June 4, 1992

SOLVING THE FEDERAL SPENDING CRISIS WITH A BALANCED BUDGET AMENDMENT

Daniel J. Mitchell
John M. Olin Fellow

INTRODUCTION

Congress soon will vote on an amendment to the Constitution requiring that the federal government balance its budget each year. Unlike previous efforts to enact such an amendment, which failed to gain approval in Congress, supporters are confident that they have the two-thirds majority support needed in each chamber to send an amendment to the states for ratification.

Opinion polls over the past decade have found that the overwhelming majority of Americans favor a balanced budget amendment as a means of controlling the size of the federal government. Yet this goal will not necessarily be achieved unless the amendment explicitly restricts government spending. If the amendment only requires a balanced budget, lawmakers could evade tough decisions on spending priorities by raising taxes. Firm language either limiting taxes or capping total spending thus is needed to guarantee that a balanced budget requirement does not degenerate into an annual excuse to raise taxes.

A balanced budget amendment will improve America's economic performance only if the amendment results in smaller government. A well-crafted balanced budget amendment, one that forces lawmakers to restrain the growth of federal spending, will reduce the amount of the economy's output taken by government. By leaving more resources in the productive, private sector of the economy, a properly written balanced budget amendment will stimulate job creation and raise living standards for Americans.

There are two ways of crafting such an amendment.

Option #1: The amendment can specify a limit on total federal spending as a percentage of gross national product (GNP). House Joint Resolution 143, introduced by Representative Jon Kyl, the Arizona Republican, contains such a provision. Unlike a "simple" balanced budget amendment, an amendment with a spending limit removes the incentive to increase taxes, since additional revenues could not be used to raise spending above the constitutional limit.

Option #2: A balanced budget amendment can include a tax limitation provision. Senate Joint Resolution 182, proposed by Robert Kasten, the Wisconsin Republican, and House Joint Resolution 248, sponsored by Representative Joe Barton, the Texas Republican, and Representative Billy Tauzin, the Louisiana Democrat, both contain language requiring a three-fifths "supermajority" in each chamber to raise taxes. Under this option, the extra votes needed to raise taxes, combined with the balanced budget requirement, would in practice force Congress to exercise greater control on federal spending.

Unfortunately, the proposed balanced budget amendments with the most co-sponsors in each House of Congress do not include such provisions to control the amount of federal spending. House Joint Resolution 290, sponsored by Charles Stenholm, the Texas Democrat, and Senate Joint Resolution 18, sponsored by Paul Simon, the Illinois Democrat, each lacks effective tax or spending control language.

Nevertheless, even a watered-down amendment, such as those authored by Stenholm and Simon, would be better than no balanced budget amendment at all. If politicians sought to raise taxes as the way to comply with the amendment, as likely would happen under the Stenholm and Simon versions, opposition from American taxpayers probably would create a hostile atmosphere to tax hikes and force lawmakers to take action to trim at least some of the fat from the federal budget and to set more acceptable spending priorities.

Anything short of a constitutional amendment is not likely to succeed in solving the federal spending crisis. Even legislation which restricts the growth of federal spending, such as the 1985 Gramm-Rudman-Hollings Deficit Reduction Act, proved imperfect since Congress has the authority to repeal legislation when it restricts their appetite for more spending. Only an amendment provides the ironclad discipline needed to impose fiscal responsibility.

WHY CONSTITUTIONAL REFORM IS NEEDED

The fiscal year 1992 federal budget is a record $1.475 trillion. Nearly $400 billion of this is to be financed by government borrowing, up from $150 billion as recently as 1989. The combination of record spending and record deficits underscores the need for a strong balanced budget amendment. Federal lawmakers have demonstrated year after year that despite all their promises, they are unwilling or unable to resist demands for more spending from special interest groups.

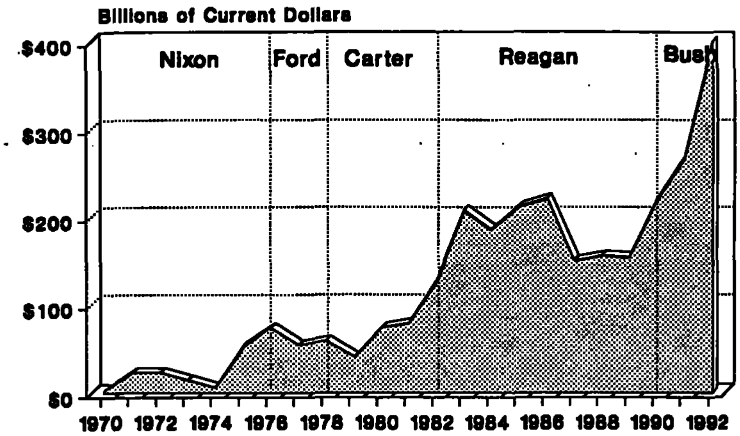
The last time the federal budget was in balance was 1969. Since that year, deficit spending has added $2.8 trillion to America's national debt, accounting for nearly 90 percent of today's total debt.[1]

1 The "publicly held" debt is the most appropriate measure of how much federal borrowing affects the economy. This represents the accumulation of past deficit spending, and will exceed $3 trillion by the end of 1992, according to Office of Management and Budget estimates. The gross federal debt, which includes government debt in federal government accounts such as the Social Security Trust Fund, is projected to reach $4 trillion before the year is over. The additional $1 trillion figure is simply money the government owes itself under the bookkeeping schemes set up for various pension and trust fund accounts. This figure has little economic significance beyond representing such

Twenty-three years of deficit spending are responsible for about $180 billion of the nearly $200 billion in interest payments that will be paid this year on the national debt. And while opponents of a balanced budget amendment say the national debt is of little importance, that it is simply money we owe ourselves, interest payments this year on the national debt will amount to more than $3,300 for every family of four in America.

Chart 1

Annual Federal Deficits: 1970-1992



Note: Data are for fiscal years. 1992 figure estimated. A President's budget record starts with the fiscal year following his inauguration. The budget for FY 1981, for example, was signed by President Carter in the fall of 1980.

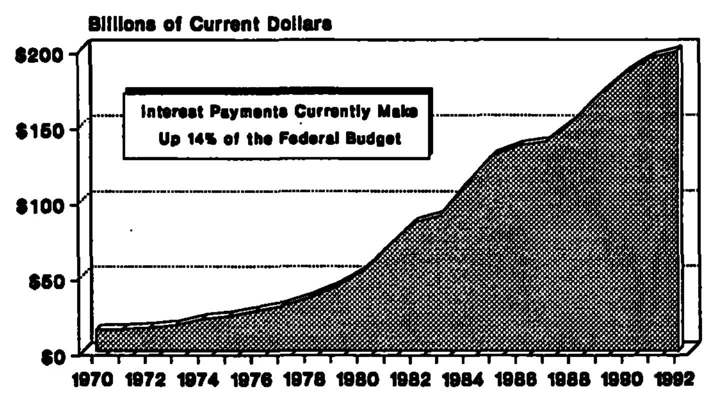
Source: *Budget of the U.S. Government, FY 1993.* Heritage DataChart

Every dollar of deficit spending places a financial burden upon future generations. It is the children and grandchildren of today's taxpayers who will bear the burden for this profligacy, just as the $200 billion of net interest payments in this year's budget are the price Americans are paying for excessive federal spending in the past. As long as deficits grow unchecked, interest payments will consume ever growing percentages of future budgets, a burden that will be borne by tomorrow's taxpayers.

While fairness to future generations should be a sufficient argument against deficit spending, there is a more immediate reason to balance the budget. The ability to engage in deficit spending, and thus pass on the cost of programs to future generations, allows lawmakers to spend more money—which means dollars are denied to the private sector. And just as taxes reduce economic growth by reducing incentives to produce goods and create jobs, government borrowing dampens economic growth by forcing interest rates up slightly and supplanting the borrowing desires of consumers, homeowners, and investors. A balanced budget amend-

Chart 2

Federal Interest Payments on the National Debt



Note: Data are for fiscal years. 1992 figure estimated.

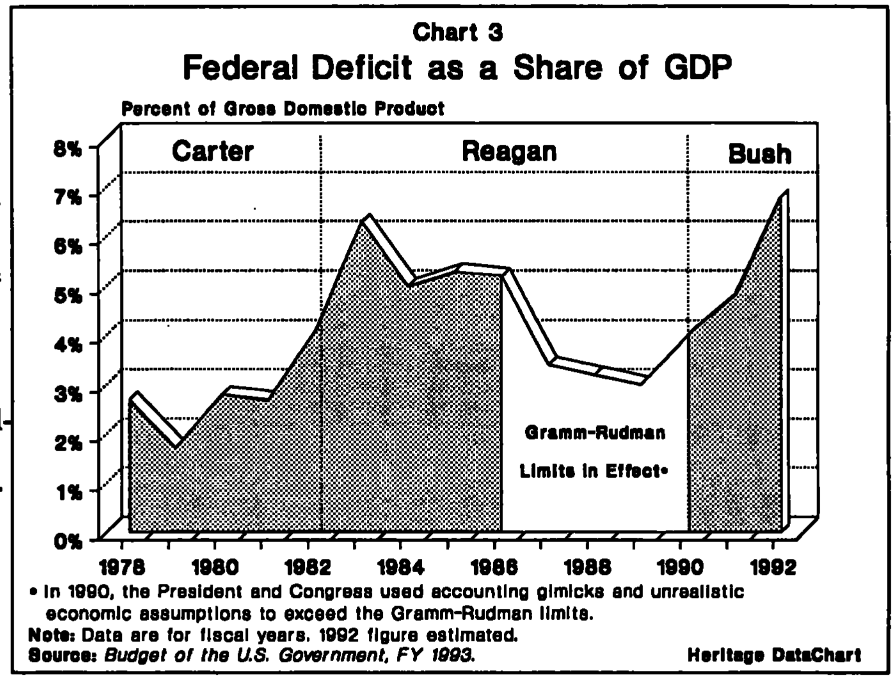
Source: *Budget of the U.S. Government, FY 1993.* Heritage DataChart

things as excess Social Security revenues that already have been spent on other government programs.

ment halts this pattern. An amendment prohibits government borrowing as a means of financing government spending, and—assuming there is a constitutional or political brake on new taxes—increases economic growth by reducing the overall burden of federal spending.

THE GROWING PROBLEM OF DEFICIT SPENDING

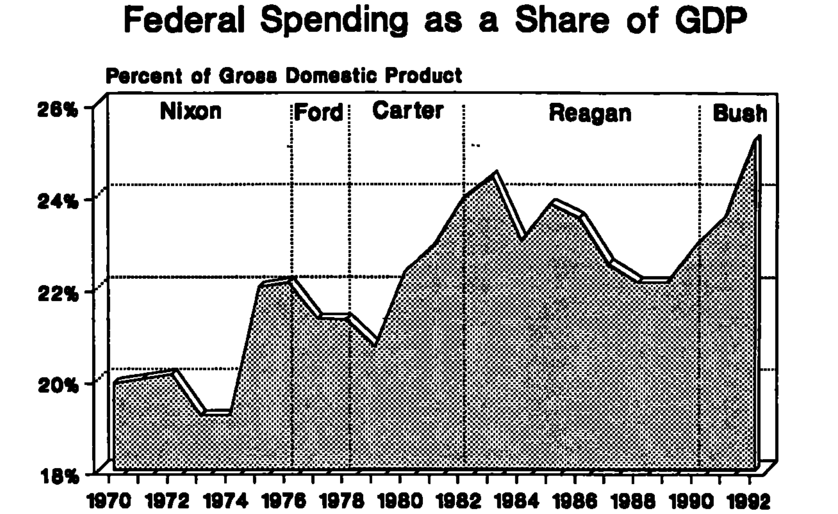
For much of America's history, a balanced budget amendment would have been an unnecessary addition to the Constitution. The reason: The federal government operated in deficit only during wars or serious economic downturns. Usually the government ran a budget surplus, as policy makers felt morally obliged to pay off debts incurred in the past. Beginning in the mid-1960s, however, this unwritten balanced budget consensus began to break down. This breakdown was in large part due to the popularity of now-discredited economic theories, especially that of the British thinker John Maynard Keynes, which argued that deficit spending was somehow good for the economy—indeed the key to fast economic growth. Politicians understandably seized upon these theories to justify spending programs designed to funnel money to their constituents and to powerful interest groups without the need to raise taxes.



The erosion of fiscal responsibility in the 1960s had an immediate impact. Rapidly escalating federal spending on Great Society welfare programs, particularly under Richard Nixon and Gerald Ford, soon pushed the deficit to then-record levels. Indeed, as a percentage of gross domestic product (GDP), the federal deficit was higher in 1975 and 1976 than in all but the first fiscal year of Ronald Reagan's second term. The deficit declined slightly between 1976 and 1979, but progress was brief. It began to rise sharply once again in the latter years of the Carter Administration, as large increases in federal spending pushed up federal borrowing. The rising deficit in these years was especially alarming, since the tax burden simultaneously was increasing, largely as a result of inflation-induced bracket creep. The surge in federal spending unleashed during the Carter Administration continued into the early Reagan years. All told, federal spending jumped from 20.7 percent of GDP in 1979 to 24.4 percent of GDP in 1983.

In combination with a temporary drop in tax revenue during the 1981-1982 recession, this four-year spending expansion pushed the deficit over the $200 billion mark in 1983, consuming what was then a peacetime record of 6.3 percent of GDP. Once the strong economic expansion of the 1980s began, however, the deficit began slowly to shrink. Increased economic activity and job creation meant higher personal and business incomes. This in turn led to record increases in tax collections—even though tax rates were sharply lowered by the Economic Recovery Tax Act enacted in 1981.

Chart 4



Note: Data are for fiscal years. 1992 figure estimated.
Source: *Budget of the U.S. Government, FY 1993.*

The deficit did not fall sharply, however, until the passage of the Gramm-Rudman-Hollings Deficit Reduction Act in 1985.[2] Gramm-Rudman never worked as well as its supporters hoped—and critics feared—but the growth rate of federal spending was cut by more than half while the law was in effect, even after adjusting for inflation. This mild clampdown on spending paid big dividends in deficit reduction, with red ink consuming a smaller percentage of GDP in every successive year during Ronald Reagan's second term. By Reagan's last fiscal year, the budget deficit was down to 3.0 percent of GDP.

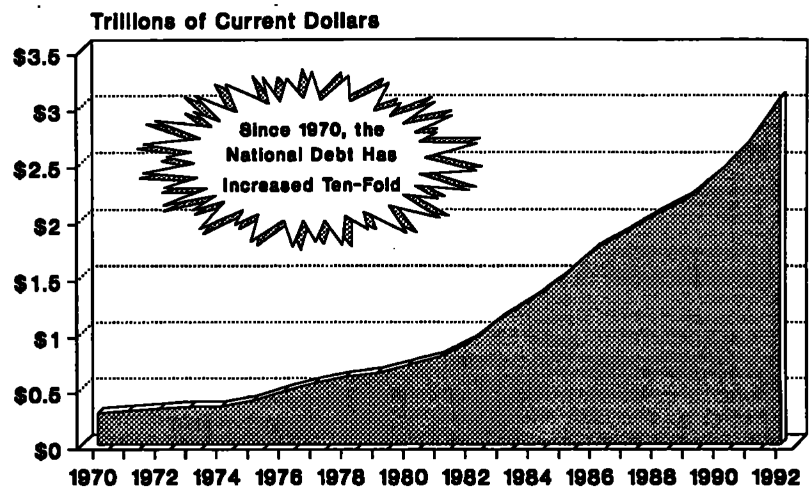
Unfortunately, the progress achieved under Ronald Reagan was quickly undone under George Bush. Adjusted for inflation, domestic spending in the past three years has grown thirteen times faster than it did under Ronald Reagan, and more than twice as fast as it did under Jimmy Carter. Total federal spending now consumes more than 25 percent of America's gross national product, up sharply from 22 percent when Reagan left office. The 1990 budget deal, which increased taxes and spending, deserves most of the blame for deteriorating fiscal conditions. The resulting recession meant a dropoff in tax revenue collections. This slowdown, coupled with the surge of new spending in the 1990 budget agreement, has pushed the 1992 deficit to more than $399 billion according to Administration estimates. To make matters worse, the only

2 The key feature of Gramm-Rudman was the creation of fixed annual deficit targets which became smaller each successive year until the budget was balanced. If Congress approved a budget with a projected deficit more than $10 billion above the Gramm-Rudman deficit target, a process called sequestration occurred, automatically reducing the estimated spending levels for that upcoming year by the amount necessary to bring the deficit down to the legally mandated level.

law which had restrained the budget deficit—the Gramm-Rudman Act—was emasculated as part of the 1990 budget deal.[3]

CRAFTING A LOOPHOLE-FREE BALANCED BUDGET AMENDMENT

Chart 5
The Exploding National Debt



Note: Data are for fiscal years. 1992 figure estimated.
Source: *Budget of the U.S. Government, FY 1993.* Heritage DataChart

The generic problem with a tough law like Gramm-Rudman is that there is nothing to stop a future Congress from repealing it. The only permanent answer to the federal spending crisis is a constitutional amendment. As with a law, of course, an amendment is only as good as its language, and the way that language is interpreted by the U.S. Supreme Court. Supporters of a balanced budget amendment tend to assume it will force Congress to restrain the growth of federal spending in order to eliminate the deficit. But approval of a weak amendment will not necessarily lead to this result. The reason the budget deficit exists today is that legislators are subject to political pressures to increase federal spending. The same political pressures will exist if a balanced budget amendment is ratified, and politicians still will have a means to satisfy pressure for spending—a hike in taxes. Thus a simple amendment would not necessarily force program reforms and spending cuts, but merely replace borrowing with higher taxes.

The balanced budget amendments introduced by Senator Simon and Representative Stenholm only require that the budget be balanced. The Simon and Stenholm amendments do not limit spending. They do not preclude massive tax increases. Nor do they force Congress to eliminate useless and outdated programs. Indeed, Representative Leon Panetta, the California Democrat and Chairman of the House Budget Committee,

3 Gramm-Rudman was the law of the land for the first fiscal year of the Bush Administration. Unfortunately, OMB Director Richard Darman and congressional leaders agreed to widespread use of budget gimmicks and dishonest economic assumptions to evade the law's controls, a practice not countenanced by James Miller, OMB Director during Reagan's second term. In addition to being bad policy, the practice under Bush also made it that much more difficult to reach the deficit target the following year, which stoked up pressure for repeal of Gramm-Rudman.

already has stated his intention to use the balanced budget amendment to force further tax hikes. Along with Representative David Obey, the Wisconsin Democrat, Panetta has even gone so far as to suggest that an automatic tax hike provision should be added to the congressional budget process.

HOW REVENUE ESTIMATES COULD DERAIL AN AMENDMENT

Another concern in crafting a balanced budget amendment is the method used in Congress to estimate the revenue effects of changes in the tax code. The agencies of the legislative branch responsible for revenue estimates, the Congressional Budget Office (CBO) and Joint Committee on Taxation (JCT), assume in their econometric models that tax increases and tax cuts have no significant impact on taxpayer behavior. As a result, the projected revenue from any tax increase almost certainly is going to be overstated. And if Congress uses these estimates when trying to comply with a balanced budget requirement, the potential for crises is high.

The JCT, for instance, was asked in 1988 by Senator Robert Packwood, the Oregon Republican who is the ranking member on the Finance Committee, to estimate the revenue impact of a 100 percent tax rate on income above $200,000. According to the JCT, that would generate $104 billion the first year, and $204 billion the second year, with larger amounts each successive year. As Senator Packwood pointed out, this JCT estimate "assumes people will work if they have to pay all their money to the Government. They will work forever and pay all of the money to the Government, when clearly anyone in their right mind will not."[4] Yet what if Congress enacted such a tax hike for purposes of balancing the budget?

Congressional revenue estimates systematically exaggerate the revenue gains associated with a tax increase and overstate the revenue losses caused by tax rate reductions. But economic theory and all the evidence show that taxes do alter behavior and thus taxable income. Higher taxes, for instance, reduce incentives to engage in the economic activity being taxed. Depending on how much the incentives are reduced, a tax increase may even cause revenues to fall compared with the amount that would have been raised without the hike. In part because of the tax increase imposed by the 1990 budget agreement, for instance, tax revenues over the 1991-1995 time period will be $483.2 billion lower compared to estimates for the same time period made in the summer of 1990—before taxes were raised. In other words, revenues fell approximately $3 for every $1 the agreement was supposed to raise.

Such deeply flawed JCT and CBO revenue estimates contribute to misguided tax and spending policies under the current budget process. But if a balanced budget amendment were in effect, the impact of biased revenue estimates would be even more serious. Imagine a situation, under a balanced budget requirement, in which Congress enacted a tax increase projected by the JCT to raise $25 billion in order to balance the upcoming fiscal year's budget. Because of the deficiencies in the JCT model, at some point during the year it would become apparent that revenues were running below projections. This would lead to pressure for additional tax increases to comply with the

4 *Congressional Record*, November 14, 1989, p. S 15534.

REVENUE PROJECTIONS DROPPED SUBSTANTIALLY AFTER 1990 TAX HIKE
(Billions of Dollars)

Year	1991	1992	1993	1994	1995
Revenue Projections: Before Tax Increase	1121.7	1194.5	1278.7	1363.1	1441.1
Revenue Projections: After Tax Increase	1054.3	1081.0	1168.4	1264.9	1347.3
Revenue "Loss"	**67.4**	**113.5**	**110.3**	**98.2**	**93.8**

Sources: Pre-Tax projections from *Mid-Session Review of the Budget*, Office of Management and Budget, July 1990; Post-Tax projections from *Budget of the United States Government, FY1993*, Office of Management and Budget, January 1992.

amendment. But if enacted (rather than spending cuts) the tax hike likely would further depress tax collections because of its impact on the economy. Would Congress simply waive the balanced budget requirement for the year? This probable result of flawed revenue estimates underscores the importance of a tax limitation in any amendment.

TWO WAYS TO CONTROL FEDERAL SPENDING

In order to be truly effective and economically sound, a constitutional amendment to balance the budget must restrict the overall size of government. There are two methods to achieve this.

OPTION #1: Include a Specific Cap on Total Spending.

A limit on total spending is included in House Joint Resolution 143, introduced by Jon Kyl, the Arizona Republican. Under the Kyl balanced budget amendment, federal outlays would be tied to the nation's economic output, with total spending limited to 19 percent of GNP.

Some have charged that the Kyl version is flawed because it would give Congress and the Administration an incentive to use grossly optimistic GNP estimates to permit more spending. The Kyl amendment, however, restricts spending in any year to no more than the GNP of the calendar year preceding the new fiscal year. For example, when preparing a budget for the 1995 fiscal year, which begins October 1, 1994, lawmakers would have to limit spending to 19 percent of GNP in the 1993 calendar year. This mandated use of an already determined number would prevent the manipulation of economic assumptions feared by critics. Since higher taxes could not be used to increase spending beyond the levels allowed by the Kyl amendment, the political incentive to raise taxes would largely disappear. Moreover, since spending increases would be linked to the economy's overall size, politicians actually would have an incentive to encourage economic growth. The faster the economy grows, the more federal spending could increase. Similarly, a shrinking economy would mean less spending.

OPTION #2: Require a Supermajority in Congress to Increase Taxes.

Another way to strengthen a balanced budget amendment is to include a provision requiring a three-fifths supermajority in each chamber to raise taxes. Such a requirement is found in House Joint Resolution 248, a proposed amendment co-sponsored by Joe Barton, the Texas Republican, and Billy Tauzin, the Louisiana Democrat, as well as in Senate Joint Resolution 182, sponsored by Robert Kasten, the Wisconsin Republican.

If an amendment only prohibits deficits, it restricts but one source of revenue, namely borrowing, for new federal spending. Lawmakers still could replace government borrowing with higher taxes. While the supermajority requirement does not preclude tax increases, it does make hikes politically more difficult, and thus would encourage lawmakers to control wasteful spending as the means of complying with the amendment. Congress still would be able to raise taxes, assuming 60 percent of members concurred, but major tax increase proposals have always fallen short of this mark.[5]

THE REAL GOAL: SHRINKING THE SIZE OF GOVERNMENT

In debating the balanced budget amendment, the real issue should be how to curb the total size of government. Regardless of whether government spending is financed by taxes or borrowing, resources are taken out of the productive sector of the economy and transferred to the government. Federal borrowing certainly imposes economic costs, forcing up interest rates and soaking up credit that could have been used to finance expansion of the nation's capital stock. But taxes, too, impose economic costs, such as reducing incentives to work, save, and invest, thereby lowering economic growth and discouraging job creation.

A properly crafted balanced budget amendment will shrink the burden of federal spending by forcing programs to compete with each other for less-abundant tax dollars. If members of Congress wanted to expand Medicaid eligibility, for instance, they might have to reduce subsidies for the National Endowment for the Arts or for transportation projects. If they wanted to increase funding for AIDS research, it might mean canceling the Superconducting Supercollider. Most Americans believe Congress should be making such difficult decisions, rather than raising taxes in order to dodge tough spending choices.

THE KEYNESIAN RED HERRING

Opposition to a balanced budget amendment is driven primarily by interest groups seeking to preserve their access to federal dollars. Realizing that most Americans are hostile to such groups—at least groups of which they are not a member—opponents often cloak their arguments in quasi-economic terms. According to some critics, for instance, a balanced budget amendment will hurt the economy and needlessly extend

5 The 1990 budget deal, for instance, fell well short of 60 percent in both chambers, receiving 53 percent support in the House and 54 percent in the Senate. Had a supermajority been in effect, the nation's economy would have been spared the largest tax increase in American history.

economic downturns by preventing the government from using tax and spending policies to even out the fluctuations of the economy. Thus, say critics, an amendment would make it illegal for policy makers to use deficit spending to lift the economy out of a recession. This view, associated with the school of economics founded by the late John Maynard Keynes, heavily influenced public policy throughout much of the post-World War II era.

Many economists, such as Nobel laureates Milton Friedman, Friedrich Hayek, and James Buchanan, have pointed out the inherent flaws of a theory postulating that the economy would benefit if only more resources were put under the control of politicians and bureaucrats. These theoreticians' objections to Keynesian theory have been borne out by the experience of the past thirty years. Simultaneous increases in inflation and unemployment during the 1970s, deemed impossible under Keynesian theory, helped undermine the theory. So did the U.S. economy's record performance after the Reagan tax cuts took effect. Keynesians had predicted the tax cuts would be inflationary under their model, but inflation slowed instead of accelerating. The final nail in the Keynesian coffin is today's economic situation. If deficit spending stimulates the economy, as Keynesians argue, the record deficits in the last three years should have been associated with rapid growth. Instead, the U.S. has experienced the slowest period of growth during any administration since Franklin Roosevelt's first term.[6]

CONCLUSION

A balanced budget amendment ideally would include both a specific limit on federal spending and a supermajority requirement to raise taxes. Thus crafted, the amendment surely would rein in the growth of federal spending.

Still, for all its shortcomings, even the weak balanced budget amendments offered by Senator Simon and Representative Stenholm would be better than the status quo. With an amendment in place, Congress still would be forced to enact taxes to accompany new programs. That would create political costs, as the Gramm-Rudman legislation did in such a situation, and thus make new programs less likely. If even a weak balanced budget requirement were in effect, it is reasonable to assume that at least some of any projected deficit gap would be made up for by controlling spending. Today, no such pressure for spending controls exists.

Yet while a weak balanced budget amendment like the Simon or Stenholm versions would be better than nothing, the impact will be much less than supporters expect. The difference between a weak amendment and one with tax limitations would be profound. With a weak amendment, the only thing standing between the economy and a repeat of the 1990 budget deal is the political judgment of lawmakers. Under a tax limitation/balanced budget amendment, however, taxes as well as borrowing would be restricted, leaving lawmakers with no choice but to hold down spending. If history is any guide, the best balanced budget amendment is the one that would leave lawmakers with as little discretion as possible.

6 Regrettably the Bush Adminstration has resorted to Keynesian economics to justify its 1993 budget request. For further information, see "The New Voodoo," by Daniel J. Mitchell, *Reason*, May 1992.

APPENDIX I

Highlights of Proposed Balanced Budget Amendments

Senate Joint Resolution 18
Proposed by Senator Paul Simon
(Weak Senate Version)

Section 1. Total outlays of the United States for any fiscal year shall not exceed total receipts to the United States for that year, unless Congress approves a specific excess of outlays over receipts by three-fifths of the whole number of each House on a rollcall vote.

Section 2. Prior to each fiscal year, the President shall transmit to the Congress a proposed budget for the United States Government for that year in which total outlays do not exceed total receipts.

Section 3. Any bill to increase revenue shall become law only if approved by a majority of the whole number of each House by a rollcall vote, unless such a bill is approved by unanimous consent.

Section 4. The Congress may waive the provisions of this article for any fiscal year in which a declaration of war is in effect.

The provisions of this article may be waived for any fiscal year in which the United States is engaged in military conflict which causes imminent and serious military threat to national security and is so declared by a joint resolution, adopted by a majority of the whole number of each House of Congress, which becomes law.

Section 5. Total receipts shall include all receipts of the United States except those derived from borrowing. Total outlays shall include all outlays of the United States except those for repayment of debt principal.

Section 6. This article shall take effect beginning with the second fiscal year beginning after its ratification.

Senate Joint Resolution 182
Proposed by Senator Robert Kasten

House Joint Resolution 248
Proposed by Representatives Joe Barton and Billy Tauzin
(Senate and House Tax Limitation Version)

Section 1. Prior to each fiscal year, Congress shall adopt a statement of receipts and outlays for such fiscal year in which total outlays are not greater than total receipts. Congress may amend such statement provided revised outlays are not greater than revised receipts. Congress may provide in such statement for a specific excess of outlays over receipts by a vote directed solely to that subject in which three-fifths of the whole number of each House agree to such excess. Congress and the President shall ensure that actual outlays do not exceed the outlays set forth in such statement.

Section 2. Total receipts for any fiscal year set forth in the statement adopted pursuant to the first section of this Article shall not increase by a rate greater than the rate of increase in national income in the second prior fiscal year, unless a three-fifths majority of the whole number of each House of Congress shall have passed a bill directly solely to approving specific additional receipts and such bill has become law.

Section 3. Prior to each fiscal year, the President shall transmit to Congress a proposed statement of receipts and outlays for such fiscal year consistent with the provisions of this Article.

Section 4. Congress may waive the provisions of this Article for any fiscal year in which a declaration of war is in effect.

Section 5. Total receipts shall include all receipts of the United States except those derived from borrowing and total outlays shall include all outlays of the United States except those for the repayment of debt principal.

Section 6. The amount of Federal public debt as of the first day of the second fiscal year beginning after the ratification of this Article shall become a permanent limit on such debt and there shall be no increase in such amount unless three-fifths of the whole number of each House of Congress shall have passed a bill approving such increase and such bill has become law.

Section 7. Congress shall enforce and implement this Article by appropriate legislation.

Section 8. This Article shall take effect for the fiscal year 1997 or for the second fiscal year beginning after its ratification, whichever is later.

House Joint Resolution 143
Proposed by Representative Jon Kyl
(Spending Cap, House Version)

Section 1. Except as provided in this article, expenditures of the United States Government for any fiscal year shall not exceed its revenues for that fiscal year.

Section 2. Except as provided in this article, the expenditures of the United States Government for a fiscal year may not exceed 19 per centum of the Nation's gross national product for the last calendar year ending before the beginning of such fiscal year.

Section 3. The Congress may, by law, and subject to article 1, section 7 of the Constitution, provide for suspension of the effect of sections 1 and 2 of this article for any fiscal year for which three-fifths of the total membership of each House shall provide, by a rollcall vote, for a specific excess of outlays over estimated revenues.

Section 4. The Congress shall implement and enforce this article by appropriate legislation.

Section 5. This article shall apply to the first fiscal year beginning after its ratification and subsequent fiscal years, but not to fiscal years beginning before October 1, 1996.

House Joint Resolution 29
Proposed by Representative Charles Stenholm
(Weak House Version)

Section 1. Prior to each fiscal year, the Congress and the President shall agree on an estimate of total receipts for that fiscal year by enactment of a law devoted solely to that subject. Total outlays for that year shall not exceed the level of estimated receipts set forth in such law, unless three-fifths of the whole number of each House of Congress shall provide, by a rollcall vote, for a specific excess of outlays over estimated receipts.

Section 2. The limit on the debt of the United States held by the public shall not be increased unless three-fifths of the whole number of each House shall provide by law for such an increase by a rollcall vote.

Section 3. Prior to each fiscal year, the President shall transmit to the Congress a proposed budget for the United States Government for that fiscal year in which total outlays do not exceed total receipts.

Section 4. No bill to increase revenue shall become law unless approved by a majority of the whole number of each House by a rollcall vote.

Section 5. The provisions of this article may be waived for any fiscal year in which a declaration of war is in effect.

Section 6. Total receipts shall include all receipts of the United States Government except those derived from borrowing. Total outlays shall include all outlays of the United States Government except for those for repayment of debt principal.

Section 7. This article shall take effect beginning with fiscal year 1995 or with the second fiscal year beginning after its ratification, whichever is later.

♦♦♦

APPENDIX II

The Growing Deficit Burden

(Billions of Dollars)

Fiscal Year	Annual Deficit	Constant 1987 Deficit	Deficit % of GDP	National Debt	Annual Interest on Debt
1969	($3.2)	($10.5)	(0.4%)	$278.1	$12.7
1970	2.8	8.7	0.3	283.2	14.4
1971	23.0	65.9	2.2	303.0	14.8
1972	23.4	62.6	2.0	322.4	15.5
1973	14.9	37.6	1.2	340.9	17.3
1974	6.1	14.2	0.4	343.7	21.4
1975	53.2	111.9	3.5	394.7	23.2
1976	73.7	144.6	4.4	477.4	26.7
1977	53.7	97.2	2.8	549.1	29.9
1978	59.2	99.8	2.7	607.1	35.5
1979	40.2	62.4	1.7	639.8	42.6
1980	73.8	104.0	2.8	709.3	52.5
1981	79.0	101.0	2.7	784.8	68.8
1982	128.0	152.9	4.1	919.2	85.0
1983	207.8	236.8	6.3	1,131.0	89.8
1984	185.4	203.2	5.0	1,300.0	111.1
1985	212.3	224.6	5.3	1,499.4	129.5
1986	221.2	227.3	5.2	1,736.2	136.0
1987	149.8	149.8	3.4	1,888.1	138.7
1988	155.2	149.8	3.2	2,050.3	151.8
1989	153.5	141.9	3.0	2,190.3	169.3
1990	220.5	195.4	4.0	2,410.4	184.2
1991	268.7	228.1	4.8	2,687.2	194.5
1992*	399.7	329.1	6.8	3,077.3	198.8

Note: A number in (brackets) indicates a surplus. *Estimate
Source: *Budget of the United States Government, FY1993,* Historical Tables, Office of Management and Budget, January 1992.

The Relentless Growth of Federal Spending

(Billions of Dollars)

Fiscal Year	Spending	Percent Growth	1987$ Spending	Percent Growth	Spending as Percent of GDP
1969	$183.6	—	$595.1	—	$19.8
1970	195.6	6.5%	597.8	0.5%	19.9
1971	210.2	7.5	601.0	0.5	20.0
1972	230.7	9.8	618.3	2.9	20.1
1973	245.7	6.5	620.3	0.3	19.2
1974	269.4	9.6	625.4	0.9	19.2
1975	332.3	23.3	698.5	11.7	22.0
1976	371.8	11.9	729.3	4.4	22.1
1977	409.2	10.1	740.9	1.6	21.3
1978	458.7	12.1	773.9	4.5	21.3
1979	503.5	9.8	781.7	1.0	20.7
1980	590.9	17.4	832.1	6.4	22.3
1981	678.2	14.8	867.7	4.3	22.9
1982	745.8	10.0	891.1	2.7	23.9
1983	808.4	8.4	921.1	3.4	24.4
1984	851.8	5.4	933.5	1.3	23.0
1985	946.4	11.1	1,001.3	7.3	23.8
1986	990.3	4.6	1,017.3	1.6	23.5
1987	1,003.9	1.4	1,003.9	-1.3	22.5
1988	1,064.1	6.0	1,027.1	2.3	22.1
1989	1,144.2	7.5	1,057.9	3.0	22.1
1990	1,251.8	9.4	1,109.4	4.9	22.9
1991	1,323.0	5.7	1,122.9	1.2	23.5
1992*	1,475.4	11.5	1,214.7	8.2	25.2

*Estimate
Source: *Budget of the United States Government, FY1993*, Historical Tables, Office of Management and Budget, January 1992.