the total membership of each house, recorded by a roll call vote, should be required for future tax increases, making them more difficult to achieve.

CHRISTIAN COALITION,
CAPITOL HILL OFFICE,
Washington, DC, February 24, 1995.

DEAR SENATOR: On behalf of the 1.5 million members and supporters of the Christian Coalition, we urge you to support the balanced budget amendment [BBA] to the Constitution.

The mounting national debt threatens our nation's economic future. Unless we act today to restore fiscal sanity, more private savings will be drawn away from investments necessary for lasting economic growth. Without a BBA, the nation will grow deeper in debt to foreign creditors, and the interest payments on the soaring debt will preclude other budget priorities. This is indeed a bleak legacy to leave our children and grandchildren.

Moreover, we do not believe that the American people are taxed too little. Rather we believe that the federal government spends too much. According to the Tax Foundation, federal, state and local taxes claimed 39.5 percent of the income earned by a median two-earner family in 1994. Every additional four year delay without a balanced budget could result in another trillion dollars of debt, and another $55 billion in annual interest costs. According to the National Taxpayers Union, these interest payments alone will cost today's child over $130,000 in extra taxes, on average, over his or her lifetime.

A balanced budget amendment is long overdue. We urge you to pass it now to secure a sound fiscal future for America's families.

Sincerely,

MARSHALL WITTMANN,
Director, Legislative Affairs.
HEIDI SCANLON,
Director, Governmental Affairs.

CONGRESS OF THE UNITED STATES,
Washington, DC, March 15, 1994.

DEAR COLLEAGUE: What did Thomas Jefferson get for $225 billion? The Louisiana Purchase, which became all or part of 15 States.

What are we getting for $223 billion? Absolutely nothing, except another year older and deeper in debt.

THOMAS JEFFERSON AND THE LOUISIANA PURCHASE

OVERVIEW—FEBRUARY 1994

When Balanced Budget Amendment (BBA) supporters have quoted Thomas Jefferson's sentiments against government debt, Sen. Byrd cited the Louisiana Purchase, arguing:

The purchase amount, $15 million, all borrowed, was almost twice the size of the total annual federal budget in 1804. The comparable figure would be translated into $2.8 trillion today—a "whopper" of a transaction.

Jefferson talked tough against going into debt before he was President, but obviously saw how the need for borrowing could arise once he became President.

Jefferson had virtually no association with writing the Constitution; Madison, who did, said that the wise incurring of debt could benefit posterity.

RESPONSES

To buy the Louisiana Territory, Jefferson did borrow an amount equal to twice the amount the federal government was spending annually at the time. However, total federal outlays amounted to only about 1.6% of gross domestic product in 1804 (compared to 22% in 1994). Jefferson's purchase was equal to a less than 3.5% of GDP, the equivalent of about $224.5 BILLION in 1993 dollars.

In other words, in GDP-adjusted terms, the Louisiana purchase cost Jefferson about the same amount the government now deficit-spends every year, and about the same amount the government spends on net interest payments just to service the debt every year.

The BBA follows both Jefferson's philosophy and his example. Obviously, his ultimate position was that debt was acceptable (1) for extraordinary needs and (2) if it was repaid.

S.J. Res. 41, requiring a 3⁄5 vote to deficit spend or raise the debt limit, provides both a norm of balanced budgets and the flexibility to meet extraordinary needs.

Jefferson reduced the federal debt by half during his first term.

Unlike today's general indebtedness, Jefferson paid for the Louisiana Purchase with a specific, dedicated note. The debt so incurred was paid off fully within 20 years, by 1823.

When Jefferson submitted the treaty and related legislation to Congress in 1803, he stated his expectations that: (1) The remaining national debt would be paid off before the Louisiana note came due; and (2) the then-current growth in revenues would enable retirement of the Louisiana debt in a relatively short time.

The Louisiana Purchase was a once-in-a-lifetime opportunity. Certainly you would expect to obtain a 3⁄5 vote for such an extraordinary and beneficial investment. And in fact, all of the relevant Congressional votes related to the Louisiana Purchase far exceeded the ⅗ margin required to borrow under S.J. Res. 41.

Madison, too, dedicated his Presidency to balanced budgets, promising ''to liberate the public resources by an honorable discharge of public debt.'' In fact, he retained Jefferson's Treasury Secretary to continue Jefferson's responsible fiscal policies.

This year the federal budget deficit will be, adjusted for size of GNP, about equal to the amount that President Jefferson borrowed for the Louisiana Purchase.

But the government is not ''investing'' this $223 billion. Unlike that of 1804, 1994's borrowing is not buying us 306,573,740 acres of fertile prairies, navigable waterways, and abundant natural resources, to resell at a profit and with which to enrich the lives and well-being of our children. Today's borrowing is for current consumption, simply allowing government programs to spend beyond their income.

Every year, this generation's government is incurring additional debt of a magnitude that Jefferson and his generation felt was appropriate only for a once-in-a-lifetime endeavor.

The $15 million (in 1804 dollars) worth of bonds issued to finance the Louisiana Purchase was paid off completely within 20 years. In GNP-adjusted 1993 dollars, this purchase turned a $74 billion profit in land sales alone by 1823, and another $132 billion profit in land sales by 1834. These proceeds helped reduce the federal debt to $38,000—that's $38 thousand—in 1834 and '35, its lowest level before or since.

In contrast, over this past 20 years, the gross federal debt will have increased by 869 percent—from $484 billion in fiscal year 1974 to $4.69 trillion at the end of FY 1994, as projected by CBO. In fact, the red ink has flowed in 56 of the last 64 years.

The federal government has been accumulating debt so fast and in such massive amounts that American taxpayers are now servicing that debt with interest payments about equal—again, adjusted for size of GNP—to what Jefferson and the 8th Congress borrowed to double the size of the nation. (CBO-projected gross interest in FY 1994: $298 billion; Net interest: $201 billion.)

Jefferson's government invested. Ours has been eating the seed corn in increasing quantities for decades.

The above information on Jefferson's Louisiana Purchase has been drawn from two papers prepared at our request: Jefferson's Constitutional Dilemma with the Louisiana Purchase, by James M. Hamilton (Stenholm staff), and An Economic Analysis of the Jefferson Administration and the Louisiana Purchase, by William A. Duncan, PhD (National Taxpayers Union Foundation). Rather than send you a 22-page Dear Colleague, we invite you to contact any of us or Ed Lorenzen (5–6605), Andy Moore (5–6730), Donna Tobias (4–2752), or Aaron Rappaport (4–5573) for copies of these papers.

Sincerely,

CHARLES W. STENHOLM.
ROBERT F. SMITH.
LARRY E. CRAIG.
PAUL SIMON.

gressional Leaders United for

A BALANCED BUDGET.

H.J. RES. 1, THE JEFFERSON AMENDMENT

For over 140 years in this nation, balanced federal budgets were part of the unwritten constitution just like the two party system and the workings of the electoral college. Modern necessity dictates change through a balanced budget amendment to the constitution. Jefferson foresaw this some 200 years ago:

''I am not an advocate for frequent changes in laws and constitutions. But laws and institutions must go hand in hand with the progress of the human mind. As that becomes more developed, more enlightened, as new discoveries are made, new truths discovered and manners and opinions change, with the change of circumstances, institutions must advance also to keep pace with the times. We might as well require a man to wear still the coat which fitted him when a boy as civilized society to remain ever under the regimen of their barbarous ancestors.'' (The Jefferson Memorial, Washington, D.C.)

Quotes from the Framers and others on the evils of public debt:

''It is a miserable arithmetic which makes any single privation whatever so painful as a total privation of everything which must necessarily follow the living so far beyond our income. What is to extricate us I know not, whether law, or loss of credit. If the sources of the former are corrupted, so as to prevent justice the latter must supply its place, leave us possessed of our infamous gains, but prevent all future ones of the same character.'' (Jefferson, 1787)

''I place economy among the first and most important of republican virtues, and public debt as the greatest of the dangers to be feared.'' (Jefferson, 1816)

''If we run into such debts, as that we must be taxed in our meat and in our drink, in our necessaries and our comforts, in our labors and our amusements, for our callings and our creeds, as the people of England are, our people like them, must come to labor sixteen hours in the twenty-four, give the earnings of fifteen of these to the government for their debts and daily expenses . . .'' (Jefferson, 1816)

I believe it may be regarded as a position warranted by the history of mankind that, in the usual progress of things, the necessities of a nation, in every stage of its existence, will be found at least equal to its resources. (Alexander Hamilton in the Federalist #30)

To liberate the public resources by an honorable discharge of public debts. (President James Madison, Stating one of the primary goals of his Administration)

Interest is now paid to capitalists out of the profits of labor; not only will this labor be released from the burden, but the capital, thus thrown out of an unproductive use, will seek a productive employment; giving thereby a new impetus to enterprise in agriculture, the arts, commerce, and navigation. (Samuel Inghams, Secretary of the Treasury under Andrew Jackson)

President Andrew Jackson, in proposing to effect substantial reductions in the war debt, observed:

We should look at the national debt, as just as it is, not as a national blessing but as a heavy burden on the industry of the country to be discharged without unnecessary delay.

President Benjamin Harrison described unnecessary public debt as ''criminal.''

[Even during unsatisfactory economic conditions,] * * * ''the government should not be permitted to run behind its debt.'' (President William McKinley)

The nation must make financial sacrifices accompanied by a stern self denial in public expenditures until we have conquered the disabilities of our public finance * * * we must keep our budget balanced for each year. (President Calvin Coolidge)

''To preserve our independence, we must not let our rulers load us with perpetual debt. We must make our election between economy and liberty, or profusion and servitude.'' (Jefferson, 1816)

''There does not exist an engine so corruptive of the government and so demoralizing of the nation as a public debt. It will bring on us more ruin at home than all the enemies from abroad against whom this army and navy are to protect us.'' (Jefferson, 1821)

''The payments made in discharge of the principal and interest of the national debt, will show that the public faith has been exactly maintained.'' (Jefferson, 1801)

''The question whether one generation has the right to bind another by the deficit it imposes is a question of such consequence as to place it among the fundamental principles of government. We should consider ourselves unauthorized to saddle posterity with our debts, and morally bound to pay them ourselves.'' (Jefferson)

''I wish it were possible to obtain a single amendment to our constitution. I would be willing to depend on that alone for the reduction of the administration of our government to the genuine principles of its constitution; I mean an additional article, taking from the federal government the power of borrowing.'' (Jefferson, 1798)

''The consequences arising from the continual accumulation of public debts in other countries ought to admonish us to be careful to prevent their growth in our own.'' (President John Adams in his Inaugural Address)

''Stewards of the public money should never suffer without urgent necessity to be transcended the maxim of keeping the expenditures of the year within the limits of its receipts. (President John Quincy Adams)

''As the vicissitudes of nations begat a perpetual tendency to the accumulation of debt, there ought to be a perpetual, anxious, and unceasing effort to reduce that which at any time exists, as fast as shall be practicable, consistent with integrity and good faith.'' (Alexander Hamilton)

''Once the budget is balanced and the debts paid off, our population will be relieved from a considerable portion of its present burdens and will find not only new motives to patriotic affection, but additional means for the display of individual enterprise.'' (President Andrew Jackson)

''After the elimination of the public debt, the Government would be left at liberty * * * to apply such portions of the revenue as may not be necessary for current expenses to such other objects as may be most conducive to the public security and welfare.'' (President James Monroe)

''Money being spent without new taxation and appropriation without accompanying taxation is as bad as taxation without representation.'' (President Woodrow Wilson)

If there is one omission I fear in the document called the Constitution, it is that we did not restrict the power of government to borrow money. (Thomas Jefferson, 1798)

A wise and frugal government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government, and this is necessary to close the circle of our felicities. (Thomas Jefferson, First Inaugural Address, March 4, 1801)

The public debt is the greatest of dangers to be feared by a republican government. (Thomas Jefferson)

The question whether one generation has the right to bind another by the deficit it imposes is a question of such consequences as to place it among the fundamental principles of government. We should consider ourselves unauthorized to saddle posterity with our debts, and morally bound to pay them ourselves. (Thomas Jefferson, Quoted by George Will in ''It Ought To Be A Crime,'' Washington Post, April 30, 1992)

[Factsheet from Congressional Leaders United for a Balanced Budget]

CAPITAL BUDGETING—NOT A CAPITAL IDEA FOR THE CONSTITUTION

A Constitutional Amendment should reflect broad principles and should not contain narrow policy decisions such as defining a capital budget. There is wide disagreement among policymakers about what should be included in a federal capital budget. We should not place a concept such as capital budgeting in the Constitution when there is no consensus on what constitutes a capital budget.

State and local governments have a check on their use of capital budgets through bond ratings. If a state government were to abuse its capital budget, the states bond rating would drop and the state would be unable to continue to finance new capital expenditures for borrowing. In addition, many states require that bond issues be approved by the voters. These checks on the abuse of capital budgets would not exist under a federal capital budget, making it far more likely that a federal capital budget would be abused.

The justification that most businesses and state and local governments have for capital budgeting is that they occasionally need to make one-time, extraordinary expenditures that are amortized over a long period of time. The federal budget is so huge—$1.5 trillion in 1994—that almost no conceivable, one-shot project would make even a small dent in it.

Even the Federal Interstate Highway System, which has been called the largest peacetime undertaking in all of human history, was financed on a pay-as-you-go basis. President Eisenhower initially proposed that the Interstate System be financed through borrowing. However, Congress kept it on-budget and financed it through a gas tax at the suggestion of Senator Albert Gore, Sr. We are unlikely to have another capital expenditure of this magnitude in the foreseeable future.

While state capital spending is often placed off-budget, so are trust fund surpluses. According to a Price-Waterhouse study, state budgets would be roughly in balance if both capital expenditures and trust funds were included on budget.

Exempting a capital budget from budget restraints ensures that spending on capital investments—financed entirely by debt—will increase. The debt incurred as a result of these expenditures will crowd out spending on items other than physical capital.

Less than four percent of federal outlays are for non-defense physical investment. Given the relatively small and constant share that capital expenditure have in the federal budget, there is no need to remove capital expenditures from the general budget.

S.J. Res. 1/H.J. Res. 28 does not prevent the creation of a separate operating and capital accounts, but the total budget must remain in balance. This is consistent with the recommendations of GAO, which stated,

''. . . the creation of explicit categories for government capital and investment expenditures should not be viewed as a license to run deficits to finance those categories . . . . The choice between spending for investment and spending for consumption should be seen as setting of priorities within an overall fiscal constraint, not as a reason for relaxing that constraint and permitting a larger deficit.''

[Congressional Leaders United for a Balanced Budget—Revised January 30, 1995]

BALANCED BUDGET AMENDMENT—PROMOTING HONESTY IN BUDGETING

H.J. Res. 1/S.J. Res. 1, the bi-partisan consensus Balanced Budget Amendment to the Constitution, is written to foreclose loopholes or evasions in its implementation and enforcement, while allowing for necessary and beneficial flexibility. It also will have the salutary effect of providing incentives for more honest and accurate budgeting than now or in the past.

The general self-enforcing mechanism in the BBA: The 3/5 vote on the debt limit:

No matter what accounting techniques are used to depict a balanced budget, and regardless of any ''rosy scenario'' economic assumptions, smoke and mirrors, or honest estimating mistakes, if *actual* outlays exceed *actual* receipts, the Treasury ultimately would need to borrow in order to meet the government's obligations. This would require 3/5 votes in both the Senate and House to raise the debt limit.

The threat of a ''train wreck'' on the debt limit provides a powerful incentive for truth-in-budgeting, because Congress and the President could not escape the consequences of policies that increased the debt. Opponents who focus on the difficulty of achieving a 3/5 majority miss the point. They are still focused on what's necessary to run a deficit. The possibility of a 3/5 debt vote is a *deterrent*. Facing it is so undesirable that Congress and the President generally would do anything to avoid it—even balance the budget!

H.J. Res. 1/S.J. Res. 1 rules out loopholes and ''gimmicks;'' for example:

The amendment could not be evaded by moving items off-budget. H.J. Res. 1 does not require that a single document, a ''budget,'' be written in balance. It deals with how *total* outlays conform to *total* receipts. Taking an item ''off-budget'' in statute still could be used to give that item priority over others or give it certain protections in the budget process (as has been done with Social Security), but would not affect the operation of the BBA. The amendment would remove the current incentive to move items off-budget for the purpose of masking a deficit. The possibility of a 3/5 debt limit vote would deter moving deficit spending ''off-budget.''

Definitions of terms could not be manipulated to evade the BBA. Terms such as ''receipts,'' ''debt,'' ''revenue,'' ''whole number,'' and ''war'' already appear in the Constitution and have long-established meanings. Others, such as ''outlays,'' ''debt held by the public,'' ''budget,'' and ''declaratory judgment'' are universally and solidly understood, having been long-defined and used in OMB, CBO, Congressional, legal, and other documents. Committee reports and floor debates since 1981 have gone to great lengths to establish a legislative history for, and preventing misinterpretation of, these and other terms.

H.J. Res. 28/S.J.Res. 1 would promote honesty and accuracy in budget estimates:

Congress and the President *can not* plan for a coming fiscal year without making estimates. Section 1, requiring that *actual* outlays and receipts be in balance, and Section 6, allowing for the use of estimates, operate together as follows:

Section 6 says estimates may be used in preparing a budget plan;

Section 1 requires that such planned budgets be in balance;

Following such a budget plan, so long it is reasonable to do so, complies with Section 1. This means Congress and the President need not re-open the budget throughout the fiscal year, simply because of month-to-month fluctuations in receipts or outlays. (E.g., A wave of last-minute tax payments could cause actual receipts to fall short of estimates in one month's and exceed them in the next.) Indeed, some previous versions have been criticized as inflexible because they lacked estimates language.

The threat of a 3/5 debt limit vote will enforce the accuracy of budget estimates.

The experience of our compliance with the caps on discretionary outlays enacted as part of the 1990 Budget Enforcement Act illustrates how budgetary restraints provide an incentive for sound estimates. Although Congress appropriates budget authority and must rely on estimates of outlays, it has complied with the outlay caps by taking care to ensure that the appropriations bills enacted did not pose a risk of breaching the outlay caps. A balanced budget amendment would provide a similar, but far stronger, incentive for improving *all* budget estimates.

To be safe, Congress should, and probably would, plan small surpluses in most years.

The BBA would be promoting honesty and accuracy in dealing with contingent liabilities:

Currently, there is no incentive for Congress and the President to tackle the politically difficult issues associated with contingent liabilities such as government pensions and savings and loan insurance. For example, Congress repeatedly postponed action on the S & L cleanup, even though that ultimately resulted in increased costs to the federal government. By restraining the government's ability to borrow, H.J.Res. 28/S.J.Res. 1 will provide a powerful incentive to deal with contingent liabilities promptly—before they result in unnecessary costs—and honestly.

EMERGENCY APPROPRIATIONS SHOULD NOT BE EXEMPTED FROM THE BALANCED BUDGET AMENDMENT

An amendment to override the balanced budget in case of disaster or national emergency is unnecessary.

According to the Congressional Budget Office, since 1978 there have been only seven years in which supplemental appropriations for natural disasters have exceeded $100 million. The incidence of natural disasters requiring large supplemental appropriations is historically unusual.

The text of the balanced budget amendment provides for the constitutional requirement for a balanced budget to be waived with a three-fifths vote of both Houses.

In the past five supplemental bills put before Congress, both Houses have voted with at least a three-fifths majority to approve the supplemental funding.

Congress has consistently voted to appropriate funds by at least three-fifths majority, in the case of national disaster, economic emergency and war.

In 1991 the Senate passed a bill to offset the costs of Desert Storm to various governmental agencies, as well as additional appropriations for food stamps, State unemployment compensation operations, veterans compensations and pensions, 92 to 8. It passed the House 365 to 43.

Later that year the Senate passed another supplemental bill providing disaster assistance funds to FEMA and to meet costs of Desert Storm, 75 to 17. The House passed the same bill 303 to 114.

In 1992 the Senate passed a bill appropriating emergency funds for hurricane Andrew and hurricane Iniki, 84 to 10. The House had already passed this bill 297 to 124.

In 1993, the Senate passed a bill for emergency relief for the major widespread flooding in the Midwest, by voice vote, the House passed it 400 to 27.

In the most recent emergency supplemental bill that went in large part to fund victims of the most recent Los Angeles earthquake, the Senate approved the measure 85 to 10, the House approved it 337 to 74.

EMERGENCY SUPPLEMENTAL VOTES FEBRUARY 1994

This is a summary of emergency supplemental appropriations from FY '78 through FY '94. The statistics are based on a review of funds appropriated to FEMA. There are a wide variety of disaster bailout funds, but this is the best measure because no broader study of federal disaster funding is available.

The measures cited here include two non-FEMA supplemental appropriations for the Small Business Administration and which appear on the dollar amount list in this section.

HISTORY OF DISASTER SUPPLEMENTALS AS OF FEBRUARY 1994

The table below from the Congressional Budget Office shows that in the sixteen years since 1978 there have been only seven years in which Supplemental Appropriations for Natural Disasters have exceeded $100 million. The incidence of natural disasters requiring large supplemental appropriations is historically unusual and the use of these funds has clearly not been a ''budget buster.''

CERTAIN SUPPLEMENTAL APPROPRIATIONS FOR NATURAL DISASTERS [1]

[By fiscal year, in millions of dollars]

	1978	1980	1989	1990	1992	1993	1994
P.L. 95–255:							
Disaster relief (floods)	300	....	....	....	....	....	....
P.L. 95–284:							
SBA disaster loans (floods)	758	0	0	0	0	0	0
P.L. 96–304:							
FEMA (Love Canal, NY)	0	870	0	0	0	0	0
SBA disaster loans (Mt. St. Helens)	0	1,177	0	0	0	0	0
P.L. 101–100:							
FEMA disaster relief (HUGO)	0	0	1,108	0	0	0	0
P.L. 101–130:							
Loma Prieta:							
Stafford disaster relief	0	0	0	1,100	0	0	0
Federal-aid to highways	0	0	0	1,000	0	0	0
SBA disaster loans	0	0	0	500	0	0	0
Unanticipated needs	0	0	0	250	0	0	0
P.L. 102–229:							
FEMA disaster relief	0	0	0	0	943	0	0
Commodity Credit Corporation	0	0	0	0	1,750	0	0
P.L. 102–302:							
FEMA disaster relief	0	0	0	0	300	0	0
SBA disaster loans	0	0	0	0	195	0	0
Employment & training	0	0	0	0	500	0	0
P.L. 102–368:							
Commodity Credit Corporation	0	0	0	0	430	100	0
SBA disaster loans	0	0	0	0	357	0	0
FEMA disaster relief	0	0	0	0	2,517	0	143
Assisted housing	0	0	0	0	183	100	0
P.L. 103–76:							
Commodity Credit Corporation	0	0	0	0	0	1,050	0
Prior contingency; released 8/12/93	0	0	0	0	0	300	0
Borrowing authority	0	0	0	0	0	0	900
Economic development assistance	0	0	0	0	0	100	0
Corps of Engineers	0	0	0	0	....	....	....
Flood control, Mississippi River	0	0	0	0	0	120	60
Federal-aid to highways	0	0	0	0	0	100	0
Community development grants	0	0	0	0	0	200	0
FEMA disaster loans	0	0	0	0	0	1,735	265
P.L. 103–121:							
SBA disaster loans (LA earthquake)	0	0	0	0	0	0	140
Total	1,058	2,047	1,108	2,850	7,175	3,805	1,508

[1] The estimates on this table are for major disasters where the appropriations exceeded $100 million.

TABLE 1.—HOUSE AND SENATE VOTES ON SELECTED APPROPRIATION MEASURES INCLUDING DISASTER FUNDS, FY1978–FY1994

[as of February 1994]

Fiscal Year/bill number/name (Public law number)	Final passage [1]	
	House	Senate
FY1978:		
H.J.Res. 873, Supplemental (P.L. 95–284).	Voice [2]	
H.J.Res. 796, Supplemental (P.L. 95–255).	393–4 [3]	Voice [3]
FY1979:		
H.R. 4289, Supplemental (P.L. 96–38).	284–132	Voice
FY1980:		
H.R. 7542, Supplemental (P.L. 96–304).	291–117	37–19
FY1981:		
None	....	
FY1982:		
None	....	
FY1983:		
None	....	
FY1984:		
None	....	
FY1985:		
None	....	
FY1986:		
H.R. 4515, Supplemental (P.L. 99–349)	355–52	Voice
FY1987:		
None	....	
FY1988:		
None	....	
FY1989:		
H.J.Res. 407, Continuing Resolution, (P.L. 101–100)[4].	Voice [2]	
FY1990:		
H.J.Res. 423, Supplemental (P.L. 101–130).	303–107 [2]	
H.R. 4404, Supplemental (P.L. 101–302).	308–108	Voice
FY 1991:		
None	....	
FY 1992:		
H.R. 5620, Supplemental (P.L. 102–368).	Voice [5]	Voice [5]

TABLE 1.—HOUSE AND SENATE VOTES ON SELECTED APPROPRIATION MEASURES INCLUDING DISASTER FUNDS, FY1978–FY1994—Continued

[as of February 1994]

Fiscal Year/bill number/name (Public law number)	Final passage [1]	
	House	Senate
H.R. 5132, Supplemental (P.L. 102–302).	249–168	Voice
H.J. Res. 157, Supplemental (P.L. 102–229).	303–114	Voice
FY 1993:		
H.R. 2667, Supplemental (P.L. 103–75).	Voice [5]	Voice [5]
FY 1994:		
H.R. 2519, Commerce, Justice, State (P.L. 103–121).	303–100	90–10
H.R. 3759, Supplemental (P.L. 103–211).	245–65	Voice

Sources: Library of Congress. Bill digest files in Scorpio (C103, C102, C101, CG99, CG96); Daily Digest. Congressional Record, v. 124, March 22, 1978, p. D 230, March 23, 1978 p. D 234, & May 12, 1978, p. D 403; Daily Digetst. Congressional Record, v. 132, June 24, 1986. p. D 433. U.S. Library of Congress. Congressional Research Service. Federal Funding for Disasters. Memorandum by Keith Bea, dated November 3, 1993.

[1] Votes on final passage are votes on conference reports, unless otherwise noted.

[2] No conference report, House agreed to Senate amendments.

[3] On initial passage, the House and Senate passed the same bill.

[4] This was a continuing resolution, which included supplemental appropriations.

[5] No conference report, both Houses considered amendments between the two Houses. All votes were voice votes.

CRS REPORT FOR CONGRESS,
April 30, 1992.

(By Robert Keith and Edward Davis)

A BALANCED FEDERAL BUDGET: MAJOR STATUTORY PROVISIONS

SUMMARY

During the remainder of the 102nd Congress, the House and Senate are expected to consider whether the Constitution should be amended to require a balanced Federal budget. Both chambers have addressed this issue in past years, but Congress has never enacted such an amendment for ratification by the States. Although the Constitution does not prescribe a balanced Federal budget, provisions have been enacted into law on several occasions stating this as a goal or policy of the Federal Government.

This report identifies and briefly discusses the major statutory provisions that pertain to the goal or policy of a balanced Federal budget. These provisions range in scope from a simple, one-line statement to a lengthy set of provisions involving complicated implementing procedures. Most of them state that a balanced Federal budget is a national goal, or require that the President include proposals or information applicable to such a goal in his annual budget submission and economic report to Congress, but do not establish procedures to enforce compliance. While most of the provisions remain in effect, some were applicable to fiscal-year periods that have expired and have been repealed.

The most well-known statute in this category is the Balanced Budget and Emergency Deficit Control Act of 1985, commonly referred to as the Gramm-Rudman-Hollings (GRH) Act. The 1985 GRH Act set forth annual deficit targets leading to a balanced Federal budget by fiscal year 1991 and established an automatic process for across-the-board spending cuts (known as ''sequestration'') aimed at keeping the deficit within the statutory targets. The detailed enforcement mechanism distinguishes the GRH Act from other balanced-budget statues.

The GRH Act was amended extensively in 1987 and 1990. The 1987 amendments postponed the balanced-budget goal until fiscal year 1993; the most recent amendments extend the sequestration process through fiscal year 1995, provide for adjustable deficit targets, and change the focus of the GRH Act from achieving budgetary balance to controlling the growth of discretionary spending and maintaining deficit neutrality regarding legislative changes in mandatory spending and revenues. During the period from fiscal year 1986 through fiscal year 1991 (when fixed deficit targets were in effect), the actual deficit exceeded the deficit target in the GRH Act by between about $6 billion (fiscal year 1987) and $205 billion (fiscal year 1991).

Other major statutes pertaining to the goal of a balanced Federal budget include: a law increasing the public debt limit in 1979, the Byrd Amendment of 1978, the Humphrey-Hawkins Act of 1978, the Revenue Act of 1978, the Revenue Act of 1964, and the Budget and Accounting Act of 1921.

INTRODUCTION

During the remainder of the 102nd Congress, the House and Senate are expected to consider whether the Constitution should be amended to require a balanced Federal budget. Both chambers have addressed this issue in past years, but Congress has never enacted such an amendment for ratification by the States.[1] Although the Constitution does not prescribe a balanced Federal budget, provisions have been enacted into law on several occasions stating this as a goal or policy of the Federal Government.

This report identifies and briefly discusses the major statutory provisions that pertain to the goal or policy of a balanced Federal budget. These provisions range in scope from a simple, one-line statement to a lengthy set of provisions involving complicated implementing procedures. Most of them state that a balanced Federal budget is a national goal, or require that the President include proposals or information applicable to such a goal in his annual budget submission and economic report to Congress, but do not establish procedures to enforce compliance. While most of the provisions remain in effect, some were applicable to fiscal-year periods that have expired and have been repealed.

GRAMM-RUDMAN-HOLLINGS ACT OF 1985

The most well-known statute in this category is the Balanced Budget and Emergency Deficit Control Act of 1985 (Title II of P.L. 99–177, Increase in the Public Debt Limit; 99 Stat. 1038–1101; December 12, 1985), commonly referred to as the Gramm-Rudman-Hollings (GRH) Act. The 1985 GRH Act set forth annual deficit targets leading to a balanced Federal budget by fiscal year 1991 and established an automatic process for across-the-board spending cuts (known as ''sequestration'') aimed at keeping the deficit within the statutory targets. The detailed enforcement mechanism distinguishes the GRH Act from other balanced-budget statutes.

The Act was modified extensively in 1987 by the Balanced Budget and Emergency Deficit Control Reaffirmation Act 1987 (Title I of P.L. 100–119, Increase in the Public Debt Limit; 101 Stat. 754–784; September 29, 1987), which extended the goal of a balanced budget to fiscal year 1993.

Most recently, the GRH Act was amended extensively by the Budget Enforcement Act (BEA) of 1990 (Title XIII of P.L. 101–508, Omnibus Budget Reconciliation Act of 1990; 104 Stat. 1388–573 through 1388–630; November 5, 1990). The BEA revised the deficit targets in the GRH Act, making the targets adjustable rather than fixed, and extended the sequestration process for two more years—through fiscal year 1995 (although the budget is not required, and is not expected, to be in balance by that time). Additionally, two new procedures enforceable by sequestration were established: (1) adjustable limitations on different categories of discretionary spending funded in the annual appropriations process and (2) a ''pay-as-you-go'' process to require that increases in direct spending (i.e., spending controlled outside of the annual appropriations process) or decreases in revenues due to legislative action are offset so that there is no net increase in the deficit.

The 1990 amendments changed the focus of the GRH Act from achieving budgetary balance to controlling the growth of discretionary spending and maintaining deficit neutrality regarding legislative changes in mandatory spending and revenues. This change in focus is reflected in Table 1, which shows the original and revised GRH deficit targets.

TABLE 1. ORIGINAL AND REVISED DEFICIT TARGETS

[In billions of dollars]

Fiscal year	Original target	1987 revision	1990 revision	Revision in fiscal year 1993 budget
1986	171.9	....	....	....
1987	144	....	....	....
1988	108	144	....	....
1989	72	136	....	....
1990	36	100	....	....
1991	0	64	327	....
1992	....	28	317	....
1993	....	0	236	419.4
1994	....	....	102	304.9
1995	....	....	83	300.5

Note: The targets set in 1990 and revised subsequently, unlike the targets set in 1985 and revised in 1987, do not reflect the Social Security trust fund surpluses or the Postal Service.

The GRH Act is linked to the Congressional Budget Act of 1974 (P.L. 93–344, as amended), principally by the requirement in Section 606 of the 1974 Budget Act that budget resolutions not recommend deficits in excess of the GRH Act targets. Additionally, the unadjusted deficit targets and discretionary spending limits are set forth in Section 601(a) of the 1974 Budget Act.

During the period that the GRH Act has been in effect, sequestration has been triggered five times—once each for fiscal years 1986, 1988, and 1990, and twice for fiscal year 1991. The sequestration reductions made for fiscal year 1986 were voided by court action and later reaffirmed, the reductions for fiscal year 1988 were later rescinded, the reductions for fiscal year 1990 were modified substantially, and the reductions for fiscal year 1991 were applied in one instance to domestic discretionary programs and in another to international discretionary programs (the latter reductions were later rescinded). With regard to the other two fiscal years, sequestration was forestalled for fiscal year 1987 by the enactment of alternative deficit reduction measures and was avoided for fiscal year 1989 because the estimated deficit excess was less than the $10 billion margin-of-error amount.

During the period from fiscal year 1986 through fiscal year 1991 (when fixed deficit targets were in effect), the actual deficit exceeded the deficit target in the GRH Act (see Table 2). The overage ranged from about $6 billion for fiscal year 1987 to nearly $205 billion for fiscal year 1991.

TABLE 2.—ACTUAL DEFICIT COMPARED TO MAXIMUM DEFICIT AMOUNT: FISCAL YEAR 1986–1991

[In billions of dollars]

Fiscal year	Maximum deficit amount	Actual deficit	Actual deficit over target
1986	171.9	221.2	49.3
1987	144.0	149.8	5.8
1988	144.0	155.2	11.2
1989	136.0	153.5	17.5
1990	100.0	220.5	120.5
1991	64.0	268.7	204.7

Note: Deficit amounts are presented on a consolidated basis (including the transactions of off-budget entities—the Social Security trust funds and the Postal Service).

The major provisions of the Gramm-Rudman-Hollings Act and the 1974 Budget Act are codified in Titles 2 and 31 of the United States Code. The text of these laws is contained in publications of the House and Senate Budget Committees: (1) House Budget Committee, Congressional Budget and Impoundment Control Act of 1974 and Part C (and Sections 274 and 275) of the Balanced Budget and Emergency Deficit Control Act of 1985 and Subtitles C and E of Title XIII of the Budget Enforcement Act of 1990 as Amended Through December 31, 1990, committee print, serial no. CP–2, February 1991, and (2) Senate Budget Committee, Budget Process Law Annotated, committee print, S. Prt. 102–22, April 1991.

TEMPORARY INCREASE IN THE PUBLIC DEBT LIMIT (1979)

In 1979, Congress added two sections to a measure providing an increase in the debt limit (P.L. 96–5, Temporary Increase in the Public Debt Limit; 93 Stat. 8; April 2 1979). The provisions were intended to bring balanced budget proposals for fiscal year 1981 and 1982 before Congress for consideration by requiring both the Budget Committees and the President to submit them. Both sections were repealed on September 13, 1982, upon the enactment of P.L. 97–258, which recodified Title 31 of the United States Code (''Money and Finance'').

Budget Committee Reports.—The first provision, Section 5, required the House and Senate Budget Committees to report balanced budgets by April 15 of 1979, 1980, and 1981. Section 5 stated:

Congress shall balance the Federal budget. Pursuant to this mandate, the Budget Committees shall report, by April 15, 1979, a fiscal year budget for 1981 that shall be in balance, and also a fiscal year budget for 1982 that shall be in balance, and by April 15, 1980, a fiscal year budget for 1981 that shall be in balance and by April 15, 1981, a fiscal year budget for 1982 that shall be in balance; and the Budget Committees shall show the consequences of each budget on each budget function and on the economy, setting forth the effects on revenues, spending, employment, inflation, and national security.

1979 Reports. In 1979, the House Budget Committee complied with the requirement by issuing Toward a Balanced Budget: Report Pursuant to Public Law 96–5 (House Report 96–96, April 13, 1979, 102 pages) and a companion committee print that included majority and minority staff reports. The Committee reported the budget resolution for fiscal year 1980 (H. Con. Res. 107) the same day, but it did not include recommendations for fiscal years 1981 or 1982 (House Report 96–95, April 13, 1979)

The Senate Budget Committee reported two budget resolutions for fiscal year 1980 (Senate Report 96–68, April 12, 1979); both resolutions included recommendations for fiscal years 1981 and 1982. The principal budget resolution, S. Con. Res 22, proposed a surplus of $0.5 billion for fiscal year 1981 and $0.7 billion for fiscal year 1982. The second resolution, S.

[1] For a discussion of House and Senate action on this issue, see: (1) ''Congress and a Balanced Budget Amendment to the U.S. Constitution,'' by James V. Saturno, CRS Report 89–4 GOV, January 3, 1989, 19 pages; and (2) ''Balanced-Budget Amendment Fails in House; Act OK'd,'' by George Hager, Congressional Quarterly Weekly Reports, vol. 48, no. 29, July 21, 1990: 2284–2285.

Con. Res. 23, was referred to as the ''alternative congressional budget.'' It recommended a deficit of $18.2 billion for fiscal year 1981, but a surplus of $12.3 billion for fiscal year 1982.

The House and Senate agreed to a final version of H. Con. Res. 107 (the House adopted the Senate amendment of May 24, 1979) that recommended surpluses of $5.0 billion and $4.1 billion for fiscal years 1981 and 1982, respectively.

1980 Reports. In 1980, the House Budget Committee reported a budget resolution for fiscal year 1981 (H. Con. Res. 307, House Report 96–857, March 26, 1980) that recommended surpluses of $2.0 billion and $11.7 billion for fiscal years 1981 and 1982, respectively. The Senate Budget Committee reported a budget resolution (S. Con. Res. 86, Senate Report 96–654, April 9, 1980) that recommended a balanced budget for fiscal year 1981 (a deficit of zero) and a surplus of $10.0 billion for fiscal year 1982.

The final version of the budget resolution (H. Con. Res. 307) agreed to by the House and Senate (the Senate adopted the House amendment of June 12, 1980 to its amendment) recommended a surplus of $0.2 billion for fiscal year 1981. With respect to fiscal year 1982, the House recommended a surplus of $26.8 billion and the Senate recommended a surplus of $5.8 billion.

1981 Reports. In 1981, the House Budget Committee reported a budget resolution for fiscal year 1982 (H. Con. Res. 115, House Report 97–23, April 16, 1981) that recommended a deficit of $25.6 billion for that fiscal year, but a surplus of $25.8 billion by fiscal year 1984. The Senate Budget Committee reported a budget resolution (S. Con. Res. 19, Senate Report 97–49, May 1, 1981) that recommended a deficit of $48.8 billion for fiscal year 1982, but a balanced budget (a deficit of zero) for fiscal year 1984.

The House and Senate finally agreed on a budget resolution (H. Con. Res. 115, House Report 97–46, May 15, 1981) that recommended a deficit of $37.65 billion for fiscal year 1982, but a surplus of $1.05 billion for fiscal year 1984.

Alternate Budget Proposals of the President.—The second provision, Section 6, required the President to submit alternate proposals for a balanced budget if his budget submission for fiscal years 1981 or 1982 recommended a deficit for either fiscal year. Section 6 stated:

(a) If a budget which is transmitted by the President to the Congress under section 201 of the Budget and Accounting Act, 1921, would, if adopted, result in a deficit in fiscal year 1981 or in fiscal year 1982, the President shall also transmit alternate budget proposals which, if adopted, would not result in a deficit.

(b) Such alternate budget proposals shall be transmitted with the budget and, except as provided in subsection (c), shall be in such detail as the President determines necessary to carry out the purposes of this section.

(c) Alternate budget proposals for a fiscal year transmitted under subsection (a) shall include a clear and understandable explanation of specific differences between the budget and alternate budget proposals.

Fiscal Year 1981 Budget. President Carter submitted his budget for fiscal year 1981 to Congress on January 28, 1980. The President proposed a deficit for fiscal year 1981 of $15.8 billion and a surplus for fiscal year 1982 of $4.8 billion. The alternate proposals required by P.L. 96–5 were set forth on pages 319–326 of the budget and explored the impact of both $20 billion in revenue increases and spending reductions (including such options as a six-percent surtax on individual and corporate income, increased payroll taxes, the elimination of Federal pay raises, no real growth in defense, and holding cost-of-living increases in indexed programs to three-fourths of the increase in the Consumer Price Index).

On March 31, 1980, President Carter sent a package of budget revisions to Congress, calling for surpluses of $16.5 billion for fiscal year 1981 and $41.5 billion for fiscal year 1982.

Fiscal Year 1982 Budget. President Carter submitted his budget for fiscal year 1982 to Congress on January 15, 1981, shortly before leaving office. He proposed a deficit of $55.2 billion in fiscal year 1981 and $27.5 billion for fiscal year 1982. The alternate proposals required by P.L. 96–5 were included on pages 312–320 of the budget.

On March 10, 1981, President Reagan submitted to Congress revisions to the Carter budget for fiscal year 1982. The revised budget proposals recommended deficits for fiscal year 1981 and 1982 of $54.9 billion and $45.0 billion, respectively.

The actual deficits (on a consolidated basis) for fiscal years 1981 and 1982 were $79.0 billion and $128.0 billion, respectively.

BYRD AMENDMENT OF 1978

The ''Byrd Amendment,'' named for former Harry F. Byrd, Jr. of Virginia, was included in the Bretton Woods Agreements Amendments Act of 1978 (Section 7 of P.L. 95–435; 92 Stat. 1053; October 10, 1978). In its original form, the Byrd Amendment stated: ''Beginning with fiscal year 1981, the total budget outlays of the Federal Government shall not exceed its receipts.''

Two years later, the Byrd Amendment was modified by the Bretton Woods Agreements Amendment Act of 1980 (Section 3 of P.L. 96–389; 94 Stat. 1553; October 7, 1980) to read as follows: ''The Congress reaffirms its commitment that beginning with fiscal year 1981, the total outlays of the Federal Government shall not exceed its receipts.''

In 1982, as part of the recodification of Title 31 of the United States Code (P.L. 97–258; 96 Stat. 908; September 13, 1982), the Byrd Amendment was restated in its current form: ''Congress reaffirms its commitment that budget outlays of the United States Government for a fiscal year may not be more than the receipts of the Government for that year'' (see 31 U.S.C. 1103 (Budget Ceiling)).

HUMPHREY-HAWKINS ACT OF 1978

The Full Employment and Balanced Growth Act of 1978 (P.L. 95–523), commonly known as the Humphrey-Hawkins Act, included two provisions (in the form of amendments to the Employment Act of 1946) that pertain to the goal of a balanced Federal budget. First, Section 103(a) of the Act (92 Stat. 1892–1893) amended the required elements of the President's annual economic Report to Congress to include numerical goals for certain measurements of economic activity consistent with, among other things, a balanced Federal budget. The amended provision of the Employment Act of 1946 (15 U.S.C. 1022, Economic Report of the President) states in part:

The President shall transmit to the Congress during the first twenty days of each regular session * * * an economic report (hereinafter in this chapter referred to as the ''Economic Report'') together with the annual report of the Council of Economic Advisers, submitted in accord with section 1023(c) of this title, setting forth—

(2)(A) annual numerical goals for employment and unemployment, production, real income, productivity, Federal outlays as a proportion of gross national product, and prices for the calendar year in which the Economic Report is transmitted and for the following calendar year, designated as short-term goals, which shall be consistent with achieving as rapidly as feasible the goals of full employment and production, increased real income, balanced growth, fiscal policies that would establish the share of an expanding gross national product accounted for by Federal outlays at the lowest level consistent with national needs and priorities, *a balanced Federal budget,* adequate productivity growth, price stability, achievement of an improved trade balance, and proper attention to national priorities * * * [*Emphasis added;* other provisions relating to the Economic Report and the goal of obtaining a balanced Federal budget are contained in 15 U.S.C. 1022a and 1022b]

Second, Section 106 of the Act (92 Stat. 1895–1896) added a new section to the Employment Act of 1946 (15 U.S.C. 1022c, inclusion of Priority Policies and Programs in President's Budget), which states in part:

To contribute to the achievement of the goals under the Full Employment and Balanced Growth Act of 1978, the President's Budget for each fiscal year beginning after October 27, 1978, shall include priority policies and programs, which shall include, to the extent deemed appropriate by the President, consideration of the following—

(I) proper attention to balancing the Federal budget; * * *

REVENUE ACT OF 1978

The Revenue Act of 1978 (P.L. 95–600) called for a balanced budget in fiscal years 1982 and 1983. Section 3 of the Act (Policy With Respect to Additional Tax Reductions; 26 U.S.C. 1 note; 92 Stat. 2767), stated:

As a matter of national policy the rate of growth in Federal outlays, adjusted for inflation, should not exceed 1 percent per year between fiscal year 1979 and 1983; Federal outlays as a percentage of gross national product should decline to below 21 percent in fiscal year 1980, 20.5 percent in fiscal year 1981, 20 percent in fiscal year 1982 and 19.5 percent in fiscal year 1983; *and the Federal budget should be balanced in fiscal years 1982 and 1983.* If these conditions are met, it is the intention that the tax-writing committees of Congress will report legislation providing significant tax reductions for individuals to the extent that these reductions are justified in the light of prevailing and expected economic conditions. *[Emphasis added]*

REVENUE ACT OF 1964

The Revenue Act of 1964 (P.L. 88–272) included a statement that Congress' action on the measure was intended to bring about a balanced budget, although no reference was made to a specific fiscal year. Section 1 of the Act (Declaration by Congress; 78 Stat. 19), stated:

It is the sense of Congress that the tax reduction provided by this Act through stimulation of the economy, will, after a brief transitional period, raise (rather than lower) revenues and that such revenue increases should first be used to eliminate the deficits in the administrative budgets and then to reduce the public debt. To further the objective of obtaining balanced budgets in the near future, Congress by this action, recognizes the importance of taking all reasonable means to restrain Government spending and urges the President to declare his accord with this objective.

BUDGET AND ACCOUNTING ACT OF 1921

Section 202 of the Budget and Accounting Act of 1921 (P.L. 67–13; 42 Stat. 21; June 10, 1921) requires the President to make appropriate recommendations to Congress in the budget whenever the estimates of revenues and spending in the budget show a deficit or a surplus. In its original form, the section directed the President to recommend ''new taxes, loans, or other appropriate action'' to meet a projected deficit. When the section was restated in the 1982 recodification of

Title 31 of the United States Code, the specific reference to new taxes and loans was removed. In its current form (31 U.S.C. 1105(c)), the section states:

The President shall recommend in the budget appropriate action to meet an estimated deficiency when the estimated receipts for the fiscal year for which the budget is submitted (under laws in effect when the budget is submitted) and the estimated amounts in the Treasury at the end of the current fiscal year available for expenditure in the fiscal year for which the budget is submitted, are less than the estimated expenditures for that year. The President shall make recommendations required by the public interest when the estimated receipts and estimated amounts in the Treasury are more than the estimated expenditures.

Mr. LEAHY. Mr. President, I am proud of the action taken by the Senate today. This vote was what serving in the Senate is really about—having the courage to do what is right, refusing to pass the buck to the States, standing up to special interest groups and voting our conscience. Once it become obvious that proponents of this constitutional amendment planned to use the annual surpluses in the Social Security trust fund to mask the true deficit, the so-called balanced budget amendment was doomed.

If this vote had been a secret ballot, it would have been lucky to get 40 votes. This is a lesson in why you don't amend the Constitution by taking a poll.

I have commended many of my colleagues for voting against the so-called balanced budget amendment. In particular, I believe that the senior Senator from West Virginia [Mr. BYRD] and the senior Senator from Oregon [Mr. HATFIELD] should be commended. They were true profiles in courage and the country is indebted for their courageous leadership.

THE PROPOSED CONSTITUTIONAL AMENDMENT REQUIRING A BALANCED BUDGET

Mr. ROCKEFELLER. Mr. President, this has been a historic day in the U.S. Congress. This afternoon, each of us casted our vote on whether to attach an amendment to the U.S. Constitution that would require in the strictest possible terms a balanced Federal budget in the next 7 years. And I joined my fellow and senior Senator from West Virginia, Senator BYRD, who led a serious and important battle against the amendment, in voting against this idea. I voted to defend West Virginians from the flaws and dangers of this amendment, and to help ensure that our State is not forced once again to pay the costs of others' political agendas, past mistakes, and potential for reckless harm.

Today's vote was another victory for the idea that promises like Social Security should be kept. That Congress should focus on making real choices and setting priorities in dealing with the Federal Government's budget, instead of using the Constitution to blindly do the job.

I have no doubt this idea for a constitutional amendment will be pushed again. For that reason, I want to outline my concerns again.

This proposed constitutional amendment will affect the lives of every single West Virginian, and every single American—children, parents, and grandparents; seniors, workers, and students; our large and small businesses, and all their workers; the poor and the disabled—everyone. So it is critical that we fully understand what it proposes to do and how it will work.

I suggest that we all have to be able to answer a few key questions: First, can the constitutional balanced budget amendment accomplish its goal of bringing the deficit down to zero in 7 years? Second, how it will accomplish that goal? And third, what are the consequences of moving to a zero deficit over a short period of time? Who will sacrifice, what programs will be cut, what programs will be spared?

In short, who wins and who loses? That's what West Virginians tell me they want to know about the balanced budget amendment. They're willing to participate in a national crusade to get the deficit down—they supported the significant downpayment we made on reducing the deficit in 1993. As always, West Virginians are willing to do their fair share—but they want to know what that share will be. They want to know up front. And so do I. Before I give you my best answers to those three key questions, I want to note why the answers to these questions are essential.

West Virginia has been told to trust Washington's promises about balancing the budget and cutting taxes in the past, as recently as the early 1980's. We didn't have the say in the matter then, and we were devastated. we don't want to let that happen again. We remember very well what happens when the Federal Government claims it can reduce its own costs, and then ignores the costs it foists onto the States.

I remember well because I was Governor of West Virginia, when all too similar promises were made. I watched Congress promise to balance the budget while cutting taxes. I saw what happened in living Color. West Virginia's plants shut down and threw working families into foreclosures and bankruptcies. Our kids were forced to drop out of college because tuition money had to go to their families' mortgage payments and medical expenses. Our senior citizens had to keep their thermostats at 58 degrees because they could not afford heating oil. When I say I want to see the hidden details of this balanced budget amendment, it is not a political ploy or out of intellectual curiosity.

It is because I have a contract with West Virginia. This time around I am here in Congress, not working in the State House, and I insist that West Virginia be told how this is going to be done. I insist on behalf of the residents of West Virginia. West Virginians take their right to know so seriously that the West Virginia Legislature passed a bipartisan resolution on February 14, 1995, reaffirming the importance of their right to know the details of the balanced budget amendment.

The West Virginia resolution urged Congress to submit:

[A] Balanced Budget Constitutional Amendment to the States for ratification only if Congress provides a detailed projection of what reductions will be made in the Federal budget and how these will affect the government and people of West Virginia, including, but not limited to, the effect on Social Security benefits, Medicare, Medicaid, education, highway moneys, including completion of the Appalachian corridor system, and other programs necessary to the health and well-being of the people of our State.

It's that simple. If you don't tell me how reaching a balanced budget is going to be achieved so I can share that information with West Virginia, you won't have my vote.

Democrats proposed just such an amendment. This amendment, the citizens' right to know amendment, would have given the States and their residents the right to know how we intend to reach a zero deficit by 2002. This improvement was offered by Senator DASCHLE on behalf of our Democratic Senate colleagues. It was summarily rejected, mostly on party lines, early in the debate on the balanced budget amendment.

I am both shocked and disappointed that a majority of Members serving in the U.S. Senate chose to deny the people whom they represent the right-to-know what it would take to reach a balanced budget. And I am forced to conclude what a number of Republican leaders have stated publicly is the case, they believe that if the people knew what it would take to balance the budget—they might not support the constitutional amendment.

The Senate also considered a proposed revision to this constitutional amendment to protect Social Security's trust funds. I voted for that idea, and watched my colleagues in support of the amendment proceed to vote to not protect Social Security. How can West Virginians—working people and seniors—trust their elected officials when they pay into a trust fund that's supposed to be dedicated only to Social Security, and see this rejection of the idea of keeping that promise. The failure of this constitutional amendment to protect Social Security is a reason alone to reject it.

In fact, surveys of public opinion show over and over again that support for this amendment plummets to 32 percent when they learn that Social Security could be cut. I want to be clear. The constitutional amendment before the Senate today could lead to cuts in Social Security, and if it had prevailed, I am sure it would result in cuts in Social Security.

Having said that, let us turn to the key questions: Can the amendment do what its exponents claim and how, and what does that mean?

Question 1—Can the constitutional amendment achieve a balanced budget by 2002?

A careful reading of the actual legislative language of the balanced budget amendment makes clear the amendment alone will do nothing to balance our budget. It will not make us any smarter or wiser, or fairer when it comes time to proceed with the actual budget bills required to make tangible progress toward deficit reduction.

This Congress does not need a constitutional amendment to perform its job of deficit reduction and fiscal prudence. Nothing in this provides Congress with any new authority to reduce the deficit, make tough budget cuts, or increase revenues. What the amendment says is that the Constitution requires Congress to balance the budget—and little more. Provisions are included which permit waiving the balanced budget requirements, but they have extraordinary hurdles attached to them in the form of supermajority rollcall votes. Other unprecedented provisions in this amendment would rewrite our Constitution's system of checks and balances, in addition to the provisions which upset the fundamental principles of majority rule.

The amendment does not lay out explicit definitions of what should or should not be counted in tallying up the deficit, or reducing it. It doesn't protect any program, not Social Security, not Medicare, not defense, not veterans, not children's programs, not disaster aid.

Congress already has the power to reduce the deficit. It doesn't need the algebra of fiscal policy written into the Constitution to do its job. And some of us in Congress, myself and my fellow West Virginian, the great Senator BYRD included, have stepped up to the plate and helped reduce the deficit. Congress has proven it can reduce the deficit on its own. We proved that in 1993 during the budget reconciliation debate—and we should all learn from that lesson. That congressional budget resolution, not a constitutional dictate, reduced the deficit. And Congress can and should reduce the deficit again. We should make our choices about how to do it prudently. We should take into consideration the benefits provided by certain Government programs and services, from Medicare to veterans benefits to public health programs to environmental protection. But continue on the path of deficit reduction we can and must.

In 1993, when the Vice President had to cast the final Senate vote for the President's budget to put us over the edge and ensure we made a sizeble downpayment on the deficit, Democrats voted to streamline and cut popular Federal programs, to ask individual Americans to contribute to our national effort to reduce the deficit, and to increase Federal revenues where appropriate.

That vote was about real deficit reduction—not a popular gimmick, not a quick constitutional fix that pretends to reduce the deficit, but is nothing more than a soundbyte so we can say we've resolved to get our financial house in order.

Should a balanced budget amendment pass this year, the national deficit for 1995 will be exactly the same tomorrow as it is today, even if this constitutional balanced budget amendment were to pass overwhelmingly. That fact seems to have been obscured by much of the talk surrounding this amendment.

The truth is that those who believe we need to start making the tough choices about how to reduce the deficit won't find any tough choices in the actual amendment. Indeed, I would argue that this amendment is an easy way out—it allows Members to declare their support for a balanced budget amendment, and lets them avoid the question of how we're going to do it. That's a copout in my book. And it is a huge step backward from the progress we made under the administration's 1993 budget that put us on the path to a reduced deficit with explicit, program-by-program cuts.

A specific budget plan that details how we will achieve a balanced budget is the only real way to reduce the deficit and balance the budget—with or without this constitutional amendment. We have seen no such plan from the Republican majority during the debate of this amendment, although the new majority leader has shared his speculation about the level of some cuts which might be necessary with some news organizations.

Just this week, the new chairman of the Finance Committee, Senator PACKWOOD, has speculated what kind of cuts would be necessary out of the health care programs for the elderly and disabled, and for poor children and pregnant women—$250 billion out of Medicare and Medicaid over the next 5 years, and some $400 billion over the full 7-year timeframe to reach balance. That's late breaking news from some of the Republican leaders and it raises real questions about why we have been provided with so little in terms of hard numbers to date.

I know West Virginia seniors, rural hospitals, the disabled, and doctors who care for Medicare and Medicaid patients will be significantly affected by the unprecedented cuts described by Senator PACKWOOD. But even as the new congressional leadership begins to give us real numbers about what will be required of certain programs—I have heard very little about how they are going to make those cuts—which providers' rates will be cuts, how much more seniors will pay out-of-pocket, if children can still count on receiving basic health care services, and so on. The lack of details has been astounding.

Question 2—How will we achieve the goal of a balanced budget in 7 years?

My answer to question 1 was that the constitutional amendment would not, of and unto itself, balance the budget. It merely says we have to do it. The only answer I can offer to question 2 is those in control of the numbers haven't told us how they will achieve the goal. They just say they will. They say ''trust us.'' That is it. Thats all the detail you get from the amendment.

True, by thinking about the basic components of the Federal budget, you can start figuring out what programs will take major hits under a balanced budget amendment—the health programs, Medicare and Medicaid, Social Security if Congress reneges on its ephemeral promise to protect it. Even the staff of the Republican chairman of the Budget Committee, Senator DOMENICI's staff, has concluded that over $664 billion in cuts will be required in non-Social Security, non-defense mandatory entitlement programs to reach a zero deficit by the year 2002. That's nearly $100 billion in cuts every year if you spread it out. But they will not tell you how.

I want to take a moment to explain a couple of very important amendments to the balanced budget resolution, and my views of them. You will recall that the Democratic amendment to exempt the Social Security Program from the calculations of the constitutional balanced budget amendment was rejected by a majority of Members. I voted for that initial amendment to protect Social Security because I saw it as a way to protect Social Security—and other—people from unfair harm, from broken promises, and for the sound financial reason that Social Security has not contributed to our deficit problems. It is a trust fund.

During the amendment process, I also voted for additional protections for other vital programs as well, but that approach to protecting certain populations from the ravages of the balanced budget amendment failed.

Recognizing that a series of those protective amendments failed to win passage, I could not vote for the substitute balanced budget amendment offered by Senator FEINSTEIN. The amendment has the laudable goal of, once again, attempting to protect Social Security beneficiaries as I voted to do earlier in this process, but it still would have required a balanced budget in a 7-year timeframe. This amendment would still put a straitjacket on the country's economic and budget policy, it could still cause the devastating effects that the main proposal before us poses for West Virginians and the rest of Americans. It still could turn a period of high unemployment into a recession. In protecting Social Security, but serving as the same speeding train, the Feinstein amendment might also mow down benefits for war-injured veterans, Medicare payments that rural hospitals depend on to survive, the programs that help create jobs in our communities, funds for our schools. Had the Feinstein amendment prevailed, it would have forced even more draconian cuts in services and benefits where they shouldn't be made. You can be sure that I will fight as hard as anyone to protect Social Security, but slapping a balanced budget amendment onto the Constitution is not the way to do that.

Many Members also claim they want to protect defense from cuts as a result of the balanced budget, but haven't made any hard promises that they will do it. Other programs like veterans compensation and health care were not protected during the amendment process either—despite my offering what I believe to be a very surgical way to protect a special category of particularly needy and deserving veterans. It failed. Veterans have no guarantees that they are safe from the balanced budget's requirements for cuts.

And that leads us to question three.

Question 3—What are the consequences for our families, for our businesses, and for our States, of balancing the budget in 7 years?

Even if one accepts the lack of specific information regarding how we would actually reach a balanced budget, one of the things Congress is always responsible for doing is assessing the consequences of our actions. That's impossible to do without the detailed plan or road map of how we are going to get from here to there.

The amendment itself has been the subject of serious debate over the last few weeks in the U.S. Senate. Much of that debate has been a direct result of the tremendous effort and careful analysis of the senior Senator from West Virginia, ROBERT C. BYRD—we all owe him a debt of gratitude for the numerous illuminations he has provided. And I thank each of my colleagues for their various contributions and commentary on a whole list of amendments which have been offered as modifications to the amendment. I would like to be able to point to a single strengthening amendment beyond the limitation of how the courts can intervene in setting our budgetary and tax policies, but cannot.

But I do honestly believe that the Senate has come to understand what is decipherable from the text of the amendment, and the intent of its proponents, because of this debate—even though we have not been provided the critical road map which would show us how we would achieve the balance of the Federal budget. What we do know about how this amendment would work is troubling to me as well.

It astounds me to see Senators voting for this amendment without knowing how this amendment affects their States and our citizens, how vulnerable populations like children and seniors would fare under this amendment. I believe the citizens of West Virginia deserve to know how this amendment will affect their daily lives, the safety of the water they drink, the quality of the air they breathe, the health care services they need, the student loans their children need to make college affordable, and the roads which they drive on to get to and from work every day.

They deserve to know how this amendment will affect the basics of their daily lives—and because the majority voted down the right to know amendment offered by the minority leader they will not know. They cannot know because Congress does not know. All Congress knows is the amendment will constitutionally mandate us to find a way to make sure we do not spend any more than we take in every year—that's the only assurance in the entire amendment—every other provision is a maybe.

The cost-shifting that the balanced budget would cause to families and businesses in my State of West Virginia and in every State is mammoth. Statistics compiled by the Treasury Department, by the respected Wharton School, and by the Center for Budget and Policy Priorities, among others, give us a picture of how the amendment will affect our citizens even in the absence of detailed numbers, and program by program explanations.

The different analyses I have seen tell us that under the balanced budget amendment, in West Virginia, 22,000 jobs will be lost, personal income will drop, health care services will be limited, and State and local taxes will have to be increased by over 20 percent to compensate for lost Federal dollars.

The studies show that the State of West Virginia would have to raise its State and local taxes 20.6 percent across the board to compensate for the funds it would lose under the balanced budget amendment; that 22,000 jobs are projected to be lost in West Virginia as a result of the balanced budget amendment (in 2003); that personal income in West Virginia is projected to drop by 8 percent as a result of the balanced budget amendment (in 2003); that the balanced budget amendment and the House contract's fiscal agenda would result in a loss of $96 million in Federal grants in 1996—which is $53 per resident.

West Virginia would lose $322 million in 1998, $175 per resident of West Virginia.

West Virginia would lose $841 million in 2002, $457 per person in West Virginia.

West Virginia Medicare benefits would be cut by $824 million per year (by the year 2002), and total over $3 billion cumulatively.

West Virginia Medicaid funding would be cut by $488 million per year (by the year 2002).

Those projections provide a pretty stark picture of the consequences of this amendment. They tell me I cannot support this balanced budget amendment. And they raise a whole lot of additional questions about how this amendment will affect our national economy. How will the amendment affect West Virginia's economic recovery, and the economic future of our States? How will our most vulnerable populations fare under the amendment? How will defense be treated in the process? What kind of cuts, reforms, or increased revenues are necessary to take us from today's deficit, (which has steadily been reduced over the last 3 years for the first time since Harry Truman was President due to Democratic budget initiatives), to a zero deficit and how will we maintain that during natural disasters, recessions, or national security threats? How will we get from here to there?

These are more of the kind of questions that West Virginians have called my office asking me and my staff. These are the kind of questions I want hard answers to before I vote in favor of any balanced budget amendment. Because this is such a serious matter, amending the document which enshrines our Nation's guiding principles and which is our Nation's organic law, I would like to list a series of additional concerns about the amendment which the Senate debate of recent weeks has only served to highlight.

In some cases, we have had assurances from the amendments' proponents that some of these concerns will be met in implementing legislation, or because there is strong support for certain programs. But West Virginians have no guarantee of anything under this amendment. I cannot cast my vote on a constitutional amendment based on personal assurances of Members, even those from Members for whom I have the utmost regard. I have to cast my vote based on the actual language of the constitutional amendment and it remains deeply troubling to me.

First, I reiterate, nothing in the balanced budget amendment makes government more efficient, less wasteful, or stops unnecessary spending. Only specific legislation, like the President's own deficit reduction initiative, which passed without a solitary Republican vote, can do that. The debate makes it sound like this amendment is a magic bullet to our perplexing budget dilemmas.

Second, this amendment would result in big increases in State and local taxes. One Governor concludes that without seeing the plan for how balancing the budget will be accomplished, this amendment should be considered a vote to raise State and local taxes. He dubbed the existing amendment a ''trickle down tax increase''.

Third, the balanced budget amendment is bad economic policy. Basic economics tells us the size of the deficit is directly related to the health of the economy. The deficit rises when the economy weakens—but temporary increases in the deficit act as automatic economic stabilizers. When family and business incomes decline, their tax liabilities decline more than proportionately. The resulting deficit means the government is paying out more than it takes in, counterbalancing the fall in the economy. This is true on the spending side as well. For example, when workers lose their jobs, higher outlays for unemployment, Medicaid, and other programs help fill the gap in family budgets, and in overall economic activity, until the economy or people's individual situations improve. If a balanced budget were required every year, that cushioning effect would not be there.

A balanced budget amendment would force us to cut spending or raise taxes to eliminate increases in the deficit caused by a slowing economy. Our fiscal policies would make the natural swings in the economy more pronounced—recessions will be deeper and longer.

The proposed super-majority vote that would permit a deficit to exist during times of economic weakness is ineffective. Congress would have to be more prescient than private sector forecasters in order to develop the needed consensus to waive the strict balanced budget requirement.

Fourth, the amendment does not adequately address how it will be enforced—making it either unenforceable or turning over enforcement to the courts or the President. The amendment would fundamentally restructure the balance of power set forth in the Constitution and could still empower unelected judges to raise taxes or cut spending, despite a restriction placed on the courts in an amendment offered by Senator NUNN in the closing moments of this debate. If the amendment were deemed unenforceable, respect for the Constitution would be severely diminished and rule of law would be undermined.

The question of who will enforce this amendment has not been adequately answered by its proponents. Will it be the courts or the President—or is it intended not to be enforceable? Placing an unenforceable amendment in our Nation's charter would result in countless constitutional violations and make all other constitutional rights, by extension, violable as well.

Judicial involvement in the budgetary process would be unprecedented, even for declaratory judgments, and yet the balanced budget amendment significantly increases judicial authority. Under this amendment, judges may be the ones asked to make the hard choices about that the Congress is accountable for making today—and I strongly believe judges lack the institutional capacity to make those decisions. It's wholly inappropriate to shift that duty to them.

The Constitution's decision to give the ''power of the purse'' to the legislature was not made lightly. This amendment could transfer some of that power to the courts.

Fifth, rules for fiscal policy should not be written into the Constitution. The Constitution is a miraculous document precisely because it establishes transcendent national ideals and freedoms and the structure of our Government, without micromanaging its performance. It sets individual rights and creates a system of separation of powers, our checks and balances, which protect against any one branch of government becoming too powerful.

Fiscal policies respond to current economic conditions and the structure of the economy—those conditions and structures are constantly changing and should not be restricted to today's needs. Fiscal policy should reflect a constantly changing economic environment, not written in stone in the Constitution.

Sixth, the amendment violates the our traditionally democratic principle of majority rule. The amendment requires a three-fifths supermajority vote to pass a law that allows deficit spending or a debt increase. For more than two centuries, the Constitution has only required a supermajority vote for measures vetoed by the President. Giving a minority the power to absolutely block legislative action would be an unprecedented undermining of majority rule. The wholesale transfer of power from the majority to the minority in cases where there is a recession, need to respond to an international or natural crisis, or to extend the Treasury's ability to borrow to pay the government's bills should not be permitted.

Seventh, the balanced budget amendment will create uncertainty about the reliability of government services and obligations. There is a real practical difficulty in insuring the government's budget is balanced every year. If estimates are inaccurate (as they can very well be) and mid-year revised projections show a deficit by year's end—where will the money to compensate for the deficit come from? Interest payments can't be defaulted on, cutting entitlement programs like Medicare with millions of beneficiaries count on would be extremely unpopular, especially in the circumstance that there is very little notice—which means discretionary programs would probably take the mid-year hit. Discretionary programs like student loans could be totally shut down.

In sum, this constitutional amendment is the most expansive amendment to our Constitution brought to a vote in both Houses in the last 206 years. The amendment is almost as long as the entire Bill of Rights, and it would embed fiscal policy in our Constitution. It's called the balanced budget amendment but does nothing more than say we should balance the budget—the amendment is misnamed, it should be called the ''Let's Use the Constitution to Promise We Will Balance the Budget Amendment.''

When the rhetoric of the virtues of financial responsibility or balance has to be translated into action which will cut the deficit, it will mean across the board cuts in programs which millions of Americans rely on for their health care and nutritional needs, to help send their children to college, to improve their highways and bridges, and to protect our environment. It dodges the toughest questions of how we can get our national health care costs, private and public, under control—and that is both a fundamental flaw of this amendment and a disgrace. In my judgment it will hurt West Virginians and have the harshest effect on the most vulnerable people in my State and in our country. I cannot in good conscience vote for this amendment.

But I can, and will, continue my efforts to reduce the deficit, and to make government programs more responsive to those they serve, and to eliminate duplication and waste as we strive to make government leaner and more efficient, and to manage the costs of priority government programs. A lion's share of that work will be in finally dealing with health care costs and access problems that we failed to address, in part, because the importance of comprehensive health care reform to getting our national deficit under control was not sufficiently understood.

I will continue to be willing to stand up and cast the tough votes if they are necessary to improve our Nation's overall economic health. But I cannot vote for this amendment because my constituents have been denied the basic information about how this amendment would affect their daily lives. In the absence of real information of its consequences, I have had to piece together the effects based on common sense assumptions of what will happen. I am dismayed that there has been a almost uniform refusal to improve this amendment to address the real concerns which have been raised.

It seems appropriate to reflect upon the words of our Founders. I close with the words of Thomas Jefferson who drafted the venerable Constitution which this amendment proposes to radically alter. Thomas Jefferson said:

> I know of no safe depository of the ultimate powers of society but the people themselves; and if we think them not enlightened enough to exercise their control with a wholesome discretion, the remedy is not to take it from them, but to inform their discretion.

That is a perpetual responsibility of Congress and the business we should be getting about today.

THE 159TH ANNIVERSARY OF THE INDEPENDENCE OF TEXAS

Mrs. HUTCHISON. Mr. President, I think the relevance of what I am going to talk about today will be brought into what has just happened. The historic opportunity that we had that was missed actually falls on the 159th anniversary of the independence of Texas.

One of my predecessors in this Chamber, Sam Houston, led the Texas army to victory at San Jacinto on March 2, 1836, his birthday.

Today, Texans everywhere celebrate that historic victory, and now that we have joined ranks in the United States, we invite all to join us in honoring the victory at San Jacinto.

Texans also remember on this day the soldiers who did not live to see that