

THE HERITAGE LECTURES

514

The
Balanced Budget
Amendment:
Ending
The Federal
Spending Binge

By Representative Joe Barton



The Heritage Foundation was established in 1973 as a non-partisan, tax-exempt policy research institute dedicated to the principles of free competitive enterprise, limited government, individual liberty, and a strong national defense. The Foundation's research and study programs are designed to make the voices of responsible conservatism heard in Washington, D.C., throughout the United States, and in the capitals of the world.

Heritage publishes its research in a variety of formats for the benefit of policy makers; the communications media; the academic, business, and financial communities; and the public at large. Over the past five years alone The Heritage Foundation has published some 1,500 books, monographs, and studies, ranging in size from the 927-page government blueprint, *Mandate for Leadership III: Policy Strategies for the 1990s*, to the more frequent "Critical Issues" monographs and the topical "Backgrounders," "Issue Bulletins," and "Talking Points" papers. Heritage's other regular publications include the *Business/Education Insider*, and *Policy Review*, a quarterly journal of analysis and opinion.

In addition to the printed word, Heritage regularly brings together national and international opinion leaders and policy makers to discuss issues and ideas in a continuing series of seminars, lectures, debates, briefings, and conferences.

Heritage is classified as a Section 501(c)(3) organization under the Internal Revenue Code of 1954, and is recognized as a publicly supported organization described in Section 509(a)(1) and 170(b)(1)(A)(vi) of the Code. Individuals, corporations, companies, associations, and foundations are eligible to support the work of The Heritage Foundation through tax-deductible gifts.

Note: Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

The Heritage Foundation
214 Massachusetts Avenue, N.E.
Washington, D.C. 20002-4999
U.S.A.
202/546-4400

The Balanced Budget Amendment: Ending the Federal Spending Binge

By Representative Joe Barton

I am honored to be asked to speak at The Heritage Foundation. I don't know if you feel as good as I feel after yesterday's opening day of the 104th Congress, but I feel fantastic.

As the chief sponsor of the Barton-Hyde-Tate Tax-Limitation Balanced Budget Amendment, I wish to speak directly about why we desperately need a balanced budget amendment, what its prospects for passage are, and why tax limitation provisions must be included in the amendment.

The first question that we have to answer is why a balanced budget amendment is important. In order to answer that, all you have to do is look at federal spending and the public debt resulting from that spending. Through the federal Treasury, we are going to spend a tremendous amount of money this year—over \$1.6 trillion. Remember that a trillion dollars is a thousand billion dollars, and a billion is a thousand million.

We have simply not balanced the federal budget since 1969. Consequently, the federal debt has gone up every year. The debt is now more than \$4.8 trillion, more than \$18,400 for every man, woman, and child in the country. When I was born in 1949, the federal debt per capita was approximately \$1,000. In my lifetime, we have put an additional \$17,000 of debt on every American's head. Simply put, if we do not pass an amendment to the Constitution that requires a balanced budget, we will never balance the budget.

Without the change brought by a balanced budget amendment, I believe that in the very near future, perhaps within five or ten years, we will have financial collapse in this country. Even a country as wealthy and powerful as the United States of America cannot continue to pile debt after debt after debt upon the heads of its people.

Some people have argued that we do not need a balanced budget amendment to balance the budget. It is said that if Congress would just get its act together and if the President would get his act together, common sense will prevail and budgets will be voluntarily balanced. There once was a time when I would have said there is some logic to that. But as I pointed out earlier, we have not balanced the federal budget since 1969. We have gone through business expansions and business contractions. We have gone through inflationary times and deflationary times. We have had long periods of peace and, fortunately, very few periods of conflict. But at no time since 1969 have we balanced the budget.

While there have been years in which the deficit declined from the previous year as a percent of GDP, there has never been a year in which we have even come close to balancing the budget. The reason is that all of the federal spending programs in place in the modern era have developed their own constituencies. Congressmen and Senators like to go to ribbon cuttings and be lionized for bringing home the bacon. In Washington, you are always

Congressman Barton, a Republican, represents the 6th District of Texas in the U.S. House of Representatives.

He spoke at The Heritage Foundation on January 5, 1995.

ISSN 0272-1155 © 1995 by The Heritage Foundation.

going to be rewarded in the short term for promising to spend more money on constituents. You are seldom going to be rewarded at the margin for voting to kill a program.

The taxpayers have seen the share of personal income lost to federal taxes grow from about five percent when I was born to over twenty percent now. Yet, taxpayers are diffused, and they are not nearly as well organized as the groups which benefit from the spending. The reality is that, short of some disciplinary mechanism like the balanced budget amendment, we will simply never balance the federal budget again in Washington, D.C. Ronald Reagan could not do it. George Bush could not do it. Jimmy Carter could not do it. Bill Clinton certainly cannot do it. It will simply not happen. That is why, generally, a balanced budget amendment is important.

Next we should consider what kind of balanced budget amendment we want. We have to be more definitive than a simple declarative statement that "The budget shall be balanced." I don't think we have to have a balanced budget amendment that is too technical to understand, though. We have to be somewhere in between.

There are generally three types of balanced budget amendments. There is a spending limitation amendment. The Kyl amendment from the 103rd Congress balanced the budget by limiting spending as a percent of GNP. I believe the number was 19 percent.

In the previous Congress, the more popular balanced budget amendment, very similar to the Barton-Hyde-Tate Amendment, is the Simon-Stenholm Amendment. It says the President shall submit a balanced budget; the Congress shall enact a balanced budget. Actual spending shall be less than or equal to the revenue estimates. There shall be required a 60 percent super-majority vote to borrow money and a 60 percent super-majority vote to increase the national debt, but only a majority vote required to raise taxes. To me, that is a tax bias.

I believe we must take the Simon-Stenholm Amendment a step further and say you should balance the super-majority requirements. Require 60 percent to borrow money, 60 percent to increase the national debt, *and* 60 percent to raise taxes. My option, the Tax-Limitation Balanced Budget Amendment, is the most "balanced" balanced budget amendment. The bias is removed and placed on spending cuts.

Some Democrats raise a red flag when you talk about super-majority votes for tax increases. They say that's not politically possible; that's not pragmatic; we agree in principle, but we just don't think that the body politic can accept that, so we are going to strip that. The Democrats have been the majority in the House for the entire ten years that I have been in the House. With the leadership of Congressman Stenholm, we have been able to get the balanced budget amendment votes to the floor. But in order to do that, we have had to accept that those of us who are proponents of tax limitation were orphans in the debate. They used a "king-of-the-hill" procedure where we are allowed debate and a vote, but the rule was structured such that the amendment that got the last affirmative vote was the amendment voted on for final passage. In that system, the Stenholm Amendment, the one without the super-majority for tax increases, always was the one considered for final passage.

Under that rule, a funny thing has happened. There were never enough Democrats at the final passage vote with the guts to vote for a balanced budget. So we would get right to the cup but the putt would not drop. Three years ago, when President Bush was President, twelve Democrats who were cosponsors of the balanced budget amendment voted against it on final passage. The amendment failed by about nine votes.

Tax limitation is important for two reasons. Number one, if you have super-majorities in the balanced budget amendment, which the Stenholm Amendment does, for borrowing money and increasing the debt ceiling but do not have it for raising taxes, you have put a bias in the balanced budget amendment to raise taxes. If it takes a 60 percent vote to waive the Budget Act to borrow money and only a simple majority to raise taxes, there is a greater probability that you are going to raise taxes instead of borrowing money or cutting spending. Cutting spending is what we should do.

Second, the data available on tax limitation show that it really works. It is not merely some academic theoretical model. It works in the real world. There are currently nine states that have some sort of super-majority requirement for tax increases. In one study, in those nine states that had the super-majority requirement for a tax increase, taxes as a portion of personal income went down two percent. In the states that did not have a super-majority tax requirement, the tax burden went up about two percent. That's a differential of four percent that can be credited to super-majority requirements.

Similarly, spending in the states with super-majority requirements for tax increases did increase, but only about two percent. In the states that do not have the super-majority for tax increases, spending went up nine percent. That is a seven percent difference.

If you take those two differentials, seven percent on spending and four percent on taxes, and put it against the federal budget, today our income taxes would be \$56 billion less and our spending would be over \$100 billion less. Even in Washington, that is real money. If your federal income taxes were over \$50 billion less, and if federal spending was over \$100 billion less, we would have less federal debt, you would have more money in your pocket, and it would be a better world for all. Tax limitation works.

Tax limitation is popular, too. Some of my Democrat friends say, "We can't vote for that tax limitation—it's too tough." But when you go out and ask people, "Are you for a balanced budget amendment?" about 80 percent of the people are going to say yes. When you ask what kind of amendment, and explain the differences, 90-95 percent prefer the tax limitation amendment over any other amendment. It is very popular.

I believe that this is the year we are going to pass, by a two-thirds vote in the House and a two-thirds vote in the Senate, the tax-limitation balanced budget amendment and send it to the states for ratification. We had our first test vote last night on the House floor. On the vote, there were 279 yeas and 152 nays and 3 people not voting. That translates into 65 percent of the people present and voting. Of those present and voting, we needed only seven more votes to have the two-thirds vote required for constitutional amendments. Also, the three members not voting would support our amendment. We are really close in the House to having the two-thirds. Really close. And we have a leadership with Speaker Newt Gingrich, Majority Leader Dick Armey, Whip Tom DeLay, and Conference Chairman John Boehner that is totally for a tax limitation balanced budget amendment. We have a Judiciary Chairman in Henry Hyde of Illinois who is for it. We have a Rules Chairman in Gerry Solomon of New York who is for it.

We got 52 Democrats last night to vote for the tax-limitation income tax provision. We have got great Democratic leadership in Pete Geren of Fort Worth, Texas, and Ralph Hall of Rockwell, Texas; Billy Tauzin of Louisiana and, I think, Mike Parker of Mississippi and Gary Condit of California are also going to be very supportive and take leadership roles.

When we pass the amendment in the House, I believe passage in the Senate is assured. Then it will take three-fourths of the states to ratify it. They will have seven years. The House will plan on a program to balance the federal budget in real dollars in real terms by the year 2002, when the amendment would likely go into effect.

When the first budget has been balanced, we will finally have a year ending with money left in the Treasury instead of additional bond packages. When that happens, interest rates are going to be lower, there is going to be more money for real federal programs that reach people and meet basic needs that the American government feels needs to be met, and my generation of political leadership will have accomplished something that some people say is impossible. I strongly believe it will happen.

But let me stress that even if a balanced budget amendment does not pass, we in the 104th Congress will move toward a balanced budget. It is my understanding that Congressman John Kasich, the Chairman of the House Budget Committee, and the Republican leadership intend to produce a budget document this year that spends less in absolute terms than was spent last year. It is also my understanding that we in the House plan to produce a five-year budget with declining budget deficits each year. Congressman Bill Archer, the Chairman of the Ways and Means Committee, has told me that his plan in the Committee is to produce tax bills and reconciliation packages at the appropriate time that put us on the slope to balance the budget by 2002—with or without the balanced budget amendment. We are going to start practicing what we have been preaching.

