

THE HERITAGE LECTURES

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**A Balanced Budget
Amendment That
Won't Tax America**

*By Senator Robert W.
Kasten, Jr.*



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A Balanced Budget Amendment That Won't Tax America

By Senator Robert W. Kasten, Jr.

I am very pleased to be here at The Heritage Foundation, because this organization has been a leading force for sound economic policy and fiscal responsibility in government.

That's what we are here to discuss. We need to find a solution to the runaway deficit that is threatening the future of our country.

The basic problem, as I see it, is a federal government that is too big. Congress is currently spending over 25 percent of America's annual Gross Domestic Product (GDP). In the last three years, the pages of the *Federal Register*—the rule book of the federal bureaucracy—have increased from 55,000 to nearly 70,000.

Tax hikes and overregulation have a serious economic and budgetary effect. Every year since 1986, fewer and fewer new small businesses have been incorporated. This dagger is aimed at the heart of job creation—at the economic future of America. Fewer small business starts means fewer jobs, and that means less revenue for the federal government.

We need to get government spending under control. And that means we need major reforms of the congressional budget process. We here today have been fighting for these reforms for years—for balanced budgets and the line-item veto.

But this year there's a big difference. This year, these ideas have reached critical mass because the American people are furious about the fact that their federal government is arrogant and out of control.

In this regard, I'd like to discuss the balanced budget amendment proposals that Congress is debating. Senator Paul Simon of Illinois is proposing one approach that won't work—because it wouldn't limit taxes. I have introduced another approach that would require a three-fifths vote of Congress to approve tax increases beyond the rate of growth of the economy, as well as a three-fifths vote to spend more than revenues allow or to increase the public debt.

My amendment, which I call the Taxpayer Protection Plan, would not just eliminate the deficit. It would also break the cycle of escalating federal spending and taxation.

Tax-Increase Agenda. Over the last thirty years, Congress has balanced the budget only once—but raised taxes 56 times. Under the Simon amendment, Congress could always find the money for the extra spending it wants by raising taxes—and then they could escape the wrath of voters by claiming the Constitution made them do it.

In fact, some proponents of the Simon amendment have already admitted that they have a secret agenda—a tax-increase agenda. Congressman Charles Stenholm has said that he favors an automatic mechanism to enforce spending cuts—and yes, tax increases. Senator Simon says, "We're not talking about huge tax increases." House Budget Committee Chairman Leon Panetta disagrees. He is talking about huge tax increases.

Senator Robert W. Kasten, Jr., a republican, represents Wisconsin in the United States Senate.

He spoke at The Heritage Foundation on June 2, 1992.

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I think all of these approaches are fundamentally misguided, and economically disastrous. I don't think we ought to be talking about tax increases at all. We simply cannot allow the forces of Big Government to use this constitutional amendment as a Trojan Horse for tax increases.

History shows that while tax increases are easy for Congress, spending cuts are practically impossible. In the 1982 TEFRA tax bill, Congress promised President Reagan three dollars in spending cuts for every dollar in tax hikes. The actual result was a two-dollar spending increase!

The 1990 budget summit agreement turned out exactly the same way. It supposedly raised our taxes by \$165 million to reduce the deficit. I voted against it because I knew that when taxes went up, spending would rise even faster. And that's what happened. The deficit has exploded to a record \$400 billion.

The Kasten Taxpayer Protection Pan would limit both taxes and spending—and that's the only sure way to get the economy back on track.

Tough Choices. Critics of the balanced budget amendment see these proposals as yet another act of political cowardice by Congress. They say that there is no substitute for the will to make tough choices to get the deficit under control. This criticism is not entirely false. Many members of Congress are supporting balanced budget amendments strictly out of political fear. But this criticism does not apply to us here today. We were for balanced budgets when balanced budgets weren't in fashion.

We know tough choice have to be made. And you and I have been working for years to get Congress to make these tough choices. But they won't unless their political lives are at stake.

There is no substitute for tough choices. Once we get this amendment passed, Congress should get to work—immediately—on a five-year deficit reduction plan with spending caps and the threat of automatic sequesters. Without a Gramm-Rudman II type of provision, Congress may well delay the tough decisions until 1996 or 1997 when the amendment goes into effect.

We need to get spending under control—now. I have repeatedly offered amendments in the Senate to reduce the rate of government spending. In 1985, I voted for an across-the-board budget freeze package that would have slashed the deficit by over \$200 billion.

Congress continually votes down these amendments—and votes to increase spending instead. My balanced budget proposal would make it more difficult to increase spending by raising the voting threshold to sixty votes. If my amendment is enacted, they will need more than a simple majority to increase the federal government's burden on taxpayers.

Restraining Spending Growth. What the leadership of Congress doesn't want Americans to know is that we can balance the budget without tax increases. My plan for a balanced budget involves a five-year program of restraining the rate of growth of federal spending.

The non-partisan Congressional Budget Office is projecting total tax revenue to be \$1.5 trillion in 1997. What we need to do is make sure that our spending does not rise fast enough to surpass the combined total of \$1.5 trillion and the additional revenues generated through pro-growth economic policies.

Essentially, that means we can spend more than we're spending now, but we have to spend less than Congress expects to spend. The cut the growth of spending will make a lot of members of Congress unhappy, but we simply have to do it.

Clearly, we can find some extra money in the defense account. Congress is talking about cuts of nearly \$100 billion in defense over the next five years. We can transfer that to domestic spending or, as I prefer, back to the taxpayers.

This plan will put us on the road to a balanced budget, and once we get started, our progress will accelerate rapidly. One reason is that we will start to save money on interest payments. Another is that when we start restraining the federal government, the economy will expand faster and therefore expand the revenue base.

An expanding economy is key to keeping the budget balanced. In the high-growth period between 1983 and 1989, the deficit as a share of GDP fell from between 6.5 percent to 3 percent. The high-tax, recessionary policies of the past three years have pushed the deficit back up to 7 percent of GDP.

It's time to break out of static thinking and start looking at the problem in a dynamic way. If economic growth is just one percentage point higher than forecast, that amounts to \$258 billion in deficit reduction over five years. If it's two percentage points higher, the deficit reduction is \$387 billion.

Inside the Beltway, they are looking at this problem in entirely the wrong way. Economic growth is not only the way to ensure a higher standard of living, it is also the cure for the deficit.

Hold the line on taxes. And get the economy moving with growth incentives. That's how we can get the deficit under control.

It is said that the first rule in getting out of a hole is to stop digging. And that's what the Taxpayer Protection Plan is all about.

Reversing the Trend. Let me tell you where we are right now. The President has endorsed my Taxpayer Protection Plan. The House will vote on it on June 11, and the Senate shortly thereafter. In the Senate, we expect my colleague, Senator Robert Byrd, to use every procedural device at his command—and he is a true parliamentary expert—to either defeat this bill outright or somehow confuse the vote. We have to work together to make sure everyone understands what the vote is really about—it's about the balanced budget. We can't let them confuse the issue with procedural tactics.

The government's share of the economy is expanding faster than the paychecks of working people. We need to reverse that trend—and that's why I'll be working for the enactment of the Taxpayer Protection Plan.

This year, we can win—and make the federal government start serving the American people instead of the other way around.

