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One Freshman's
Approach to
Balancing the Budget

By Rep. William D. Schuette



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ONE FRESHMAN'S APPROACH
TO BALANCING THE BUDGET

by Representative William D. Schuette

Let me for a moment share with you some of my background. I am thirty-two years old going on ninety-nine. I serve on the Agriculture Committee, which is important for my district--the 10th District of Michigan--since it is a heavily agricultural district. Not just farmers, but seed dealers, merchants, hardware store owners. There is a real infrastructure in a rural area. If any of you here today have lived in such an area, you will understand the infrastructure I refer to. So I am an advocate and an ardent supporter of farmers in my district. Hence, I needed to serve on the House Agriculture Committee. This was a key campaign issue, just so that you know a little bit more about the approach I take as a member of Congress. And it was a key campaign issue because my predecessor chose to leave the House Agriculture Committee. We drilled that message home day in and day out, night and day to let people know that it was high time that we had a Member of Congress who was a full-time voice and a full-time vote--an advocate--for agricultural producers in Michigan. So this was a key aspect of my campaign. It is one reason I came to Congress.

I also serve on the Select Committee on Aging. There is a reason for this as well. I think my colleagues wanted to see a young man gray and age before their eyes and, indeed, I think they are achieving their goal. But this is also good for my district, since the retired population is very high in some areas. It is important that the elderly also have a voice and a vote--an advocate--on their behalf.

These are the committees I work on. I am one of those "frequent flyers." I go home every weekend, even though I never get to use my frequent flyer mileage coupons. Nevertheless, I am three days here, and three days back in God's country--as I like to refer to the area where I was born and raised--where I am a member of the community. That leaves one day, which I spend in an airplane. But I have no problem with that. It is an active schedule. But that is why I was sent to Congress. Not to live in Washington, but to be a voice for my

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constituents; to be aggressive and to try to do everything I can to help the 500,000 employers who sent me to Congress.

This afternoon I want to share with you some of the ways I view the problem of the federal budget deficit, and how this determines the way I vote. First, the problem does not exist in a vacuum. Nor is there a single cure for this problem, for it is an ailment that infects every part of our body politic. The way we view this problem determines the measures we take to reduce the federal budget deficit; it influences almost every vote we cast.

There are three general areas that govern my approach to balancing the budget. First, balancing the budget requires a mixture of tools--some institutional tools--that Congress should have to deal with the budget deficit. Second, it requires a combination of concepts and philosophies in terms of the budget deficit: the need for finding reductions, encouraging savings, and developing the economy. Third, ideas. Not just institutional constraints; not just concepts of why we need to stimulate growth, but ideas, practical ideas. The Heritage Foundation is a tremendous think tank and a tremendous avenue for these ideas to reach people through debate and discussion. Heritage has taken a leading role in espousing and exporting, if you will, ideas on how we deal with the federal government and how to solve the many problems government often creates.

So that is the framework--the brush strokes--talking about the tools, some concepts, and the practical ideas needed to balance the budget. But even if we agree "these tools are fine, these concepts are great, these ideas--yes, they are certainly innovative," we must address the politics of how we achieve these goals in a political system where we have two parties which embody different views and different opinions.

First, the institutional perspective. We need tools to constrain Congress and to force spending reductions. I approach this from the standpoint of the Gramm-Rudman-Hollings exercise of fiscal responsibility through taking measures to achieve budget targets over a five-year period. This is a positive first step. Today the Supreme Court will be deciding the constitutionality of the present sequestration format of Gramm-Rudman-Hollings. Although the mechanics may need refinement, the Gramm-Rudman-Hollings legislation was a positive first step. Let's force some collective discipline. Let's encourage and foster the political will necessary for eliminating the federal deficit. That is why I would again vote for the Gramm-Rudman-Hollings proposal today, just as I did in December.

But the key institutional tool we ought to have is an amendment to the Constitution to balance the budget. I have not lost my fervor about that. I have not abandoned the view that government ought to behave, act, reform, and budget just like people, businesses, and families do. Families budget, businesses budget. Well, the federal

government ought to do the same. I am a co-sponsor of the "Balanced Budget/Tax Limitation Act." Our Founding Fathers believed government should not spend more than it takes in. As Jefferson put it, "To preserve our independence we must not let our rulers load us with perpetual debt." We need to make this idea part of the constitutional framework of our government.

Third, I would give our President--or any President of any persuasion--line item veto power. We give it to some 43 governors. We ought to give it to the occupant of the Oval Office. The President must have the ability to eliminate the excess waste and mismanagement that often results from congressional cowardice, inaction, or partisan squabbling. And that goes right to the heart of the body politic: we do not need programs that merely make the politicians and their parties look good, we need programs that are truly meritorious; that help people; that are shared and spread out in a fair fashion across the nation.

We have implemented maybe some 20 percent of the Grace Commission proposals on private sector initiatives. We need to do more. Where we can, we must eliminate abuse, encourage competitive bidding, and eliminate duplication and overruns. We must adopt the most efficient practices to streamline the way government operates.

Those are some of the institutional tools we need to constrain government spending. They would force Congress to show some political will. Mind you, I wish we had 535 men and women in Congress with the backbone and the political courage to look beyond the next election so that we could make these budget decisions without such institutional swords hanging over our heads. But we do not. That is why I am a firm believer in these tools--these institutional constraints.

Let's talk about some concepts. I view these as the philosophical pillars, the bedrock and the foundation of my political outlook, which guides the way I conduct business and make decisions. I happen to think that we should have a tax policy based on the concept of an expanding economy. Such a concept demands a tax policy that encourages growth, fosters savings, and stimulates additional revenues. Similarly, we need a monetary policy based on a concept of growth, a policy that will stimulate growth and added revenues. Encouraging growth is the other side to the institutional constraints needed to cure overbudgeting and limit government expenditures.

It may seem that I am putting undue emphasis on such obvious concepts as growth coupled with fiscal restraint in government. But in the past we have seen different concepts--opposite concepts--coming from the Democrats. They proclaimed a philosophy of limits and no growth; but it was a policy of limits and no growth on the American citizen. It was a policy of limits and no growth on savers, investors, and entrepreneurs; it was not a policy of limits and no growth on the bloated federal bureaucracy. No, just the opposite.

That is what grew while people did not; investors did not; entrepreneurs did not. And that was the problem. So we need to invert that. We as Republicans--and yes, I am being a bit political now--need to have just the opposite philosophy. There are no limits to what our country can achieve, encouraged and fostered by proper governmental policies and concepts. And we know what those policies and concepts are: encouraging growth through a balanced tax system that rewards savings, fosters entrepreneurship. That is the type of tax policy we should have in America today.

From the standpoint of the monetary policy, we ought to lower discount rates further to stimulate growth and revenues. Revenues are the other side of the ledger of keeping expenditures down. I am not engaging in Fed bashing per se, but there are other opportunities. Our Federal Reserve Board has to encourage and stimulate growth now. I know that Manuel Johnson and others in the Fed will be meeting soon. I hope that a policy to lower the discount rate results, for we need to do more to fuel this economic engine that we know as America.

The third way we must approach the task of balancing the budget is through developing ideas, practical ideas. As I mentioned earlier, The Heritage Foundation, as well as other groups in town, has been instrumental in this regard. One, we need to have enterprise zones in rural and urban areas to foster growth in depressed job markets. We saw a version of this last week in the housing bill. Two years ago, it was called dead. We saw it come back to life and I think that it is now here to stay.

Additionally, we need to take advantage of all the opportunities to further deregulate the economy to stimulate business growth and therefore jobs. Whenever you say growth; whenever you say investment or help the business world, you are really saying jobs. That is the rhetoric we need to use and that is the message that needs to get through.

Third, privatization. But let's be clear about what such an idea entails. We are talking about a concept of private ownership of property. This must be encouraged. There are opportunities to move, say, from the area where the government was the landlord, to letting individuals own their homes. The recent housing bill I mentioned earlier provided such opportunities, allowing tenant management and the chance for individuals in public housing to purchase that piece of property. That encourages the pride and responsibility that come with ownership, and it builds a sense of community so vital to the the neighborhoods. And that is what we are really talking about: strengthening neighborhoods, families, and communities.

We can see privatization--a renewed faith in the benefits that come with the private ownership of property--flow from the power management administration. We can see it from airports to oil

fields. We can even see it in new concepts for unemployment compensation. Instead of the system we have now, we should consider lump sum distributions for job start-ups or for retraining. That is the key: not just providing a monthly dole for the unemployed, but getting the unemployed back in the workforce. We need to answer today's problems with new ideas from the standpoint of private ownership, retraining, and job opportunities.

That is my approach in a nutshell. But it is important to remember there is no one answer. To think so would be naive. Rather, the answers lie in the interaction of institutional tools and constraints; some basic concepts and philosophies to encourage growth; and the practical ideas for putting these concepts to work at reducing the scope of government and thus reduce the budget deficit as well.

But let's go one step further, and it's a big step. All this may sound nice as we sit in an air-conditioned auditorium, but there is a real life outside of Washington, D.C., where people have problems. And there are elections: for the House and for the Senate; for governorships and seats in the state legislatures. So there is a politics of fiscal responsibility as well. There are politics associated with budget reductions and savings. I am aware of them as a member of Congress. I try to vote my philosophy, my conscience, and my district. But you can never be unaware of the political constraints attached to every vote.

Republicans cannot be stigmatized with the Democratic rhetoric that we lack compassion. Nor must we let that charge go unanswered. "Let's make reductions right now." But this by itself is the wrong approach. Or better, it is an incomplete approach. What we cannot do is have the Democrats put us in the position of having no compassion because all we want to do is cut. If all we do is focus on how much to cut, the Democrats will come back and say "we are not spending enough." And so instead of focusing the discussion on how much do you cut, the focus ought to be "how do you spend?" The focus should be on prioritization of how we have federal governmental expenditures. And the question needs to be qualitative analysis of our federal budget expenditures, not simply quantitative.

That to me is the key. When you talk about qualitative analysis; when you talk about programs of privatization, what you are talking about is giving people opportunities: to own their property, to move up the economic ladder, to save and plan for retirement, to build a better life for their children. That is what we need to do as a party. These are the beliefs I hold dear as a member of Congress. And it is important that the Republican Party make this the center of the budgetary debate. Otherwise, we will not be able to continue the revolution that was started by Ronald Reagan, a revolution that must continue longer than simply eight years.

To really make the institutional changes in this country--to change the representation in the House, increase our majority in the Senate, really go back to those state legislators--we need to make sure that the policies coming out of Washington, D.C., talk about growth, talk about progress, and talk about job development as we continue to implement new ideas.

The politics of fiscal responsibility are inseparable from our tax policy. I was at a town meeting a week ago where I talked about what we are discussing now: the concepts and institutional constraints that foster economic growth. But someone says, "Well, Congress has a hard time dealing with that. Why don't you just raise taxes?" Republicans especially should reject that immediately. Wherever I go in my district--when I walk down Main Street--no one says, "You know, Bill, I'm just not paying enough in taxes today. Why don't you raise my taxes to solve the federal budget deficit?" Now that may seem humorous, but it is the truth. To get to Congress, I went virtually farm to farm in many areas. I travelled across 20 counties in mid-Michigan, from Traverse City all the way down to Lansing--9,000 square miles. Farmers today do not tell me, "Bill, I'm just not paying enough taxes, so if you raise my taxes to solve this budget deficit, we will have a bright future on the horizon." The people I hear express no such sentiment. So Republicans need to resist that temptation, because if you give Congress a tax increase today, you can be sure of increased spending tomorrow.

In my district, the one area where the ideas and politics of fiscal responsibility often clash is agriculture. My number one job and my number one responsibility is to be an advocate for farmers. Many of you no doubt are aware of the problems confronting agricultural communities. But whether you are or not, I would ask you to strip through the statistics and go beneath these figures that you read of a shrinking and declining export. There are portions in my district that are called "Little Island." Land value once at \$3,500 an acre are down to \$1,100. If you had assets like that, you would be in tough personal financial shape. Prices at a plant, unfair foreign subsidies by competitors overseas--these have real consequences. Farmers are good managers. They are people who have been in farming for generations--centennial farmers. And it is not just the producer. In rural areas there is a real linkage between the health and productivity of agriculture and the health of productivity of the local banker, the merchant, the hardware store, the diner. There are problems in rural America. Beyond that, when there are problems in rural America, there will be problems in urban America. A healthy and prosperous rural America is critical to the health and prosperity of urban America. To a large extent, America's well-being depends on the health and prosperity of those men and women who are in agriculture today.

So I am one of those Republicans who are classified as "renegades" on agricultural matters. And I am that way because first and foremost I have seen those problems. I know those men and women and I have been to their farms. They are in tough shape right now. Frankly, there have been times when the Administration and I have been at odds and in great disagreement over the the severity of the agricultural problems today in America. But my job is to be an advocate. My job is to help farm families in any way I can. So from the standpoint of agriculture in budget responsibility, it is important that it be done in a shared fashion--it is a shared responsibility. There is no one aspect of our government that is solely responsible for the deficit. We are all part of it.

So farm families will tighten their belts a notch as Health and Human Services does, and the Department of Transportation, and the Pentagon, and every other budget function in this government. That is my final approach; that is my final concept as it involves rural America and as it involves agriculture in mid-Michigan, the area that I am so honored and grateful to represent.