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**Record Group/Collection:** George H.W. Bush Presidential Records  
**Collection/Office of Origin:** Speechwriting, White House Office of  
**Series:** Speech File Backup Files  
**Subseries:** Chron Files, 1989-1993

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**OA/ID Number:** 13818  
**Folder ID Number:** 13818-004

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**Folder Title:**  
Balanced Budget 6/5/92 [OA 7576]

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Stack:	Row:	Section:	Shelf:	Position:
<b>G</b>	<b>26</b>	<b>22</b>	<b>6</b>	<b>1</b>

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(Hinchliffe/Gershowitz)  
June 4, 1992 2 p.m.  
BUDGET Draft Three

**PRESIDENTIAL REMARKS: BALANCED BUDGET AMENDMENT RADIO ADDRESS**

I want to talk to you today about a big idea -- a big change in the way your government works. For the past 12 years, President Reagan and I have tried to get Congress to act responsibly and restrain federal spending. We've tried compromise. We've tried confrontation. We've tried quiet diplomacy with the leaders of Congress. None of it worked. And so, my friends, the time has come to take dramatic action. We must pass a Constitutional amendment mandating a balanced budget.

For most of our nation's history there was an unwritten rule against deficit financing -- against saddling future generations with a mountain of debt. But in recent times we've moved away from that. Now we're borrowing from the future to pay for indulgences of the present. Our future is at stake. To ensure long-term economic growth, we must get federal spending under control.

I've called for big changes in many areas -- revolutionary reforms in how this nation's gridlocked capitol does business. And for some time now, I've been speaking about how we create jobs in this country. Well, high deficits raise interest rates, and high interest rates kill jobs. So to make our economic future strong -- the balanced budget is where we must start.

Beginning well before I became your President, I've fought for a balanced budget amendment. As a matter of fact, on February 9, 1989, the very first legislative proposal I made as

President was for Congress to adopt a balanced budget constitutional amendment -- and in each of the three budgets I've submitted since, I've repeated that plea.

Why am I so fiercely dedicated to this issue? Look at your own family. You know what happens when you spend more than you make. The devil's going to come, demanding his due. Well that's what our American family faces right now. When you hear about a deficit measured in hundreds of billions of dollars, remember -- that's not Monopoly money. Some day that debt must be paid with your money -- as sure as your own personal debts will have to be paid with your money. It's unacceptable when this spending riptide has us drowning in debt, dragging us further out to sea.

This amendment will bring us back to shore. It says the government can't spend more than it takes in. Nothing could be more simple. Nothing could be as tough. Nothing could work as well.

It's past time to make this government as accountable with your money in America's house as you must be with your money in your house. 44 states already have some type of constitutional balanced budget requirement. 80% of the American people want this amendment, and the tougher scrutiny of government spending which it will require. We're fed up. We know it's time for partisan posturing to yield to responsibility to govern. We know it's time to protect our children's children -- and we're impatient to enact this solemn bond between generations.

Well, there's something you can do right now. The House

Steeper, Fred

336-7080

will vote on this amendment within days. Make your voice heard. Sit down and write a letter. Pick up the phone and call. Tell Congress to stop treating our Federal treasury like the corner cash machine. Tell Congress to stop mortgaging your future.

You know, for a long time on this issue I've felt like a prophet in the desert. Now, I'm glad so many Democrats are finally clambering on board the motion I've called for so urgently for so long. We must join together, inspired by Thomas Jefferson's words: "I...place...public debt as the greatest of the dangers to be feared." We have within our grasp the power to conquer that fear. Our country's economy -- our country's future -- will be the stronger for it. God bless you, and this nation.

# # # #

**PRESIDENTIAL REMARKS: BALANCED BUDGET AMENDMENT RADIO ADDRESS**

In the 200 years since this country adopted our Bill of Rights we've amended our Constitution only ~~15~~<sup>17</sup> times.) My friends, I believe the time has come to take that dramatic action again.

We must pass a Constitutional amendment mandating a balanced budget. The future of our nation is at stake, because the biggest obstacle to our economy recovery is the budget deficit.

[For most of our history there was an unwritten but effective rule against deficit financing, except in war.] But in recent times we've moved away from that -- and now we're borrowing from the future to pay for our indulgences of the present.

"The President's Commitment"  
pg 2  
"Building a Better America"

I've called for big changes in many areas -- revolutionary reforms in how this nation's gridlocked capitol does business.

But the balanced budget is where we must start. Beginning well before I became your President I've fought for a balanced budget amendment -- feeling like a prophet in the desert. As a matter

of fact, [the very first legislative proposal I made upon becoming President, February 9, 1989, (called for a balanced budget) -- and in each of the three budgets I've submitted since, I've repeated that plea.]

If Congress had supported my proposal back in 1989, we'd be only two years away from a balanced budget right now.

DAN'S WORDING

"The President's Commitment"  
"Building a Better America"  
pg 2

Why am I so fiercely dedicated to this issue? Look at your own house. You know what happens when you spend more than you make. The devil's going to come, demanding his due. Well that's what our American family faces right now. When you hear about

our \$400 billion deficit, remember -- that's not Monopoly money.

pg 1235 CONGRESSIONAL QUARTERLY 5/9/92

That's your money, as sure as your own personal debts will have to be paid with your money. It's a critical situation when our interest payments exceed our social spending; when the principal we owe has nearly doubled in two years; when this spending riptide has us drowning in debt, dragging us further out to sea.

This amendment will bring us back to shore. It says the government can't spend more than it takes in. Nothing could be more simple. Nothing could be as tough. Nothing could work as well.

Beta's Notes on Darrin's testimony of 5/6 - sent by David Taylor

It's a big idea -- a big change in the way your government works. It's past time to make it as accountable with your money in America's house as you must be with your money in your house.

[34 of our states already demand balanced budgets.] 80% of the American people want this amendment, and the tougher scrutiny of government spending which it will require. You're fed up. You know it's time for partisan posturing to yield to responsibility to govern. You know it's time to protect our children's children; you're impatient to enact this solemn bond between generations.

Chart provided by Cliff Aldeman intergovernment affairs - state balanced budget

There's something you can do right now. The House will vote on this within days. Call and tell Congress to stop mortgaging your future. I'm glad so many Democrats are finally clambering on board the motion I've called for so urgently for so long. We must join together, inspired by [Thomas Jefferson's words: "I... place...public debt as the greatest of the dangers to be feared."

We have within our grasp the power to conquer that fear. Our country's future will be the stronger for it. God bless you.

Political Quotations, DANIEL BAKER

6/4/92

Bob Damas in the General Counsel Office of OMB, confirmed on 6/4/92, that "44" states have written in their constitution some provision calling for a balanced budget.

Fred Stepler, polling, Bush-Quayle Campaign Headquarters, confirmed that "80%" (of the American people want this amendment) is the correct figure to use for the Balanced Budget Radio Address.



EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS

WASHINGTON, D.C. 20500

June 4, 1992

THE CHAIRMAN

MEMORANDUM FOR HENSON MOORE

FROM: MICHAEL J. BOSKIN *MJB*

SUBJECT: Request for Quantitative Estimate of Effects of  
Balanced Budget

It is not possible to produce reliable quantitative estimates, quickly, of the effects on the economy of a balanced budget. While such estimates would be desirable, their production would take CEA, Treasury and OMB weeks, not hours or days. However, I can provide the following qualitative description:

If the Balanced Budget amendment were passed and implemented and appropriate steps were taken in the interim to slow the growth of government spending, the following would occur:

1. (a) A Balanced Budget would mean the government would no longer be a drain on the nation's pool of private savings which is the main source of financing for the investment which generates jobs and growth.
- (b) Concern over the future reignition of inflation would be greatly reduced.
2. These two factors would lead to a sizeable reduction in long-term interest rates.
  - This would stimulate the housing, auto, business investment and export sector which are highly interest-sensitive.
3. The economy would grow more rapidly:
  - Productivity and wages would increase more rapidly.
  - America's international competitiveness would improve still further.
  - Americans' standard of living would rise more swiftly, more continuously and more surely.

⊗ Cut 1/2 3/4 p as

(Hinchliffe/Gershowitz)  
June 2, 1992 10 a.m.  
BUDGET Draft One

**PRESIDENTIAL REMARKS: BALANCED BUDGET AMENDMENT RADIO ADDRESS  
FRIDAY JUNE 5, 1992**

In the 200 years since this country adopted our Bill of Rights we've amended our Constitution only 15 times. My friends, I believe the time has come to take that dramatic action again.

We must pass a Constitutional amendment mandating a balanced budget. This call to change our most precious document of democracy is ~~not one I make lightly.~~ I make it because I believe that the future of our nation is at stake -- since the biggest obstacle to our economy recovery is the budget deficit.

For most of our history there was an unwritten rule against deficit financing, except in war. But now look what's happened. The bloated, free-wheeling spending machine of irresponsible partisan politics has lurched out of control. We're borrowing from the future to pay for the indulgences of the present. Abraham Lincoln knew of the dangers of this practice when he said: "As an individual who...lives by borrowing soon finds his original means devoured by interest...so must it be with a government."

I've called for <sup>big</sup> essential changes -- revolutionary reforms in the way this nation's gridlocked capitol does business. But the balanced budget is where we must start. For years -- beginning well before I became your President -- I've fought for a balanced budget amendment: a lot of times feeling like a prophet in the desert. As a matter of fact, the very first legislative proposal I made upon becoming President, February 9,

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1989, called for a balanced budget -- and in each of the three budgets I've submitted since, I've repeated that plea. If Congress had supported my proposal back in 1989, we'd be only two years away from a balanced budget right now.

Why am I so fiercely dedicated to this issue? Look at your own house. You know what happens when you spend more than you make. The devil's going to come, demanding his due. What kind of future would you have if you started <sup>each</sup> this year already <sup>paying out</sup> owing \$4 for every \$10 you'll make -- not including interest, and not including basic expenses to make it through that year?

Well, that's what our American family faces right now. When you hear about our \$400 billion deficit, remember -- that's not Monopoly money. That's your money, as sure as your own personal debts will have to be paid with your money. It's a critical situation when our interest payments exceed our social spending -- when the principal we owe has nearly doubled in two years -- when <sup>this spending</sup> we're drowning in debt, <sup>my us</sup> being dragged further out to sea.

This amendment will bring us back to shore. It says the government can't spend more than it takes in. Nothing could be more simple. Nothing could be as tough. Nothing could work as well.

It's time -- past time -- to discipline this government; to make it as accountable with your money in America's house as you <sup>must be</sup> ~~are~~ with your money in your house. <sup>How many?</sup> 2/3 of our states already demand balanced budgets. And 80% of the American people want this amendment -- and the tougher scrutiny of government spending which it will require -- at the federal level. You're fed up and

chart

Kennedy gets

this spending up tide has us

chart

amend. words

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you're not going to accept any more delays. You know it's time for partisan posturing to yield to the responsibility to govern. You know it's time to protect our children's children -- and you're impatient to enact this solemn bond between generations.

Well, there's something you can do right now. The House will vote on the balanced budget proposal within days. Call your Representative -- tell Congress to stop mortgaging your future.

I'm proud that this is at last coming to a vote, and I'm glad so many Democrats are finally clamoring on board the motion I've been calling for so urgently for so long. We must join together inspired by the words of Thomas Jefferson: "I...place ...public debt as the greatest of the dangers to be feared."

We have within our grasp the power to conquer that fear. Together, we will do it and our country's economy -- and future - - will be the stronger for it. God bless you, and our nation.

# # #

*Change trust*  
*This a big idea. It's a big change in how your government works.*

*newly*

Island, June 7, 1790; Vermont, Nov. 3, 1791; Virginia, Dec. 15, 1791; Massachusetts, Mar. 2, 1939; Georgia, Mar. 18, 1939; Connecticut, Apr. 19, 1939. These original 10 ratified amendments follow as Amendments 1 to X inclusive. (Of the two original proposed amendments which were not ratified by the necessary number of states, the first related to apportionment of Representatives; the second, to compensation of members. See p. 465.)

#### AMENDMENT I

Religious establishment prohibited. Freedom of speech, of the press, and right to petition. Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances.

#### AMENDMENT II

Right to keep and bear arms. A well-regulated militia, being necessary to the security of a free State, the right of the people to keep and bear arms, shall not be infringed.

#### AMENDMENT III

Conditions for quarters for soldiers. No soldier shall, in time of peace be quartered in any house, without the consent of the owner, nor in time of war, but in a manner to be prescribed by law.

#### AMENDMENT IV

Right of search and seizure regulated. The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures, shall not be violated, and no warrants shall issue, but upon probable cause, supported by oath or affirmation, and particularly describing the place to be searched, and the persons or things to be seized.

#### AMENDMENT V

Provisions concerning prosecution. Trial and punishment—private property not to be taken for public use without compensation. No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the militia, when in actual service in time of war or public danger; nor shall any person be subject for the same offense to be twice put in jeopardy of life or limb; nor

### Amendments Since the Bill of Rights

#### AMENDMENT XI

Judicial powers construed. The judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by citizens of another State, or by citizens or subjects of any foreign state. (This amendment was proposed to the Legislatures of the several States by the Third Congress on March 4, 1794, and was declared to have been ratified in a message from the President to Congress, dated Jan. 8, 1798.

(It was on Jan. 5, 1798, that Secretary of State Pickering received from 12 of the States authenticated ratifications, and informed President John Adams of that fact. (As a result of later research in the Department of State, it is now established that Amendment XI became part of the Constitution on Feb. 7, 1795, for on that date it had been ratified by 12 States as follows:

1. New York, Mar. 27, 1794. 2. Rhode Island, Mar. 31, 1794. 3. Connecticut, May 8, 1794. 4. New Hampshire, June 16, 1794. 5. Massachusetts, June 26, 1794. 6. Vermont, between Oct. 9, 1794, and Nov. 9, 1794. 7. Virginia, Nov. 18, 1794. 8. Georgia, Nov. 29, 1794. 9. Kentucky, Dec. 7, 1794. 10. Maryland, Dec. 26, 1794. 11. Delaware, Jan. 23, 1795. 12. North Carolina, Feb. 7, 1795.

(On June 1, 1796, more than a year after Amendment XI had become a part of the Constitution (but before anyone was officially aware of this), Tennessee had been admitted as a State; but not until Oct. 16, 1797, was a certified copy of the resolution of Congress proposing the amendment sent to the Governor of Tennessee (John Sevier) by Secretary of State Pickering, whose office was then at Trenton, New Jersey, because

shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use without just compensation.

#### AMENDMENT VI

Right to speedy trial, witnesses, etc. In all criminal prosecutions, the accused shall enjoy the right to a speedy and public trial, by an impartial jury of the State and district wherein the crime shall have been committed, which district shall have been previously ascertained by law, and to be informed of the nature and cause of the accusation; to be confronted with the witnesses against him; to have compulsory process for obtaining witnesses in his favor, and to have the assistance of counsel for his defense.

#### AMENDMENT VII

Right of trial by jury. In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury shall be otherwise re-examined in any court of the United States, than according to the rules of the common law.

#### AMENDMENT VIII

Excessive bail or fines and cruel punishment prohibited. Excessive bail shall not be required, nor excessive fines imposed, nor cruel and unusual punishments inflicted.

#### AMENDMENT IX

Rule of construction of Constitution. The enumeration in the Constitution, of certain rights, shall not be construed to deny or disparage others retained by the people.

#### AMENDMENT X

Rights of States under Constitution. The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.

of the epidemic of yellow fever at Philadelphia; it seems, however, that the Legislature of Tennessee took no action on Amendment XI, owing doubtless to the fact that public announcement of its adoption was made soon thereafter. (Besides the necessary 12 States, one other, South Carolina, ratified Amendment XI, but this action was not taken until Dec. 4, 1797; the two remaining States, New Jersey and Pennsylvania, failed to ratify.)

#### AMENDMENT XII

Manner of choosing President and Vice-President. (Proposed by Congress Dec. 9, 1803; ratification completed June 15, 1804.)

The Electors shall meet in their respective States and vote by ballot for President and Vice-President, one of whom, at least, shall not be an inhabitant of the same State with themselves; they shall name in their ballots the person voted for as President, and in distinct ballots the person voted for as Vice-President, and they shall make distinct lists of all persons voted for as President, and of all persons voted for as Vice-President, and of the number of votes for each, which lists they shall sign and certify, and transmit sealed to the seat of the Government of the United States, directed to the President of the Senate; the President of the Senate shall, in the presence of the Senate and House of Representatives, open all the certificates and the votes shall then be counted.—The person having the greatest number of votes for President, shall be the President, if such number be a majority of the whole number of Electors appointed; and if no person have such majority, then from the persons having the highest numbers not exceeding three on the list of those voted for as President, the House of Representatives shall

choose immediately, by ballot, the President. But in choosing the President, the votes shall be taken by States, the representation from each State having one vote; a quorum for this purpose shall consist of a member or members from two-thirds of the States, and a majority of all the States shall be necessary to a choice. (And if the House of Representatives shall not choose a President whenever the right of choice shall devolve upon them, before the fourth day of March next following, then the Vice-President shall act as President, as in the case of the death or other constitutional disability of the President.) (The words in parentheses were superseded by Amendment XX, section 3.) The person having the greatest number of votes as Vice-President, shall be the Vice-President, if such number be a majority of the whole number of Electors appointed, and if no person have a majority, then from the two highest numbers on the list, the Senate shall choose the Vice-President; a quorum for the purpose shall consist of two-thirds of the whole number of Senators, and a majority of the whole number shall be necessary to a choice. But no person constitutionally ineligible to the office of President shall be eligible to that of Vice-President of the United States.

### THE RECONSTRUCTION AMENDMENTS

(Amendments XIII, XIV, and XV are commonly known as the Reconstruction Amendments, inasmuch as they followed the Civil War, and were drafted by Republicans who were bent on imposing their own policy of reconstruction on the South. Post-bellum legislatures there—Mississippi, South Carolina, Georgia, for example—had set up laws which, it was charged, were contrived to perpetuate Negro slavery under other names.)

#### AMENDMENT XIII

Slavery abolished.

(Proposed by Congress Jan. 31, 1865; ratification completed Dec. 18, 1865. The amendment, when first proposed by a resolution in Congress, was passed by the Senate, 38 to 6, on Apr. 8, 1864, but was defeated in the House, 95 to 66 on June 15, 1864. On reconsideration by the House, on Jan. 31, 1865, the resolution passed, 119 to 56. It was approved by President Lincoln on Feb. 1, 1865, although the Supreme Court had decided in 1798 that the President has nothing to do with the proposing of amendments to the Constitution, or their adoption.)

1. Neither slavery nor involuntary servitude, except as a punishment for crime whereof the party shall have been duly convicted, shall exist within the United States or any place subject to their jurisdiction.

2. Congress shall have power to enforce this article by appropriate legislation.

#### AMENDMENT XIV

Citizenship rights not to be abridged.

(The following amendment was proposed to the Legislatures of the several States by the 39th Congress, June 13, 1866, and was declared to have been ratified in a proclamation by the Secretary of State, July 28, 1868.

(The 14th amendment was adopted only by virtue of ratification subsequent to earlier rejections. Newly constituted legislatures in both North Carolina and South Carolina (respectively July 4 and 9, 1868), ratified the proposed amendment, although earlier legislatures had rejected the proposal. The Secretary of State issued a proclamation, which, though drafted as to the effect of attempted withdrawals by Ohio and New Jersey, entertained no doubt as to the validity of the ratification by North and South Carolina. The following day (July 21, 1868), Congress passed a resolution which declared the 14th Amendment to be a part of the Constitution and directed the Secretary of State so to promulgate it. The Secretary was, however, until the newly constituted Legislature of Georgia ratified the amendment, subsequent to an earlier rejection, before the promulgation of the ratification of the 14th Amendment.)

1. All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the State wherein they reside. No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall

Massachusetts, Mar. 2, 1939; Georgia, Mar. 18, 1839. *As Amendments I to X inclusive.* by the necessary number of states, the first related to See p. 465.)

be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property without due process of law; nor shall private property be taken for public use without just compensation.

AMENDMENT VI.

Right to speedy trial, witnesses, etc.

In all criminal prosecutions, the accused shall enjoy the right to a speedy and public trial, by an impartial jury of the State and district wherein the crime shall have been committed, which district shall have been previously ascertained; and to be informed of the nature and cause of the accusation; to be confronted with the witnesses against him; to have compulsory process for obtaining witnesses in his favor, and to have the assistance of counsel for his defense.

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The Bill of Rights

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choose immediately, by ballot, the President. But in choosing the President, the votes shall be taken by States, the representation from each State having one vote; a quorum for this purpose shall consist of a member or members from two-thirds of the States, and a majority of all the States shall be necessary to a choice. (And if the House of Representatives shall not choose a President whenever the right of choice shall devolve upon them, before the fourth day of March next following, then the Vice-President shall act as President, as in the case of the death or other constitutional disability of the President.) (The words in parentheses were inserted by Amendment XX, section 3.) The person having the greatest number of votes as Vice-President, shall be the Vice-President, if such number be a majority of the whole number of Electors appointed, and if no person have a majority, then from the two highest numbers on the list, the Senate shall choose the Vice-President; a quorum for this purpose shall consist of two-thirds of the whole number of Senators, and a majority of the whole number shall be necessary to a choice. But no person constitutionally ineligible to the office of President shall be eligible to that of Vice-President of the United States.

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1. Neither slavery nor involuntary servitude, except as a punishment for crime whereof the party shall have been duly convicted, shall exist within the United States or any place subject to their jurisdiction.  
2. Congress shall have power to enforce this article by appropriate legislation.

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1. All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the State wherein they reside. No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall

any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.

2. Representatives shall be apportioned among the several States according to their respective numbers, counting the whole number of persons in each State, excluding Indians not taxed. But when the right to vote at any election for the choice of Electors for President and Vice-President of the United States, Representatives in Congress, the executive and judicial officers of a State, or the members of the Legislature thereof, is denied to any of the male inhabitants of such State, being twenty-one years of age, and, citizens of the United States, or in any way abridged, except for participation in rebellion, or other crime, the basis of representation therein shall be reduced in the proportion which the number of such male citizens shall bear to the whole number of male citizens twenty-one years of age in such State.

3. No person shall be a Senator or Representative in Congress, or Elector of President and Vice-President, or under any State, who, having previously taken an oath, as a member of Congress, or as an officer of the United States, or as a member of any State Legislature, or as an executive or judicial officer of any State, to support the Constitution of the United States, shall have engaged in insurrection or rebellion against the same, or given aid or comfort to the enemies thereof. But Congress may by a vote of two-thirds of each House, remove such disability.

4. The validity of the public debt of the United States, authorized by law, including debts incurred for payment of pensions and bounties for services in suppressing insurrection or rebellion, shall not be questioned. But neither the United States nor any State shall assume or pay any debt or obligation incurred in aid of insurrection or rebellion against the United States, or any claim for the loss or emancipation of any slave; but all such debts, obligations and claims, shall be held illegal and void.

5. The Congress shall have power to enforce, by appropriate legislation, the provisions of this article.

AMENDMENT XV.

Race no bar to voting rights.

(The following amendment was proposed to the legislatures of the several States by the 40th Congress, Feb. 26, 1869, and was declared to have been ratified in a proclamation by the Secretary of State, Mar. 30, 1870.)

1. The right of citizens of the United States to vote shall not be denied or abridged by the United States or by any State on account of race, color, or previous condition of servitude.

2. The Congress shall have power to enforce this article by appropriate legislation.

AMENDMENT XVI.

Income taxes authorized.

(Proposed by Congress July 12, 1909; ratification declared by the Secretary of State Feb. 25, 1913.)

The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration.

AMENDMENT XVII.

United States Senators to be elected by direct popular vote.

(Proposed by Congress May 13, 1912; ratification declared by the Secretary of State May 31, 1913.)

1. The Senate of the United States shall be composed of two Senators from each State, elected by the people thereof, for six years; and each Senator shall have one vote. The electors in each State shall have the qualifications requisite for electors of the most numerous branch of the State Legislatures.

2. When vacancies happen in the representation of any State in the Senate, the executive authority of such State shall issue writs of election to fill such vacancies: Provided, That the Legislature of any State may empower the Executive thereof to make temporary appointments until the peo-

ple fill the vacancies by election as the Legislature may direct.

3. This amendment shall not be so construed as to affect the election or term of any Senator chosen before it becomes valid as part of the Constitution.

#### AMENDMENT XVIII.

##### Liquor prohibition amendment.

(Proposed by Congress Dec. 18, 1917; ratification completed Jan. 16, 1919. Repealed by Amendment XXI, effective Dec. 5, 1933.)

(1. After one year from the ratification of this article the manufacture, sale, or transportation of intoxicating liquors within, the importation thereof into, or the exportation thereof from the United States and all territory subject to the jurisdiction thereof for beverage purposes is hereby prohibited.

(2. The Congress and the several States shall have concurrent power to enforce this article by appropriate legislation.

(3. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the Legislatures of the several States, as provided in the Constitution, within seven years from the date of the submission hereof to the States by the Congress.)

(The total vote in the Senates of the various States was 1,310 for, 237 against—84.6% dry. In the lower houses of the States the vote was 3,782 for, 1,035 against—78.5% dry.

(The amendment ultimately was adopted by all the States except Connecticut and Rhode Island.)

#### AMENDMENT XIX.

##### Giving nationwide suffrage to women.

(Proposed by Congress June 4, 1919; ratification certified by Secretary of State Aug. 26, 1920.)

1. The right of citizens of the United States to vote shall not be denied or abridged by the United States or by any State on account of sex.

2. Congress shall have power to enforce this Article by appropriate legislation.

#### AMENDMENT XX.

Terms of President and Vice President to begin on Jan. 20; those of Senators, Representatives, Jan. 3.

(Proposed by Congress Mar. 2, 1932; ratification completed Jan. 23, 1933.)

1. The terms of the President and Vice President shall end at noon on the 20th day of January, and the terms of Senators and Representatives at noon on the 3rd day of January, of the years in which such terms would have ended if this article had not been ratified; and the terms of their successors shall then begin.

2. The Congress shall assemble at least once in every year, and such meeting shall begin at noon on the 3rd day of January, unless they shall by law appoint a different day.

3. If, at the time fixed for the beginning of the term of the President, the President elect shall have died, the Vice President elect shall become President. If a President shall not have been chosen before the time fixed for the beginning of his term, or if the President elect shall have failed to qualify, then the Vice President elect shall act as President until a President shall have qualified; and the Congress may by law provide for the case wherein neither a President elect nor a Vice President elect shall have qualified, declaring who shall then act as President, or the manner in which one who is to act shall be selected, and such person shall act accordingly until a President or Vice President shall have qualified.

4. The Congress may by law provide for the case of the death of any of the persons from whom the House of Representatives may choose a President whenever the right of choice shall have devolved upon them, and for the case of the death of any of the persons from whom the Senate may choose a Vice President whenever the right of choice shall have devolved upon them.

5. Sections 1 and 2 shall take effect on the 15th day of October following the ratification of this article (Oct., 1933).

6. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the

Legislatures of three-fourths of the several States within seven years from the date of its submission.

#### AMENDMENT XXI.

##### Repeal of Amendment XVIII.

(Proposed by Congress Feb. 20, 1933; ratification completed Dec. 5, 1933.)

1. The eighteenth article of amendment to the Constitution of the United States is hereby repealed.

2. The transportation or importation into any State, Territory, or Possession of the United States for delivery or use therein of intoxicating liquors, in violation of the laws thereof, is hereby prohibited.

3. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by conventions in the several States, as provided in the Constitution, within seven years from the date of the submission hereof to the States by the Congress.

#### AMENDMENT XXII.

##### Limiting Presidential terms of office.

(Proposed by Congress Mar. 24, 1947; ratification completed Feb. 27, 1951.)

1. No person shall be elected to the office of the President more than twice, and no person who has held the office of President, or acted as President, for more than two years of a term to which some other person was elected President shall be elected to the office of the President more than once. But this Article shall not apply to any person holding the office of President when this Article was proposed by the Congress, and shall not prevent any person who may be holding the office of President, or acting as President, during the term within which this Article becomes operative from holding the office of President or acting as President during the remainder of such term.

2. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the Legislatures of three-fourths of the several States within seven years from the date of its submission to the States by the Congress.

#### AMENDMENT XXIII.

##### Presidential vote for District of Columbia.

(Proposed by Congress June 16, 1960; ratification completed Mar. 29, 1961.)

1. The District constituting the seat of Government of the United States shall appoint in such manner as the Congress may direct:

A number of electors of President and Vice President equal to the whole number of Senators and Representatives in Congress to which the District would be entitled if it were a State, but in no event more than the least populous State; they shall be in addition to those appointed by the States, but they shall be considered, for the purposes of the election of President and Vice President, to be electors appointed by a State; and they shall meet in the District and perform such duties as provided by the twelfth article of amendment.

2. The Congress shall have power to enforce this article by appropriate legislation.

#### AMENDMENT XXIV.

##### Barring poll tax in federal elections.

(Proposed by Congress Aug. 27, 1962; ratification completed Jan. 23, 1964.)

1. The right of citizens of the United States to vote in any primary or other election for President or Vice President, for electors for President or Vice President, or for Senator or Representative in Congress, shall not be denied or abridged by the United States or any State by reason of failure to pay any poll tax or other tax.

2. The Congress shall have power to enforce this article by appropriate legislation.

#### AMENDMENT XXV.

##### Presidential disability and succession.

(Proposed by Congress July 6, 1965; ratification completed Feb. 10, 1967.)

1. In case of the removal of the President from office or his death or resignation, the Vice President shall become President.

2. Whenever there is a vacancy in the office of the Vice President, the President shall nominate a Vice President who shall take office upon confirmation by a majority vote of both houses of Congress.

3. Whenever the President transmits to the President pro tempore of the Senate and the Speaker of the House of Representatives his written declaration that he is unable to discharge the powers and duties of his office, and until he transmits to them a written declaration to the contrary, such powers and duties shall be discharged by the Vice President as Acting President.

4. Whenever the Vice President and a majority of either the principal officers of the executive departments or of such other body as Congress may by law provide, transmit to the President pro tempore of the Senate and the Speaker of the House of Representatives their written declaration that the President is unable to discharge the powers and duties of his office, the Vice President shall immediately assume the powers and duties of the office as Acting President.

Thereafter, when the President transmits to the President pro tempore of the Senate and the Speaker of the House of Representatives his written declaration that no inability exists, he shall resume the powers and duties of his office unless the Vice President and a majority of either the principal officers of the executive department or of such other body as Congress may by law provide, transmit within four days to the President pro tempore of the Senate and the Speaker of the House of Representatives their written declaration that the President is unable to discharge the powers and duties of his office. Thereupon Congress shall decide the issue, assembling

##### Origin of the

The War of Independence was conducted by delegates from the original 13 states, called the Congress of the United States of America and generally known as the Continental Congress. In 1777 the Congress submitted to the legislatures of the states the Articles of Confederation and Perpetual Union, which were ratified by New Hampshire, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, Delaware, Virginia, North Carolina, South Carolina, and Georgia, and finally, in 1781, by Maryland.

The first article of the instrument read: "The stile of this confederacy shall be the United States of America." This did not signify a sovereign nation, because the states delegated only those powers they could not handle individually, such as power to wage war, establish a uniform currency, make treaties with foreign nations and contract debts for general expenses (such as paying the army). Taxes for the payment of such debts were levied by the individual states. The President under the Articles signed himself "President of the United States in Congress assembled," but here the United States were considered in the plural, a cooperating group. Canada was invited to join the union on equal terms but did not accept.

When the war was won it became evident that a stronger federal union was needed to protect the mutual interests of the states. The Congress left the initiative to the legislatures. Virginia in Jan. 1786 appointed commissioners to meet with representatives of other states, with the result that delegates from Virginia, Delaware, New York, New Jersey, and Pennsylvania met at Annapolis. Alexander Hamilton prepared for their call by asking delegates from all states to meet in Philadelphia in May 1787 "to render the Constitution of the Federal Government adequate to the exigencies of the union." Congress endorsed the plan Feb. 21, 1787. Delegates were appointed by all states except Rhode Island.

The convention met May 14, 1787. George Washington was chosen president (presiding officer). The states certified 55 delegates, but 10 did not attend. The work was done by 39 of all of whom were present at all sessions. Of the 55

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2. Whenever there is a vacancy in the office of the Vice President, the President shall nominate a Vice President who shall take office upon confirmation by a majority vote of both houses of Congress.
3. Whenever the President transmits to the President pro tempore of the Senate and the Speaker of the House of Representatives his written declaration that he is unable to discharge the powers and duties of his office, and until he transmits to them a written declaration to the contrary, such powers and duties shall be discharged by the Vice President as Acting President.
4. Whenever the Vice President and a majority of either the principal officers of the executive departments or of such other body as Congress may by law provide, transmit to the President pro tempore of the Senate and the Speaker of the House of Representatives their written declaration that the President is unable to discharge the powers and duties of his office, the Vice President shall immediately assume the powers and duties of the office as Acting President.
Thereafter, when the President transmits to the President pro tempore of the Senate and the Speaker of the House of Representatives his written declaration that no inability exists, he shall resume the powers and duties of his office unless the Vice President and a majority of either the principal officers of the executive department or of such other body as Congress may by law provide, transmit within four days to the President pro tempore of the Senate and the Speaker of the House of Representatives their written declaration that the President is unable to discharge the powers and duties of his office. Thereupon Congress shall decide the issue, assembling within forty-eight hours for that purpose if not in session.

... If the Congress, within twenty-one days after receipt of the latter written declaration, or, if Congress is not in session, within twenty-one days after Congress is required to assemble, determines by two-thirds vote of both houses that the President is unable to discharge the powers and duties of his office, the Vice President shall continue to discharge the same as Acting President; otherwise, the President shall resume the powers and duties of his office.

AMENDMENT XXVI.

Lowering voting age to 18 years.

(Proposed by Congress Mar. 23, 1971; ratification completed July 1, 1971.)

- 1. The right of citizens of the United States, who are 18 years of age or older, to vote shall not be denied or abridged by the United States or any state on account of age.
2. The Congress shall have the power to enforce this article by appropriate legislation.

PROPOSED AMENDMENT RELATING TO CONGRESSIONAL PAY

(Proposed by the first Congress Sept. 25, 1789 as one of the 12 amendments to the Constitution, the 10 that were accepted became the Bill of Rights; ratified as of May 1991 by 35 states: Maryland, North Carolina, South Carolina, Delaware, Vermont, Virginia 1789-1791; Ohio 1873; Wyoming 1978; Maine 1983; Colorado 1984; South Dakota, New Hampshire, Arizona, Tennessee, Oklahoma 1985; New Mexico, Indiana, Utah 1986; Montana, Connecticut, Wisconsin, Arkansas 1987; Georgia, W. Virginia, Louisiana 1988; Iowa, Idaho, Nevada, Alaska, Oregon, Minnesota, Texas 1989; Kansas, Florida 1990; N. Dakota 1991. An additional 3 ratifications are needed to attain the requisite three-quarters of the States.)

No law, varying the compensation for the services of the Senators and Representatives, shall take effect, until an election of Representatives shall have intervened.

Origin of the Constitution

The War of Independence was conducted by delegates from the original 13 states, called the Congress of the United States of America and generally known as the Continental Congress. In 1777 the Congress submitted to the legislatures of the states the Articles of Confederation and Perpetual Union, which were ratified by New Hampshire, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, Delaware, Virginia, North Carolina, South Carolina, and Georgia, and finally, in 1781, by Maryland.

The first article of the instrument read: "The stile of this confederacy shall be the United States of America." This did not signify a sovereign nation, because the states delegated only those powers they could not handle individually, such as power to wage war, establish a uniform currency, make treaties with foreign nations and contract debts for general expenses (such as paying the army). Taxes for the payment of such debts were levied by the individual states. The president under the Articles signed himself "President of the United States in Congress assembled," but here the United States were considered in the plural, a cooperating group. Canada was invited to join the union on equal terms but did not act.

When the war was won it became evident that a stronger federal union was needed to protect the mutual interests of the states. The Congress left the initiative to the legislatures. Virginia in Jan. 1786 appointed commissioners to meet with representatives of other states, with the result that delegates from Virginia, Delaware, New York, New Jersey, and Pennsylvania met at Annapolis. Alexander Hamilton prepared for their call by asking delegates from all states to meet in Philadelphia in May 1787 "to render the Constitution of the Federal government adequate to the exigencies of the union." Congress endorsed the plan Feb. 21, 1787. Delegates were appointed by all states except Rhode Island.

The convention met May 14, 1787. George Washington was chosen president (presiding officer). The states certified 65 delegates, but 10 did not attend. The work was done by 55 not all of whom were present at all sessions. Of the 55

attending delegates, 16 failed to sign, and 39 actually signed Sept. 17, 1787, some with reservations. Some historians have said 74 delegates (9 more than the 65 actually certified) were named and 19 failed to attend. These 9 additional persons refused the appointment, were never delegates and never counted as absentees. Washington sent the Constitution to Congress with a covering letter and that body, Sept. 28, 1787, ordered it sent to the legislatures, "in order to be submitted to a convention of delegates chosen in each state by the people thereof."

The Constitution was ratified by votes of state conventions as follows: Delaware, Dec. 7, 1787, unanimous; Pennsylvania, Dec. 12, 1787, 43 to 23; New Jersey, Dec. 18, 1787, unanimous; Georgia, Jan. 2, 1788, unanimous; Connecticut, Jan. 9, 1788, 128 to 40; Massachusetts, Feb. 6, 1788, 187 to 168; Maryland, Apr. 28, 1788, 63 to 11; South Carolina, May 23, 1788, 149 to 73; New Hampshire, June 21, 1788, 57 to 46; Virginia, June 25, 1788, 89 to 79; New York, July 26, 1788, 30 to 27. Nine states were needed to establish the operation of the Constitution "between the states so ratifying the same" and New Hampshire was the 9th state. The government did not declare the Constitution in effect until the first Wednesday in Mar. 1789 which was Mar. 4. After that North Carolina ratified it Nov. 21, 1789, 194 to 77; and Rhode Island, May 29, 1790, 34 to 32. Vermont in convention ratified it Jan. 10, 1791, and by act of Congress approved Feb. 18, 1791, was admitted into the Union as the 14th state, Mar. 4, 1791.

On Sept. 17, 1987, the nation began a four-year celebration of the 200th anniversary of the signing of the Constitution of the United States.

As of April 1987, 32 states have voted to issue convention calls to hold a second constitutional convention. Convention bills are pending before 11 more state legislatures, while bills to rescind previous calls are under consideration in four states. When the total reaches 34, the Constitution stipulates that a convention must be held. The convention drive began in the mid 1970s to bring about the consideration of an amendment requiring a balanced federal budget.

#27 95 of this past month

matters. And I don't think it's fair. I do not think that is fair.

So, how you do your business, and to go the extra mile to get the facts out there, you've got to sort that out. And how I conduct myself in even discussing this, I've got to sort it out a little more clearly because I may have contributed—even though I think I refused to answer this guy's question—by even taking it, to this frenzied air of speculation that does not help anybody. It doesn't help the national security of our country. It doesn't help Senator Tower. It doesn't help the standing of the United States Senate. It might not help the way this President is viewed because I do not want to be out there as less than fully supportive of my nominee. And that's where I stand. And thank you, and this—

*Q.* Are you mad?

*The President.* Not mad—I'm calm and contained. I don't get mad easy anymore.

Hey listen, we've got to get one drug question, please.

*Q.* Secretary Bennett, have you given up smoking?

*Mr. Bennett.* I won't comment on that allegation. [Laughter]

## Address on Administration Goals Before a Joint Session of Congress February 9, 1989

Mr. Speaker, Mr. President, and distinguished Members of the House and Senate, honored guests, and fellow citizens: Less than 3 weeks ago, I joined you on the West Front of this very building and, looking over the monuments to our proud past, offered you my hand in filling the next page of American history with a story of extended prosperity and continued peace. And tonight I'm back to offer you my plans as well. The hand remains extended; the sleeves are rolled up; America is waiting; and now we must produce. Together, we can build a better America.

It is comforting to return to this historic Chamber. Here, 22 years ago, I first raised my hand to be sworn into public life. So,

*Q.* Are you thinking about sending U.S. troops to Latin America?

*The President.* Is that a drug question? Nobody's discussed that with me. And you're talking about one who is very wary of committing U.S. troops overseas. But I said in the campaign, that there could be times, working cooperatively with leaders in the hemisphere, that American assistance would be sought and American assistance would be granted in wiping out insidious factories that send poison in to poison our kids. And it has happened in the past. You recall U.S. choppers were used in cooperation—I think it was either Bolivia or Peru—Bolivia, I think, and it was effective. So, you don't rule something out.

But I think in reply to your question—stems from some planning that supposedly is going on that we make some big strike somewhere. And I know nothing about that and would be very reluctant to prove some—until I've given it a lot of thought.

Thank you all very much.

*Note: The President spoke at 2:25 p.m. in the Oval Office at the White House. William J. Bennett was National Drug Control Policy Director-designate.*

tonight I feel as if I'm returning home to friends. And I intend, in the months and years to come, to give you what friends deserve: frankness, respect, and my best judgment about ways to improve America's future. In return, I ask for an honest commitment to our common mission of progress. If we seize the opportunities on the road before us, there'll be praise enough for all. The people didn't send us here to bicker, and it's time to govern.

And many Presidents have come to this Chamber in times of great crisis: war and depression, loss of national spirit. And 8 years ago, I sat in that very chair as President Reagan spoke of punishing inflation and devastatingly high interest rates and

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people out of work—American confidence on the wane. And our challenge is different. We're fortunate—a much changed landscape lies before us tonight. So, I don't propose to reverse direction. We're headed the right way, but we cannot rest. We're a people whose energy and drive have fueled our rise to greatness. And we're a forward-looking nation—generous, yes, but ambitious, not for ourselves but for the world. Complacency is not in our character—not before, not now, not ever.

And so, tonight we must take a strong America and make it even better. We must address some very real problems. We must establish some very clear priorities. And we must make a very substantial cut in the Federal budget deficit. Some people find that agenda impossible, but I'm presenting to you tonight a realistic plan for tackling it. My plan has four broad features: attention to urgent priorities, investment in the future, an attack on the deficit, and no new taxes. This budget represents my best judgment of how we can address our priorities. There are many areas in which we would all like to spend more than I propose; I understand that. But we cannot until we get our fiscal house in order.

Next year alone, thanks to economic growth, without any change in the law, the Federal Government will take in over \$80 billion more than it does this year. That's right—over \$80 billion in new revenues, with no increases in taxes. And our job is to allocate those new resources wisely. We can afford to increase spending by a modest amount, but enough to invest in key priorities and still cut the deficit by almost 40 percent in 1 year. And that will allow us to meet the targets set forth in the Gramm-Rudman-Hollings law. But to do that, we must recognize that growth above inflation in Federal programs is not preordained, that not all spending initiatives were designed to be immortal.

I make this pledge tonight: My team and I are ready to work with the Congress, to form a special leadership group, to negotiate in good faith, to work day and night—if that's what it takes—to meet the budget targets and to produce a budget on time.

We cannot settle for business as usual. Government by continuing resolution, or

government by crisis, will not do. And I ask the Congress tonight to approve several measures which will make budgeting more sensible. We could save time and improve efficiency by enacting 2-year budgets. Forty-three Governors have the line-item veto. Presidents should have it, too. And at the very least, when a President proposes to rescind Federal spending, the Congress should be required to vote on that proposal instead of killing it by inaction. And I ask the Congress to honor the public's wishes by passing a constitutional amendment to require a balanced budget. Such an amendment, once phased in, will discipline both the Congress and the executive branch.

Several principles describe the kind of America I hope to build with your help in the years ahead. We will not have the luxury of taking the easy, spendthrift approach to solving problems because higher spending and higher taxes put economic growth at risk. Economic growth provides jobs and hope. Economic growth enables us to pay for social programs. Economic growth enhances the security of the Nation, and low tax rates create economic growth.

I believe in giving Americans greater freedom and greater choice. And I will work for choice for American families, whether in the housing in which they live, the schools to which they send their children, or the child care they select for their young. You see, I believe that we have an obligation to those in need, but that government should not be the provider of first resort for things that the private sector can produce better. I believe in a society that is free from discrimination and bigotry of any kind. And I will work to knock down the barriers left by past discrimination and to build a more tolerant society that will stop such barriers from ever being built again.

I believe that family and faith represent the moral compass of the Nation. And I'll work to make them strong, for as Benjamin Franklin said: "If a sparrow cannot fall to the ground without His notice, can a great nation rise without His aid?" And I believe in giving people the power to make their own lives better through growth and opportunity. And together, let's put power in the hands of people.

Three weeks ago, we celebrated the bicentennial inaugural, the 200th anniversary of the first Presidency. And if you look back, one thing is so striking about the way the Founding Fathers looked at America. They didn't talk about themselves. They talked about posterity. They talked about the future. And we, too, must think in terms bigger than ourselves. We must take actions today that will ensure a better tomorrow. We must extend American leadership in technology, increase long-term investment, improve our educational system, and boost productivity. These are the keys to building a better future, and here are some of my recommendations:

I propose almost \$2.2 billion for the National Science Foundation to promote basic research and keep us on track to double its budget by 1993.

I propose to make permanent the tax credit for research and development.

I've asked Vice President Quayle to chair a new Task Force on Competitiveness.

And I request funding for NASA [National Aeronautics and Space Administration] and a strong space program, an increase of almost \$2.4 billion over the current fiscal year. We must have a manned space station; a vigorous, safe space shuttle program; and more commercial development in space. The space program should always go "full throttle up." And that's not just our ambition; it's our destiny.

I propose that we cut the maximum tax rate on capital gains to increase long-term investment. History on this is clear—this will increase revenues, help savings, and create new jobs. We won't be competitive if we leave whole sectors of America behind. This is the year we should finally enact urban enterprise zones and bring hope to the inner cities.

But the most important competitiveness program of all is one which improves education in America. When some of our students actually have trouble locating America on a map of the world, it is time for us to map a new approach to education. We must reward excellence and cut through bureaucracy. We must help schools that need help the most. We must give choice to parents, students, teachers, and principals; and we must hold all concerned accounta-

ble. In education, we cannot tolerate mediocrity. I want to cut that dropout rate and make America a more literate nation, because what it really comes down to is this: The longer our graduation lines are today, the shorter our unemployment lines will be tomorrow.

So, tonight I'm proposing the following initiatives: the beginning of a \$500 million program to reward America's best schools, merit schools; the creation of special Presidential awards for the best teachers in every State, because excellence should be rewarded; the establishment of a new program of National Science Scholars, one each year for every Member of the House and Senate, to give this generation of students a special incentive to excel in science and mathematics; the expanded use of magnet schools, which give families and students greater choice; and a new program to encourage alternative certification, which will let talented people from all fields teach in our classrooms. I've said I'd like to be the "Education President." And tonight, I'd ask you to join me by becoming the "Education Congress."

Just last week, as I settled into this new office, I received a letter from a mother in Pennsylvania who had been struck by my message in the Inaugural Address. "Not 12 hours before," she wrote, "my husband and I received word that our son was addicted to cocaine. He had the world at his feet. Bright, gifted, personable—he could have done anything with his life. And now he has chosen cocaine." "And please," she wrote, "find a way to curb the supply of cocaine. Get tough with the pushers. Our son needs your help."

My friends, that voice crying out for help could be the voice of your own neighbor, your own friend, your own son. Over 23 million Americans used illegal drugs last year, at a staggering cost to our nation's well-being. Let this be recorded as the time when America rose up and said no to drugs. The scourge of drugs must be stopped. And I am asking tonight for an increase of almost a billion dollars in budget outlays to escalate the war against drugs. The war must be waged on all fronts. Our new drug czar, Bill Bennett, and I will be shoulder to

shoulder in the charge.

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shoulder in the executive branch leading the charge.

Some money will be used to expand treatment to the poor and to young mothers. This will offer the helping hand to the many innocent victims of drugs, like the thousands of babies born addicted or with AIDS because of the mother's addiction. Some will be used to cut the waiting time for treatment. Some money will be devoted to those urban schools where the emergency is now the worst. And much of it will be used to protect our borders, with help from the Coast Guard and the Customs Service, the Departments of State and Justice, and, yes, the U.S. military.

I mean to get tough on the drug criminals. And let me be clear: This President will back up those who put their lives on the line every single day—our local police officers. My budget asks for beefed-up prosecution, for a new attack on organized crime, and for enforcement of tough sentences—and for the worst kingpins, that means the death penalty. I also want to make sure that when a drug dealer is convicted there's a cell waiting for him. And he should not go free because prisons are too full. And so, let the word go out: If you're caught and convicted, you will do time.

But for all we do in law enforcement, in interdiction and treatment, we will never win this war on drugs unless we stop the demand for drugs. So, some of this increase will be used to educate the young about the dangers of drugs. We must involve the parents. We must involve the teachers. We must involve the communities. And, my friends, we must involve ourselves, each and every one of us in this concern.

One problem related to drug use demands our urgent attention and our continuing compassion, and that is the terrible tragedy of AIDS. I'm asking for \$1.6 billion for education to prevent the disease and for research to find a cure.

If we're to protect our future, we need a new attitude about the environment. We must protect the air we breathe. I will send to you shortly legislation for a new, more effective Clean Air Act. It will include a plan to reduce by date certain the emissions which cause acid rain, because the time for study alone has passed, and the time for

action is now. We must make use of clean coal. My budget contains full funding, on schedule, for the clean coal technology agreement that we've made with Canada. We've made that agreement with Canada, and we intend to honor that agreement. We must not neglect our parks. So, I'm asking to fund new acquisitions under the Land and Water Conservation Fund. We must protect our oceans. And I support new penalties against those who would dump medical waste and other trash into our oceans. The age of the needle on the beaches must end.

And in some cases, the gulfs and oceans off our shores hold the promise of oil and gas reserves which can make our nation more secure and less dependent on foreign oil. And when those with the most promise can be tapped safely, as with much of the Alaska National Wildlife Refuge, we should proceed. But we must use caution; we must respect the environment. And so, tonight I'm calling for the indefinite postponement of three lease sales which have raised troubling questions, two off the coast of California and one which could threaten the Everglades in Florida. Action on these three lease sales will await the conclusion of a special task force set up to measure the potential for environmental damage.

I'm directing the Attorney General and the Administrator of the Environmental Protection Agency to use every tool at their disposal to speed and toughen the enforcement of our laws against toxic-waste dumpers. I want faster cleanups and tougher enforcement of penalties against polluters.

In addition to caring for our future, we must care for those around us. A decent society shows compassion for the young, the elderly, the vulnerable, and the poor. Our first obligation is to the most vulnerable—infants, poor mothers, children living in poverty—and my proposed budget recognizes this. I ask for full funding of Medicaid, an increase of over \$3 billion, and an expansion of the program to include coverage of pregnant women who are near the poverty line. I believe we should help working families cope with the burden of child care. Our help should be aimed at those who need it most: low-income families with young chil-

dren. I support a new child care tax credit that will aim our efforts at exactly those families, without discriminating against mothers who choose to stay at home.

Now, I know there are competing proposals. But remember this: The overwhelming majority of all preschool child care is now provided by relatives and neighbors and churches and community groups. Families who choose these options should remain eligible for help. Parents should have choice. And for those children who are unwanted or abused or whose parents are deceased, we should encourage adoption. I propose to reenact the tax deduction for adoption expenses and to double it to \$3,000. Let's make it easier for these kids to have parents who love them.

We have a moral contract with our senior citizens. And in this budget, Social Security is fully funded, including a full cost-of-living adjustment. We must honor our contract.

We must care about those in the shadow of life, and I, like many Americans, am deeply troubled by the plight of the homeless. The causes of homelessness are many; the history is long. But the moral imperative to act is clear. Thanks to the deep well of generosity in this great land, many organizations already contribute, but we in government cannot stand on the sidelines. In my budget, I ask for greater support for emergency food and shelter, for health services and measures to prevent substance abuse, and for clinics for the mentally ill. And I propose a new initiative involving the full range of government agencies. We must confront this national shame.

There's another issue that I've decided to mention here tonight. I've long believed that the people of Puerto Rico should have the right to determine their own political future. Personally, I strongly favor statehood. But I urge the Congress to take the necessary steps to allow the people to decide in a referendum.

Certain problems, the result of decades of unwise practices, threaten the health and security of our people. Left unattended, they will only get worse. But we can act now to put them behind us.

Earlier this week, I announced my support for a plan to restore the financial and moral integrity of our savings system. I ask

Congress to enact our reform proposals within 45 days. We must not let this situation fester. We owe it to the savers in this country to solve this problem. Certainly, the savings of Americans must remain secure. Let me be clear: Insured depositors will continue to be fully protected, but any plan to refinance the system must be accompanied by major reform. Our proposals will prevent such a crisis from recurring. The best answer is to make sure that a mess like this will never happen again. The majority of thrifts in communities across the Nation have been honest. They've played a major role in helping families achieve the dream of home ownership. But make no mistake, those who are corrupt, those who break the law, must be kicked out of the business; and they should go to jail.

We face a massive task in cleaning up the waste left from decades of environmental neglect at America's nuclear weapons plants. Clearly, we must modernize these plants and operate them safely. That's not at issue; our national security depends on it. But beyond that, we must clean up the old mess that's been left behind. And I propose in this budget to more than double our current effort to do so. This will allow us to identify the exact nature of the various problems so we can clean them up, and clean them up we will.

We've been fortunate during these past 8 years. America is a stronger nation than it was in 1980. Morale in our Armed Forces has been restored; our resolve has been shown. Our readiness has been improved, and we are at peace. There can no longer be any doubt that peace has been made more secure through strength. And when America is stronger, the world is safer.

Most people don't realize that after the successful restoration of our strength, the Pentagon budget has actually been reduced in real terms for each of the last 4 years. We cannot tolerate continued real reduction in defense. In light of the compelling need to reduce the deficit, however, I support a 1-year freeze in the military budget, something I proposed last fall in my flexible freeze plan. And this freeze will apply for only 1 year, and after that, increases above inflation will be required. I will not sacrifice

American people promise America

I should be attached to next coming year: to those prior that I've spoken freeze must budget agree spelled out in without raising rates reforms

I've directed council to review defense policies 90 days to ensure resources managed. I'm also Defense with to improve the mess and man which will commission can only be the Congress. We need federal bureaucracy. ment and 2 and don't t congressional tion's militar sion on that [laughter].

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And it's world, and Prudence: we try to the change cles, and t I've person Gorbachev review we We will no

American preparedness, and I will not compromise American strength.

I should be clear on the conditions attached to my recommendation for the coming year: The savings must be allocated to those priorities for investing in our future that I've spoken about tonight. This defense freeze must be a part of a comprehensive budget agreement which meets the targets spelled out in Gramm-Rudman-Hollings law without raising taxes and which incorporates reforms in the budget process.

I've directed the National Security Council to review our national security and defense policies and report back to me within 90 days to ensure that our capabilities and resources meet our commitments and strategies. I'm also charging the Department of Defense with the task of developing a plan to improve the defense procurement process and management of the Pentagon, one which will fully implement the Packard commission report. Many of these changes can only be made with the participation of the Congress, and so, I ask for your help. We need fewer regulations. We need less bureaucracy. We need multiyear procurement and 2-year budgeting. And frankly—and don't take this wrong—we need less congressional micromanagement of our nation's military policy. I detect a slight division on that question, but nevertheless—*[laughter]*.

Securing a more peaceful world is perhaps the most important priority I'd like to address tonight. You know, we meet at a time of extraordinary hope. Never before in this century have our values of freedom, democracy, and economic opportunity been such a powerful and intellectual force around the globe. Never before has our leadership been so crucial, because while America has its eyes on the future, the world has its eyes on America.

And it's a time of great change in the world, and especially in the Soviet Union. Prudence and common sense dictate that we try to understand the full meaning of the change going on there, review our policies, and then proceed with caution. But I've personally assured General Secretary Gorbachev that at the conclusion of such a review we will be ready to move forward. We will not miss any opportunity to work

for peace. The fundamental facts remain that the Soviets retain a very powerful military machine in the service of objectives which are still too often in conflict with ours. So, let us take the new openness seriously, but let's also be realistic. And let's always be strong.

There are some pressing issues we must address. I will vigorously pursue the Strategic Defense Initiative. The spread, and even use, of sophisticated weaponry threatens global security as never before. Chemical weapons must be banned from the face of the Earth, never to be used again. And look, this won't be easy. Verification—extraordinarily difficult, but civilization and human decency demand that we try. And the spread of nuclear weapons must be stopped. And I'll work to strengthen the hand of the International Atomic Energy Agency. Our diplomacy must work every day against the proliferation of nuclear weapons.

And around the globe, we must continue to be freedom's best friend. And we must stand firm for self-determination and democracy in Central America, including in Nicaragua. It is my strongly held conviction that when people are given the chance they inevitably will choose a free press, freedom of worship, and certifiably free and fair elections.

We must strengthen the alliance of the industrial democracies, as solid a force for peace as the world has ever known. And this is an alliance forged by the power of our ideals, not the pettiness of our differences. So, let's lift our sights to rise above fighting about beef hormones, to building a better future, to move from protectionism to progress.

I've asked the Secretary of State to visit Europe next week and to consult with our allies on the wide range of challenges and opportunities we face together, including East-West relations. And I look forward to meeting with our NATO partners in the near future.

And I, too, shall begin a trip shortly to the far reaches of the Pacific Basin, where the winds of democracy are creating new hope and the power of free markets is unleashing a new force. When I served as our

representative in China 14 or 15 years ago, few would have predicted the scope of the changes we've witnessed since then. But in preparing for this trip, I was struck by something I came across from a Chinese writer. He was speaking of his country, decades ago, but his words speak to each of us in America tonight. "Today," he said, "we're afraid of the simple words like 'goodness' and 'mercy' and 'kindness.'" My friends, if we're to succeed as a nation, we must rediscover those words.

In just 3 days, we mark the birthday of Abraham Lincoln, the man who saved our Union and gave new meaning to the word "opportunity." Lincoln once said: "I hold that while man exists, it is his duty to improve not only his own condition but to assist in ameliorating that of mankind." It is this broader mission to which I call all Americans, because the definition of a successful life must include serving others.

And to the young people of America, who sometimes feel left out, I ask you tonight to give us the benefit of your talent and energy through a new program called YES, for Youth Entering Service to America.

To those men and women in business, remember the ultimate end of your work: to make a better product, to create better lives. I ask you to plan for the longer term and avoid that temptation of quick and easy paper profits.

To the brave men and women who wear the uniform of the United States of America, thank you. Your calling is a high one: to be the defenders of freedom and the guarantors of liberty. And I want you to know that this nation is grateful for your service.

To the farmers of America, we appreciate the bounty you provide. We will work with you to open foreign markets to American agricultural products.

And to the parents of America, I ask you to get involved in your child's schooling. Check on the homework, go to the school, meet the teachers, care about what is happening there. It's not only your child's future on the line, it's America's.

To kids in our cities, don't give up hope. Say no to drugs; stay in school. And, yes, "Keep hope alive."

To those 37 million Americans with some form of disability, you belong in the eco-

nomic mainstream. We need your talents in America's work force. Disabled Americans must become full partners in America's opportunity society.

To the families of America watching tonight in your living rooms, hold fast to your dreams because ultimately America's future rests in your hands.

And to my friends in this Chamber, I ask your cooperation to keep America growing while cutting the deficit. That's only fair to those who now have no vote: the generations to come. Let them look back and say that we had the foresight to understand that a time of peace and prosperity is not the time to rest but a time to press forward, a time to invest in the future.

And let all Americans remember that no problem of human making is too great to be overcome by human ingenuity, human energy, and the untiring hope of the human spirit. I believe this. I would not have asked to be your President if I didn't. And tomorrow the debate on the plan I've put forward begins, and I ask the Congress to come forward with your own proposals. Let's not question each other's motives. Let's debate, let's negotiate; but let us solve the problem.

Recalling anniversaries may not be my specialty in speeches—[laughter]—but tonight is one of some note. On February 9th, 1941, just 48 years ago tonight, Sir Winston Churchill took to the airwaves during Britain's hour of peril. He'd received from President Roosevelt a hand-carried letter quoting Longfellow's famous poem: "Sail on, O Ship of State! Sail on, O Union, strong and great! Humanity with all its fears, With all the hopes of future years, Is hanging breathless on thy fate!" And Churchill responded on this night by radio broadcast to a nation at war, but he directed his words to Franklin Roosevelt. "We shall not fail or falter," he said. "We shall not weaken or tire. Give us the tools, and we will finish the job."

Tonight, almost half a century later, our peril may be less immediate, but the need for perseverance and clear-sighted fortitude is just as great. Now, as then, there are those who say it can't be done. There are voices who say that America's best days

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## Message February

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## Remarks Following Ottawa, February

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have passed, that we're bound by constraints, threatened by problems, surrounded by troubles which limit our ability to hope. Well, tonight I remain full of hope. We Americans have only begun on our mission of goodness and greatness. And to those timid souls, I repeat the plea: "Give us the tools, and we will do the job."

Thank you. God bless you, and God bless America.

*Note: The President spoke at 9:07 p.m. in the House Chamber of the Capitol. The address was broadcast live on nationwide radio and television.*

### Message to the Congress Transmitting the Fiscal Year 1990 Budget February 9, 1989

*To the Congress of the United States:*

I hereby transmit a supplement to the Message I am delivering to the Joint Session of the Congress tonight. It is titled "Building a Better America," and it contains further description of the plans and proposals mentioned in the Message. I urge the Congress to give favorable consideration to

these proposals and renew my invitation to the congressional leadership to work together to assure that America is united, strong, at peace, and fiscally sound.

GEORGE BUSH

The White House,  
February 9, 1989.

### Remarks and a Question-and-Answer Session With Reporters Following a Luncheon With Prime Minister Brian Mulroney in Ottawa, Canada February 10, 1989

*The President.* Let me just say on behalf of Mrs. Bush, our Secretary of State, and others, this has been a good visit. It is an important visit because it symbolizes the importance that we place on the relationship with Canada. We're each other's largest trading partners. We are friends. We share a long, peaceful border, and we have many common interests. And today we had an opportunity to discuss not just the bilateral relationship that is very, very strong and very good but we had a chance to talk about the East-West relationship. I had a chance to talk about the problems on trade; indeed, our trade ministers are talking right now, you might say. And so, I felt the visit was outstanding.

The Prime Minister and I reviewed the concerns that he has about acid rain; and I referred him to what I said last night to the American people: my determination to

move on forward with setting limits, with legislation, and then moving to discussions with Canada, leading to an accord that I think will be beneficial to both countries. And so, that problem—and it has been a problem—is one that we are both determined to move forward towards solution. In terms of the trade agreement, we, of course, have saluted the courageous position taken by the Prime Minister of Canada. We have great respect for that in the United States; and we want to now do our part, part of the United States, to follow through with whatever implementation is required.

So, the mood was upbeat, the spirit good, and I am very glad that this was my first visit outside of the continental United States as President. And we will keep in touch, and each of us has pledged to see that this strong relationship becomes even stronger.

# The Heritage Foundation

# Background

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## The Thomas A. Roe Institute for Economic Policy Studies

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.<sup>1</sup>

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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

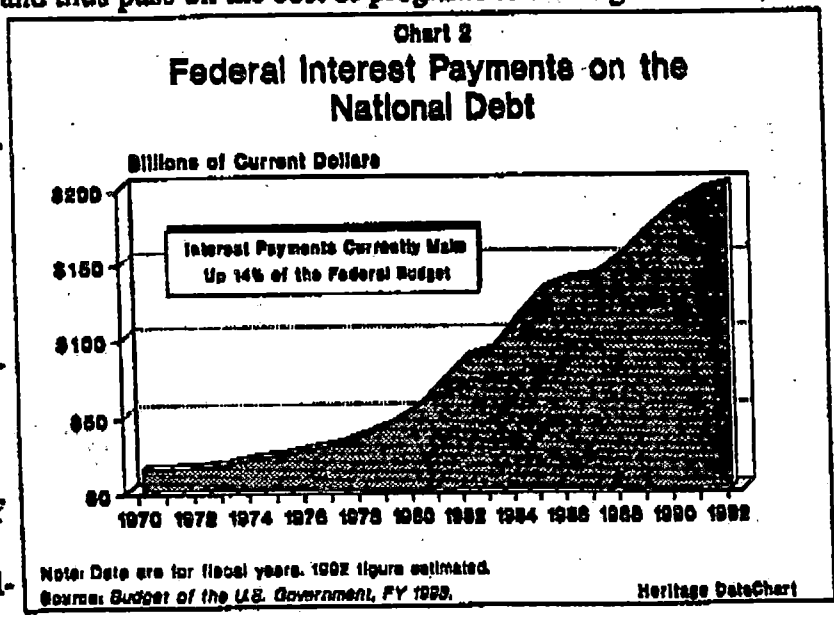
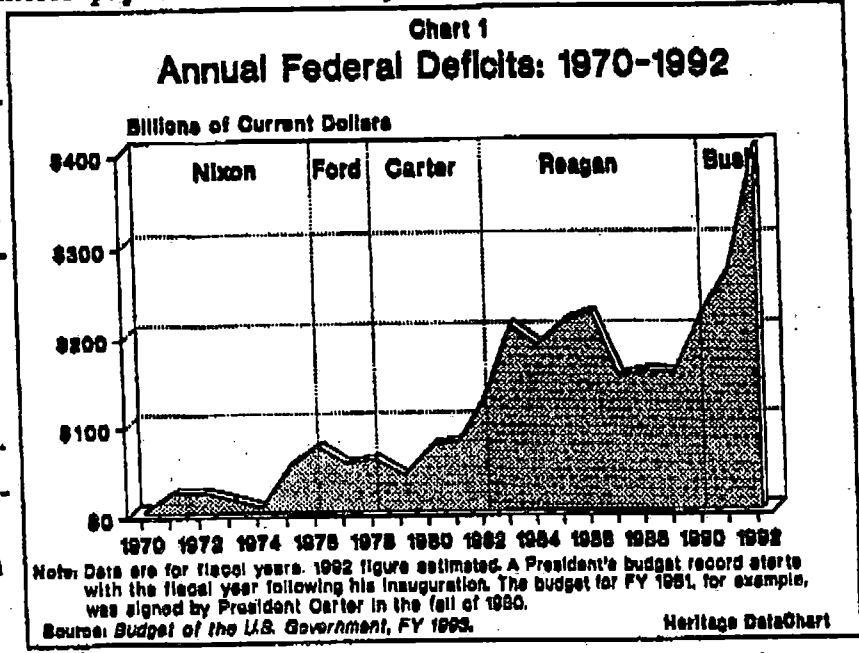
Twenty-three years of deficit spending are responsible for about \$180 billion of the nearly \$200 billion in interest payments that will be paid this year on the national debt.

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.

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-



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

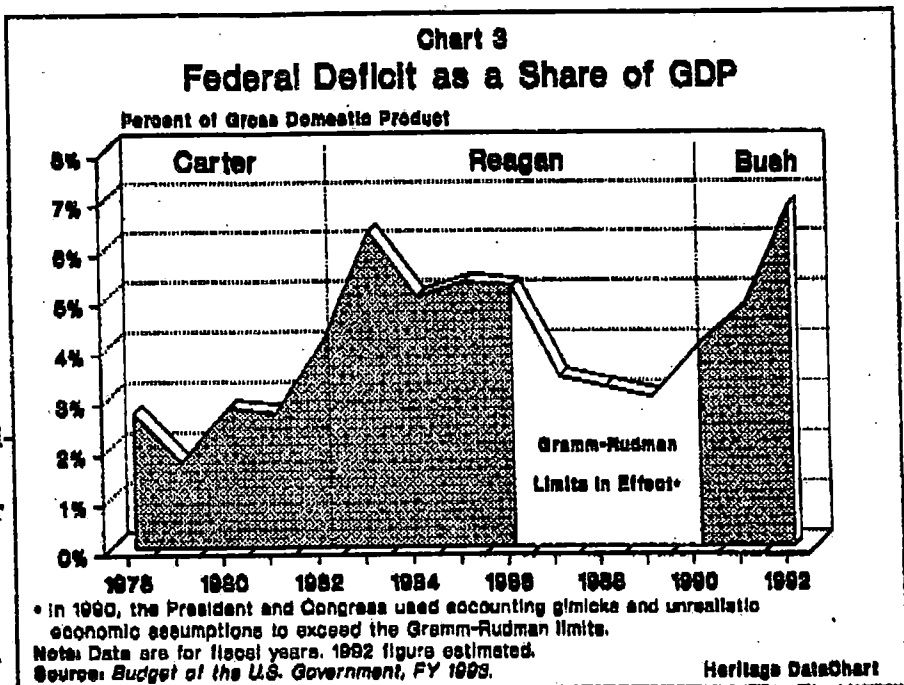
ment halts this pattern. An amendment prohibits government borrowing as a means of financing government spending, and—assuming there is a constitutional or political brake on new taxes—increases economic growth by reducing the overall burden of federal spending.

## THE GROWING PROBLEM OF DEFICIT SPENDING

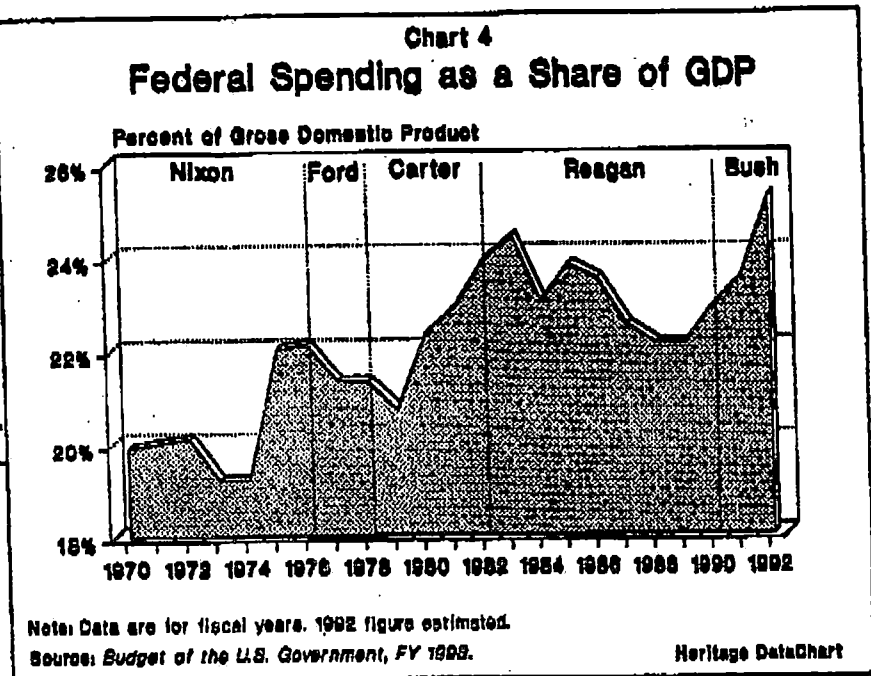
For much of America's history, a balanced budget amendment would have been an unnecessary addition to the Constitution. The reason: The federal government operated in deficit only during wars or serious economic downturns. Usually the government ran a budget surplus, as policy makers felt morally obliged 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. In-

deed, 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.



The deficit did not fall sharply, however, until the passage of the Gramm-Rudman-Hollings Deficit Reduction Act in 1985. <sup>12</sup> 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

<sup>2</sup> 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.

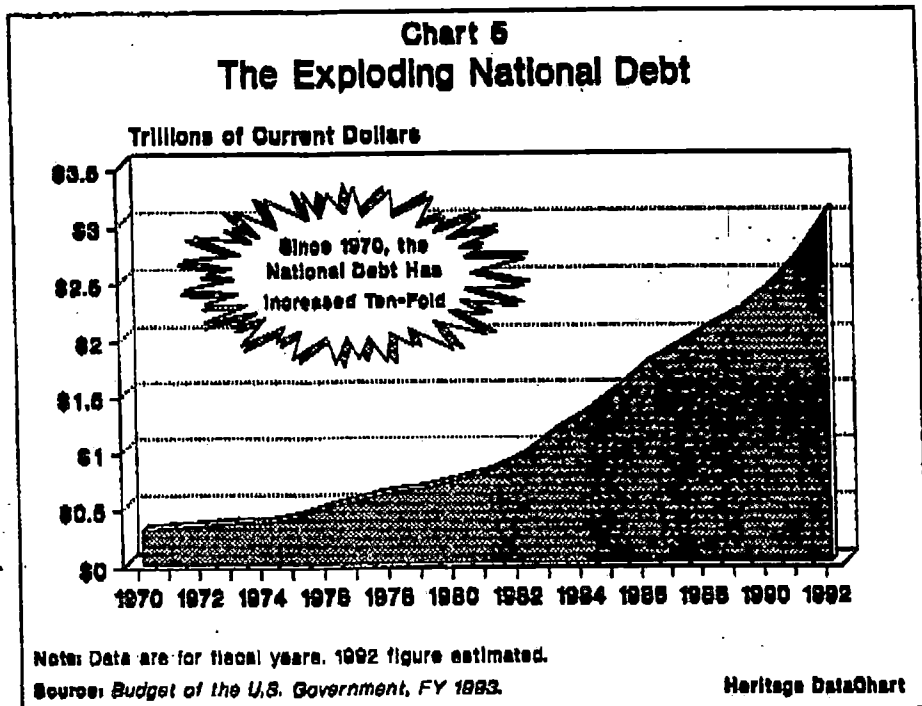
law which had restrained the budget deficit—the Gramm-Rudman Act—was emasculated as part of the 1990 budget deal.<sup>3</sup>

## CRAFTING A LOOPHOLE-FREE BALANCED BUDGET AMENDMENT

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,



<sup>3</sup> 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."<sup>4</sup> 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

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<sup>4</sup> *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
<b>Revenue Projections: Before Tax Increase</b>	1121.7	1194.5	1278.7	1363.1	1441.1
<b>Revenue Projections: After Tax Increase</b>	1054.3	1081.0	1168.4	1264.9	1347.3
<b>Revenue "Loss"</b>	67.4	113.5	110.3	98.2	93.8
<p><b>Sources:</b> Pre-Tax projections from <i>Mid-Session Review of the Budget</i>, Office of Management and Budget, July 1990; Post-Tax projections from <i>Budget of the United States Government, FY1993</i>, Office of Management and Budget, January 1992.</p>					

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.<sup>5</sup>

**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

<sup>5</sup> 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.<sup>6</sup>

## 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 judgement 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.

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<sup>6</sup> Regrettably the Bush Administration 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

#### S.J.RES. 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.

#### S.J.RES. 182

Proposed by Senator Robert Kasten

#### H.J.RES. 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.

### **H.J. RES. 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.

**H.J. RES. 28**  
**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.

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## 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	37.8	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	Contant 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.

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MEMORANDUM FOR DAVID DEMAREST

FROM: GARY GERSHOWITZ

SUBJECT: COMMUNICATIONS PLAN

All that I would add to the speech outline is a: "MY GOAL" objective at the conclusion of a speech. Though we listen to the President speak of "specific actions", the rhetoric in his summation should strongly define/emphasize a goal whose purpose is to convince the American public that he is the only candidate able to bring his "specific actions" to fruition.

If people are confused and uneasy about change, then the overriding strategy should be to ease their apprehension in terms of a goal(s) the President has set for achieving such change. The key, I think, is to send the message that the President's goal-oriented objective is not only attainable but is the way to get the country back on the "right track".

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# Political Quotations

A Collection of Notable Sayings on Politics from Antiquity through 1989

**Daniel B. Baker, Editor**



**Gale Research Inc.** • DETROIT • NEW YORK • LONDON

3567. No socialist system can be established without a political police. ... They would have to fall back on some form of Gestapo. —Sir Winston S. Churchill, BBC radio broadcast, Jun 4, 1945
3568. Every reasonable human being should be a moderate Socialist. —Thomas Mann, *The New York Times*, Jun 18, 1950
3569. The inherent vice of capitalism is the unequal sharing of blessings; the inherent virtue of socialism is the equal sharing of miseries. —Sir Winston S. Churchill, saying
3570. I believe that for the past twenty years there has been a creeping socialism spreading in the United States. —Dwight D. Eisenhower, speech to Republican leaders, Custer State Park, South Dakota, Jun 11, 1953
3571. If the Labour Party is not going to be a Socialist Party, I don't want to lead it. ... When you join a team in the expectation that you are going to play rugger, you can't be expected to be enthusiastic if you are asked to play tiddly-winks. —Aneurin Bevan, speech in Manchester, England, Jan 26, 1956
3572. Total abstinence and a good filing-system are not now the right sign-posts to the socialist Utopia; or at least, if they are, some of us will fall by the wayside. —Anthony Crosland, *The Future of Socialism*, 1956
3573. The two most important emotions of the Labour Party are a doctrinaire faith in nationalization, without knowing what it means, and a doctrinaire faith in pacifism, without facing its consequences. —Richard Crossman, *Diary*, Oct 4, 1957
3574. The definition of the Left is a group of people who will never be happy unless they can convince themselves that they are about to be betrayed by their leaders. —Richard Crossman, *Diary*, Jul 3, 1959
3575. Between the barbarity of capitalism, which censures itself much of the time, and the barbarity of socialism, which does not, I guess I might choose capitalism. —Bernard-Henri Lévy, *Time*, Mar 13, 1978

## TAXATION AND BUDGETS

3576. When there is an income tax, the just man will pay more and the unjust less on the same amount of income. —Plato, *The Republic*, ca. 390 B.C.
3577. The art of taxation consists in so plucking the goose as to obtain the largest possible amount of feathers with the smallest possible amount of hissing. —Jean Baptiste Colbert, attributed, ca. 1665
3578. The British Parliament has no right to tax the Americans. ... Taxation and representation are inseparably united. God hath joined them; no British Parliament can put them asunder. To endeavour to do so is to stab our very vitals. —Charles Pratt, Earl Camden, speech in the House of Lords, 1765
3579. It is inseparably essential to the freedom of a people that no taxes be imposed on them but with their own consent, given personally or by their representatives. —John Dickinson, *Resolutions of the Stamp Act Congress*, Oct 19, 1765
3580. To please universally was the object of his life; but to tax and to please, no more than to love and to be wise, is not given to men. —Edmund Burke, speech in the House of Commons, Apr 19, 1774
3581. A national debt, if it is not excessive, will be to us a national blessing. —Alexander Hamilton, letter to Robert Morris, Apr 30, 1781
3582. Another means of silently lessening the inequality of property is to exempt all from taxation below a certain point, and to tax the higher portions of property in geometric progression as they rise. —Thomas Jefferson, letter to James Madison, Oct 28, 1785

3583. Our Constitution is in actual operation; everything appears to promise that it will last; but nothing in this world is certain but death and taxes. —Benjamin Franklin, letter to David Hartley, Dec 4, 1789
3584. Mere parsimony is not economy. ... Expense, and great expense, may be an essential part of true economy. —Edmund Burke, *Letter to a Noble Lord*, 1796
3585. Sound principles will not justify our taxing the industry of our fellow citizens to accumulate treasure for wars to happen we know not when, and which might not perhaps happen but from the temptations offered by that treasure. —Thomas Jefferson, first annual message to Congress, Dec 8, 1801
3586. Not one cent should be raised unless it is in accord with the law. [*Il ne doit pas être levé un centime, si ce n'est en vertu d'une loi.*] —Napoleon I, decision, Nov 15, 1804
3587. And to preserve their 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. —Thomas Jefferson, letter to Samuel Kercheval, Jul 12, 1816
3588. I, however, place economy among the first and most important of republican virtues, and public debt as the greatest of the dangers to be feared. —Thomas Jefferson, letter to William Plumer, Jul 21, 1816
3589. That the power to tax involves the power to destroy ... is not to be denied. —John Marshall, *McCullough v. Maryland*, 1819
3590. The greatest, the most important power entrusted to the government is the right to tax the citizens; it is from this right that all the others flow. Today, therefore, political science consists essentially in being able to draw up a good budget. Now, the ability to do this is an administrative ability, from which it follows that administrative ability is the principal ability needed in politics. —Claude Henri, Comte de Saint-Simon, *Politics*, 1819
3591. I am one of those who do not believe that a national debt is a national blessing ... it is calculated to raise around the administration a moneyed aristocracy dangerous to the liberties of the country. —Andrew Jackson, letter to L.H. Colman, Apr 26, 1824
3592. That most delicious of all privileges—spending other people's money. —John Randolph of Roanoke, quoted by W. Cabell Bruce, *John Randolph of Roanoke, 1773-1833*, 1922
3593. The wisdom of man never yet contrived a system of taxation that would operate with perfect equality. —Andrew Jackson, "Proclamation to the People of South Carolina", Dec 10, 1832
3594. Countries, therefore, when lawmaking falls exclusively to the lot of the poor cannot hope for much economy in public expenditure. [*Les pays ou les pauvres seraient exclusivement chargés de faire la loi ne pourraient donc espérer une grande économie dans les dépenses publiques.*] —Alexis, Comte de Tocqueville, *Democracy in America*, 1835
3595. In other words, a democratic government is the only one in which those who vote for a tax can escape the obligation to pay it: [*En d'autres termes, le gouvernement de la démocratie est le seul ou celui qui vote l'impôt puisse échapper à l'obligation de le payer.*] —Alexis, Comte de Tocqueville, *Democracy in America*, 1835
3596. As an individual who undertakes to live by borrowing, soon finds his original means devoured by interest, and next no one left to borrow from—so must it be with a government. —Abraham Lincoln, campaign circular, Mar 4, 1843
3597. Of all debts men are least willing to pay the taxes. What a satire is this on government! Everywhere they think they get their money's worth, except for these. —Ralph Waldo Emerson, "Politics", *Essays: Second Series*, 1844

598. To tax the community for the advantage of a class is not protection: it is plunder. —Benjamin Disraeli, speech in the House of Commons, May 14, 1850
599. People are glad to be defended, but they are not glad about paying for it. [*Man lässt sich gern schützen, aber man zahlt nicht gern.*] —Prince Otto von Bismarck, speech in the Prussian Chamber of Deputies, Jun 1, 1865
600. The life of a republic lies certainly in the energy, virtue, and intelligence of its citizens; but it is equally true that a good revenue system is the life of an organized government. —Andrew Johnson, first annual message to Congress, Dec 4, 1865
601. No favored class should demand freedom from assessment, and the taxes should be so distributed as to not fall unduly on the poor, but rather on the accumulated wealth of the country. —Andrew Johnson, first annual message to Congress, Dec 4, 1865
602. The thing generally raised on city land is taxes. —Charles Dudley Warner, "Sixteenth Week", *My Summer in a Garden*, 1870
603. When more than the people's sustenance is exacted through the form of taxation than necessary to meet the just obligations of Government and expenses of its economical administration, such exaction becomes ruthless extortion and a violation of the fundamental principles of a free Government. —Grover Cleveland, second annual message to Congress, Dec 1886
604. Taxes are what we pay for civilized society. —Oliver Wendell Holmes Jr., *Compañía de Tabacos v. Collector*, 1904
605. Houseless, adj. Having paid all taxes on household goods. —Ambrose Bierce, *The Devil's Dictionary*, 1906
606. The power to tax is the power to destroy. ... A government which lays taxes on the people not required by urgent public necessity and sound public policy is not a protector of liberty, but an instrument of tyranny. —Calvin Coolidge, speech in Washington, D.C., Jun 30, 1924
607. The Income Tax has made more Liars out of the American people than golf has. —Will Rogers, "Helping the Girls with Their Income Taxes", *The Illiterate Digest*, 1924
608. I favor the policy of economy, not because I wish to save money, but because I wish to save people. The men and women of this country who toil are the ones who bear the cost of the Government. Every dollar that we carelessly waste means that their life will be so much the more meager. Every dollar that we prudently saves means that their life will be so much the more abundant. Economy is idealism in its most practical form. —Calvin Coolidge, inaugural address, Mar 4, 1925
609. The collection of any taxes which are not absolutely required, which do not ... contribute to the public welfare, is only a species of legalized larceny. —Calvin Coolidge, inaugural address, Mar 4, 1925
610. The power to tax is not the power to destroy while this Court sits. —Oliver Wendell Holmes Jr., dissenting opinion, *Panhandle Oil Company v. Mississippi ex rel. Knox, Attorney General*, 1928
611. Lord, the money we do spend on Government and it's not one bit better than the government we got for one-third the money twenty years ago. —Will Rogers, quoted by Paula McSpadden Love, *The Will Rogers Book*, 1972
612. Too often in recent history liberal governments have been wrecked on rocks of loose fiscal policy. —Franklin D. Roosevelt, message to Congress, Mar 10, 1933
613. Taxes, after all, are the dues that we pay for the privileges of membership in an organized society. —Franklin D. Roosevelt, speech in Worcester, Massachusetts, Oct 21, 1936

3614. Our national debt after all is an internal debt owed not only by the Nation but to the Nation. If our children have to pay interest on it they will pay that interest to themselves. A reasonable internal debt will not impoverish our children or put the Nation into bankruptcy. —Franklin D. Roosevelt, speech to the American Retail Federation, May 22, 1939
3615. Noah must have taken into the Ark two taxes, one male and one female, and did they multiply bountifully! Next to guinea pigs, taxes must have been the most prolific animals. —Will Rogers, *The Autobiography of Will Rogers*, 1949
3616. When everybody has got money they cut taxes, and when they're broke they raise 'em. That's statesmanship of the highest order. —Will Rogers, *The Autobiography of Will Rogers*, 1949
3617. It's a terribly hard job to spend a billion dollars and get your money's worth. —George M. Humphrey, *Look*, Feb 23, 1954
3618. The purpose is clear. It is safety with solvency. The country is entitled to both. —Dwight D. Eisenhower, on unification of the three military services, Apr 17, 1958
3619. There is one difference between a tax collector and a taxidermist—the taxidermist leaves the hide. —Mortimer Caplin, *Time*, Feb 1, 1963
3620. The Federal Government is the people and the budget is a reflection of their need. —John F. Kennedy, speech in Washington, D.C., Apr 19, 1963
3621. Government expands to absorb revenue and then some. —Tom Wicker, quoted by Harold Faber, *The New York Times Magazine*, Mar 17, 1968
3622. Man is not like other animals in the ways that are really significant: animals have instincts, we have taxes. —Erving Goffman, interview, *The New York Times*, Feb 12, 1969
3623. There is no doubt that many expensive national projects may add to our prestige or serve science. But none of them must take precedence over human needs. As long as Congress does not revise its priorities, our crisis is not just material, it is a crisis of the spirit. —Nelson A. Rockefeller, letter to John V. Lindsay, *The New York Times*, Apr 25, 1971
3624. Virtually everything is under federal control nowadays except the federal budget. —Herman E. Talmadge, *American Legion Magazine*, Aug, 1975
3625. Budgeting is a black art practiced by bureaucratic magicians. —David Muchow, *Chicago Sun-Times*, Nov 19, 1976
3626. Tax reform means "Don't tax you, don't tax me, tax that fellow behind the tree." —Russell B. Long, *The New York Times*, Dec 31, 1976
3627. There's only one place where inflation is made: that's in Washington ... in response to pressures from the people at large. ... The voting public ... ask their Congressmen to enact goodies in the form of spending, but they are unhappy about having taxes raised to pay for those goodies. —Milton Friedman, *U.S. News & World Report*, Mar 7, 1977
3628. Any jackass can draw up a balanced budget on paper. —Lane Kirkland, *U.S. News & World Report*, May 19, 1980
3629. None of us really understands what's going on with all these numbers. —David Stockman, "The Education of David Stockman," by William Greider, *The Atlantic Monthly*, Dec, 1981
3630. Someone must stand up to those who say, "Here's the key, there's the Treasury, just take as many of those hard-earned tax dollars as you want." —Ronald Reagan, *The New York Times*, Mar 18, 1985

3631. Most (tax revisions) didn't improve the system, they made it more like Washington itself, complicated, unfair, cluttered with gobbledygook and loopholes designed for those with the power and influence to hire high-priced legal and tax advisers. —Ronald Reagan, televised speech, May 28, 1985
3632. The current tax code is a daily mugging. —Ronald Reagan, speech in Independence, Missouri, Sep 2, 1985
3633. Before we give you billions more, we want to know what you've done with the trillion you've got. —Les Aspin, report on letter to the Secretary of Defense, *The New York Times*, Feb 5, 1985
3634. (A tax loophole is) something that benefits the other guy. If it benefits you, it is tax reform. —Russell B. Long, recalled on his retirement, *Time*, Nov 10, 1986
3635. Read my lips: no new taxes. —George Bush, acceptance speech as Republican nominee for president, Aug 18, 1988

## TREASON

3636. Treason doth never prosper: what's the reason?/ For if it prosper, none dare call it treason. —Sir John Harington, "Of Treason", *Epigrams*
3637. Caesar had his Brutus, Charles the First, his Cromwell, and George the Third ("Treason!" cried the Speaker) may profit by their example. If this be treason, make the most of it. —Patrick Henry, speech to the Virginia House of Representatives, 1765
3638. Traters, I will here remark, are a onfortnit class of peple. If they wasn't, they wouldn't be traters. They conspire to bust up a country—they fail, and they're traters. They bust her, and they become statesmen and heroes. —Artemus Ward, "The Tower of London", *Artemus Ward in London*, 1872
3639. The fear of doing right is the grand treason in times of danger. —Henry Ward Beecher, *Proverbs from Plymouth Pulpit*, 1887
3640. They talk of a man betraying his country, his friends, his sweetheart. There must be a moral bond first. All a man can betray is his conscience. —Joseph Conrad, *Under Western Eyes*, 1911
3641. If I had to choose between betraying my country and betraying my friend, I hope I should have the guts to betray my country. —E.M. Forster, "What I Believe", *Two Cheers for Democracy*, 1951
3642. We are the first victims of America fascism. —Ethel and Julius Rosenberg, letter released by their attorney the day of execution for espionage, Jun 19, 1953
3643. To betray you must first belong. —Kim (Harold) Philby, *The New York Times*, Dec 19, 1967

## WAR AND PEACE

3644. Victory shifts from man to man. —Homer, *Iliad*, ca. 700 B.C.
3645. Better beans and bacon in peace than cakes and ale in fear. —Aesop, "The Town Mouse and the Country Mouse", *Fables*, ca. 550 B.C.
3646. Stretch a bow to the very full,/ And you will wish you had stopped in time. —Lao-Tse, *The Way of the Tao*, 6th cent. B.C.
3647. To lead an uninstructed people to war is to throw them away. —Confucius, *The Analects*, ca. 480 B.C.
3648. Dead men have no victory. —Euripides, *The Phoenician Women*, ca. 411-409 B.C.

BALANCED BUDGET

- Josh Bolton 2230 (Calio's office)
- (Don't call Calio's office or Scully's office)
- ? Other Presidential quotes
- ? quotes on institutional change
- ? old GB quotes on need for balanced budget
- ? annual GNP
- ? any states have balanced budget amendments
- ? magazine articles on balanced budget (analysis, not minor news clips)

- A. Const.
- B. Savings (offshore)
- C. Call to action
- D. people's support
- E. In your home
- F. GB history
- G. Change
- H. Benefits (change)
- I. States

--grass-roots call to action -- make folks want to call their Congressmen

--balanced budget constitutional amendment

--victory in the house June 10th and beyond

--very straightforward argument -- more than an issue -- balancing budget is a value to opeople -- 80% people for it -- should have been doing it before

--for supermajority--

--visibly out in front in drive --

--agent of institutional change

--revolutionary change in way Washington conducts its business

--rally public opinion, get people to communicate to Democratic Congressmen

--been for it for a long time

--will bring much toughert scrutiny of government intitatives

--reality of reducing the deficit -- how reduce \$400 billion deficit over two to four years -- will focus minds --

--make it real -- isn't Monopooogy money -- it's your money

--("break partisan gridlock and address problems of reforming public sector institutions that aren't working well -- education, health care, welfare, legal system" -- make balanced budget part of that) -- say we need all of these things, but have to start with budget

--I am instrument of change -- will break the gridlock, starting with this

--disciplining government (maybe start making it situation at your home -- what is Government income yearly)

--terms: credit cards, mortgage, loan, overdrawn, blank check, you work hard to keep your house in order -- it's past time to demand that AMERICA's house be kept in order

--look at how working in states

--discipline executive branch and legislative branch

--American people should demand balanced budget amendmen=t

*demand in your home - demand in your home*

JOSH:

--suggestions will come from House and Senate people -- themes and phrases (Jack and Sean)

--important: has been on front in this -- first Feb. 9, 1989, asked Congress first thing asked Congress to pass

--David Taylor (OMB) -- 4790

2

--don't get into legislative issues -- (will be over 3/5, supermajority)

--background: House likely to vote June 10 on variety of bb proposals, Stenholm likely to win -- includes supermajority to raise debt limit but not supermajority for taxes; will be a Barton proposal, supermajority for taxes as well as debt limit -  
- Republicans support that; GB would like Barton but support Stenholm; Dem leadership a convulated plan producted recently, mandate reach bb if no agreement by 60% cuts, 40% increase in taxews -- theme to be emphasized needs to be responsibly done, as he has proposed, we can arrive at a balanced budget without raising taxes -- should say something toc ounter charge he hasn't presented bb, answer is budgets he has submitted would have reached balance over 5 years if Congres has been willing to support his proposals --

--GB glad so many Democrats coming on board with his notion, vehicles that will pass in both houses will have Democratic names on them

--this doesn't go to GB for signature -- goes out to the states, then 2/3 of states have to approve in state legislatures --

--severity of amending the Constituion -- only done 15 times in the 201 years since the Bill of Rights --

DARMAN TESTIMONY (May 6 -- sent by David Taylor):

--GB proposed balanced budget amendment in all thre ebudgets submitted;

--even before submitting a full bduget, shortly after being inaugurated, first specific legislative proposal -- call for balanced budget (2/9/89)

--most fundamental change needed

--for most of our history until very recent decades, unwritten but effectyive rule against deficit financing, except in time of war

--simply -- spending that exceeds revenue -- you know what happens -- it catches up to you

--change in constitution

--short-term political convenceince at expense of long-term responsibility

--we are borrowing from the future to pay for consumtpions of present

--our children's children need for protection a constitutional amendment

--public fed up -- with

--partisan posturing must yield to responsibility to govern

--amendment: simply -- total outalays shall not exceed total receipts

--FIND quotes, definitions, etc. on what Constitution stands for

--the main problem with the economy is the budget defiicit (blue book, p. 42)

34/50

50/34  
300/400

~~Q~~ --a solemn bond between generations

~~--then 38 state legislatures~~

~~Q~~ --interest exceeds social spending

~~Q~~ --est. \$400 billion this year

~~Q~~ --means you owe \$4 on every \$10 you make -- family with \$50,000 income \$20,000 in debt -- what kind of future, let alone present

~~C~~ --Thomas Jefferson: "I...place... public debt as the greatest of the dangers to be feared."

*Worse  
more (imp.)  
but due now  
Cons. will respond*

*A - B - C - D - E  
F - G - H - I - J*

*11/30*

*A  
B  
C  
D  
E  
F  
G  
H*

*D  
C*

**Table 2-3. OUTLAYS, REVENUES, AND DEFICITS (Excluding Comprehensive Health Reform)**  
(In billions of dollars)

Categories	1991 Actual	1992 Budget	1993 Budget	1994 Budget	1995 Budget	1996 Budget	1997 Budget
<b>Outlays</b>							
<b>Discretionary:</b>							
Domestic .....	195.4	216.2	224.7	229.3	232.2	236.9	236.8
<b>Defense:</b>							
Department of Defense .....	309.0	300.4	278.7	270.2	269.6	271.8	274.4
Other Defense .....	10.7	12.5	12.9	13.4	13.9	14.7	15.3
Total Defense .....	319.7	312.9	291.6	283.7	283.5	286.5	289.8
International .....	19.7	20.1	20.6	21.4	21.3	21.5	21.2
Total Discretionary .....	534.8	549.2	537.0	534.3	537.0	544.8	547.8
<b>Mandatory:</b>							
Deposit insurance .....	66.3	80.1	75.7	-25.0	-27.2	-21.7	-32.2
Federal retirement .....	75.8	78.3	81.1	85.6	88.7	91.2	96.4
Means-tested entitlements .....	62.6	74.8	77.4	82.5	87.5	89.4	95.5
Medicaid .....	52.5	72.5	84.5	98.2	113.7	131.1	150.7
Medicare .....	102.0	116.0	126.5	140.1	156.0	176.2	197.7
Social Security .....	266.8	284.3	299.7	315.1	330.8	347.4	364.8
Unemployment insurance .....	25.3	32.0	25.6	25.0	24.7	24.3	24.6
Other .....	-57.7	-10.9	-4.6	-12.0	-17.8	-28.2	-24.9
Other .....	593.7	727.2	765.9	709.5	756.3	809.6	872.6
Subtotal Mandatory .....	593.7	727.2	765.9	709.5	756.3	809.6	872.6
Net Interest * .....	194.5	198.8	213.8	231.0	242.2	253.0	263.2
Total Outlays .....	1,323.0	1,475.1	1,516.7	1,474.8	1,535.5	1,607.5	1,683.6
Revenues .....	1,054.3	1,075.7	1,164.8	1,263.4	1,343.5	1,427.5	1,501.8
Deficit .....	-268.7	-399.4	-351.9	-211.4	-192.1	-180.0	-181.8
Deficit/Surplus (excluding interest) .....	-74.2	-200.6	-138.1	+19.6	+50.1	+73.0	+81.4
Deficit/Surplus (excluding deposit insurance & interest) .....	-7.9	-120.5	-62.4	-5.5	+22.9	+51.3	+49.3
<b>Memorandum</b>							
Deficit on an accrual basis .....	-268.7	-365.2	-332.7	-242.8	-217.8	-193.7	-203.3
Social Security (included above):							
Operating Surplus .....	53.5	50.2	63.4	75.9	86.9	101.1	115.0
Interest .....	20.2	23.9	27.0	31.1	35.7	41.1	47.4
Total .....	73.7	74.1	90.4	107.0	122.6	142.2	162.4

\* Slight variation from estimates printed in appendices due to a late correction in the rate of redemption of State and local governments' holdings of Treasury Securities.

★ Total Federal government receipts in fiscal year 1991 were \$1.054 trillion.

**5817.5**

*J. K. Kotel*

SENIOR ECONOMIST, CEA

X4666

Table 2.1—RECEIPTS BY SOURCE: 1934-1997—Continued

(in millions of dollars)

Fiscal Year	Individual Income Taxes	Corporation Income Taxes <sup>3</sup>	Social Insurance Taxes and Contributions <sup>1</sup>			Excise Taxes <sup>1</sup>	Other <sup>2</sup>	Total Receipts		
			Total	(On-Budget)	(Off-Budget)			Total	(On-Budget)	(Off-Budget)
1985 .....	334,531	61,331	265,163	(78,992)	(186,171)	35,992	37,040	734,057	(547,886)	(186,171)
1986 .....	348,959	63,143	283,901	(83,673)	(200,228)	32,919	40,168	769,091	(568,862)	(200,228)
1987 .....	392,557	83,926	303,318	(89,916)	(213,402)	32,457	41,884	854,143	(640,741)	(213,402)
1988 .....	401,181	94,508	334,335	(92,845)	(241,491)	35,227	43,702	908,954	(667,463)	(241,491)
1989 .....	445,690	103,291	359,416	(95,751)	(263,666)	34,386	47,908	990,691	(727,026)	(263,666)
1990 .....	466,884	93,507	380,047	(98,392)	(281,656)	35,345	55,524	1,031,308	(749,652)	(281,656)
1991 .....	467,827	98,086	396,016	(102,131)	(293,885)	42,402	49,933	1,054,264	(760,380)	(293,885)
1992 estimate .....	478,749	89,031	410,863	(109,941)	(300,922)	46,098	50,966	1,075,706	(774,784)	(300,922)
1993 estimate .....	515,195	103,816	446,691	(120,915)	(325,776)	48,091	51,567	1,165,360	(839,584)	(325,776)
1994 estimate .....	562,483	118,203	479,901	(131,127)	(348,774)	49,740	52,804	1,263,131	(914,357)	(348,774)
1995 estimate .....	602,790	125,294	508,691	(138,820)	(369,871)	51,115	54,519	1,342,409	(972,538)	(369,871)
1996 estimate .....	643,835	136,880	540,606	(146,338)	(394,268)	48,923	56,551	1,426,795	(1,032,527)	(394,268)
1997 estimate .....	677,467	141,370	569,931	(151,637)	(418,294)	49,906	57,924	1,496,599	(1,078,305)	(418,294)

<sup>1</sup> See Table 2.4 for additional details. <sup>2</sup> See Table 2.5 for additional details. <sup>3</sup> Beginning in 1987, includes trust fund receipts for the hazardous substance superfund. The trust fund amounts are as follows (in millions of dollars): 1987: 196; 1988: 313; 1989: 292; 1990: 461; 1991: 591; 1992: 365; 1993: 437; 1994: 514; 1995: 616; 1996: 265; 1997: 0.

Table 2.5—COMPOSITION OF "OTHER RECEIPTS": 1940-1997—Continued  
(in millions of dollars)

Fiscal Year	Total Other Re- ceipts	Estate and Gift Taxes	Customs Duties and Fees	Miscellaneous Receipts		Memorandum: Trust Fund Amounts In- cluded in "Other Receipts"	
				Federal Reserve Deposits <sup>1</sup>	All Other	Customs Duties and Fees	All Other
1990 .....	55,524	11,500	16,707	24,319	2,997	210	233
1991 .....	49,933	11,138	15,949	19,158	3,688	432	241
1992 estimate .....	50,966	12,063	17,260	18,507	3,136	505	233
1993 estimate .....	51,567	12,872	17,961	17,420	3,314	578	260
1994 estimate .....	52,804	12,609	18,252	18,552	3,391	568	256
1995 estimate .....	54,519	13,601	18,445	19,092	3,381	598	272
1996 estimate .....	56,551	14,622	18,574	19,936	3,419	638	276
1997 estimate .....	57,924	15,876	18,642	19,933	3,473	638	293

<sup>1</sup>Deposits of earnings by the Federal Reserve System.

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## THE PRESIDENT'S COMMITMENT

President Bush has proposed a balanced budget constitutional amendment in all three of the Budgets he has submitted to the Congress — but without a favorable Congressional response to date.

Even before submitting a full budget — shortly after being inaugurated — the President proposed that the Congress adopt a balanced budget constitutional amendment. This was his first specific legislative proposal (in *Building a Better America*). In doing so, he noted the following:

*"Balanced Budget Constitutional Amendment.* The most fundamental change needed is a constitutional amendment to require a balanced budget, including safeguards against a resort to higher taxes as the means of complying with the constitutional mandate. For most of our history until very recent decades there was an unwritten, but effective, rule against deficit financing, except in time of war. That rule, unfortunately, appears to have been abandoned in practice, if not in oratory. The problem of excessive spending — and spending that exceeds revenue — is a well-known and chronic affliction of democracies. The remedy in the case of the United States is clear: a change in the constitution. A balanced budget amendment is both necessary and appropriate to protect the interests of a group of citizens not now able to represent themselves: the citizens of future generations. Such an amendment has already passed the Senate on one occasion, and public support for it is shown in a variety of ways, ranging from opinion polls to enactment by more than 30 state legislatures of calls for a constitutional convention for this purpose. The time has come to move a balanced budget constitutional amendment forward."

*Building a Better America*  
February 9, 1989

There have been dozens of balanced budget amendments introduced. (See Appendix II for a summary of the major proposals.) Regrettably, however, none has yet emerged from the Congress:

- When Senate Joint Resolution 12 was introduced by Senator Thurmond and was before the Judiciary Committee, the President urged its adoption. Although reported by the Committee with an 11-3 majority, the issue was not brought before the full Senate for a vote. Similarly, when H.J. Res. 268 was before the House, the President wrote the Speaker (July 16, 1990) and urged its prompt adoption. A strong majority voted for the amendment (279 members of the House — 169 Republicans and 110 Democrats). But unfortunately, the amendment fell short of the required supermajority by 7 votes.

## INTRODUCTION

Mr. Chairman and distinguished members of the Committee, it is a pleasure to appear before the House Budget Committee once again. I thank you for the opportunity to discuss the **balanced budget constitutional amendment.**

This is an amendment the President has long sought. I am pleased to note that there is now what appears to be a serious prospect that the Congress may move this amendment forward for ratification by the States.

With that prospect in view, this testimony addresses the following:

- The President's commitment to a balanced budget constitutional amendment;
- The unfortunate record that argues for the necessity of a balanced budget constitutional amendment;
- The programmatic means to achieve a balanced budget — with special emphasis on:
  - The President's Agenda for Growth; and
  - The President's proposed cap on the growth of uncontrolled "mandatory" spending.

## THE BUDGET

# Balanced-Budget Amendment Suddenly Comes to Life

*Pressure to outlaw deficits under the Constitution sends lawmakers scrambling to sort out details*

If Dick Gephardt, Bob Dole and cloakroom wisdom are right, a beleaguered Congress will vote this year in favor of amending the Constitution to require a balanced federal budget.

It will then be up to the states to decide if the amendment should become part of the supreme law of the land. But again, the morning line says that the required legislatures will go along, and in relatively short order.

Has frustration over the steady rise in the federal deficit finally overcome institutional objections to placing such a severe restraint on Congress' power of the purse?

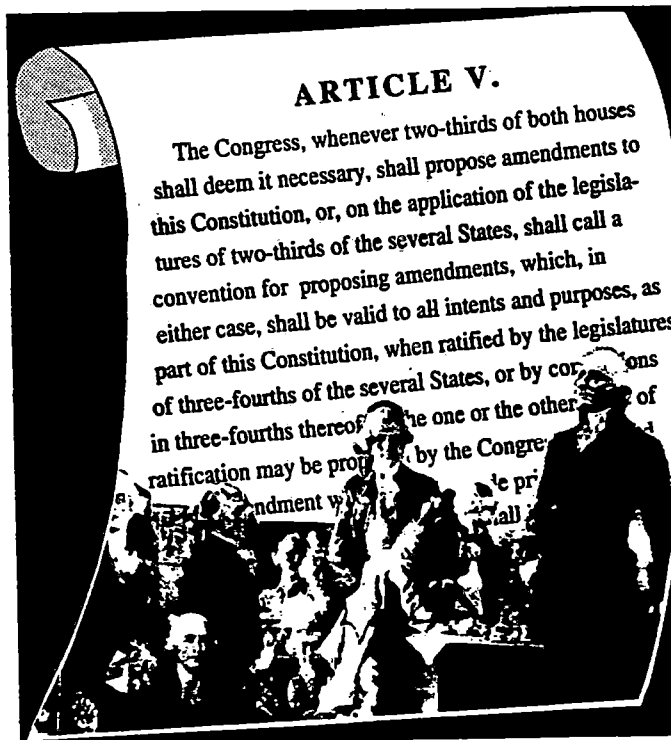
Are enough liberal Democrats ready to take the pledge to provide the needed two-thirds majorities of the House and Senate to adopt a constitutional amendment?

It appears so.

House Majority Leader Gephardt, D-Mo., told an audience at Harvard University's Kennedy School of Government on May 4 that he expected debate on a balanced-budget amendment to begin in both chambers around June 1; he predicted that the measure would be adopted by both.

On Capitol Hill, populist Bob Wise, D-W.Va., is one of several members who have approached Charles W. Stenholm, D-Texas, a leading proponent, in recent days to say they have gotten religion. "I think I'm at the altar," Wise told Stenholm at a House Budget Committee hearing April 29. "Amen," Stenholm replied.

And on May 6, in a test vote of sorts, the House voted 322-66 in favor of language in the Senate version of the fiscal 1993 budget resolution (H



## ARTICLE V.

The Congress, whenever two-thirds of both houses shall deem it necessary, shall propose amendments to this Constitution, or, on the application of the legislatures of two-thirds of the several States, shall call a convention for proposing amendments, which, in either case, shall be valid to all intents and purposes, as part of this Constitution, when ratified by the legislatures of three-fourths of the several States, or by conventions in three-fourths thereof, or by the one or the other of

Con Res 287) that exhorts the Senate to adopt a balanced-budget amendment by June 5. (*Vote 107, p. 1300*)

Though Gephardt has long opposed using the Constitution to limit deficit spending, he has not decried the current rush to act. Participants in a recent meeting of House Democratic whips said he lamented the failure to bring the deficit under control. "Now we have to do something," he warned his colleagues.

Senate Minority Leader Dole — a longtime amendment booster — agrees that Congress will send an amendment to the states this year. The Kansas Republican says he would "like to have a few word changes," however, starting with the name of the prime Senate sponsor, Paul Simon, D-Ill.

That quip — vintage Dole — masks a growing concern among some supporters, as well as some who op-

pose an amendment but are resigned to what they see as an inexorable force. If the country is going to take this path, they want to make sure it is well-lighted and that no one stumbles on hidden rocks. The sudden groundswell of support has them scrambling to refine the language and to think through a host of unanswered questions.

"The issue is how to write [an amendment] that is effective," says supporter Pete V. Domenici of New Mexico, ranking Republican on the Senate Budget Committee.

Congress voted once before, in the guise of the 1985 Gramm-Rudman anti-deficit law, to eliminate or at least restrain the deficit. For a variety of reasons — many of them baldly political — Gramm-Rudman did not work. As White House budget director Richard G. Darman

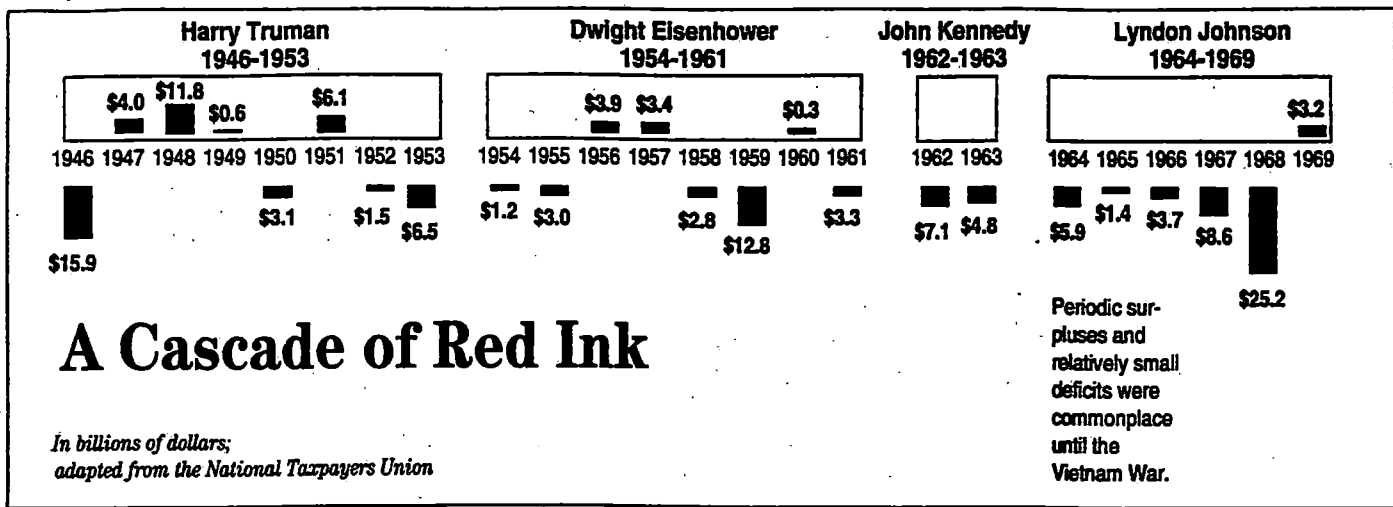
told the House Budget Committee on May 6: "In its first year, the deficit was \$221.2 billion; and in the last year [that Gramm-Rudman would have allowed a shortfall], the deficit was \$220.4 billion."

No one wants the same thing to happen again. Nor do members want to so hamstring Congress that it cannot effectively meet the country's needs or to tie its hands on fiscal policy in times of economic strife.

### Sudden Rush of Support

Proposed balanced-budget amendments have been kicked around for years in conservative circles, but they have come to the floor of either chamber for a vote only four times. The high-water mark was 1982, when the Senate adopted an amendment, only to see it die in the House. The last time the Senate went on record, in 1986, the

*By John R. Cranford*



## A Cascade of Red Ink

In billions of dollars;  
adapted from the National Taxpayers Union

amendment failed by one vote; in 1990, the House fell seven votes short. (1990 Almanac, p. 174)

But suddenly this year, the amendment has new life in Congress and is attracting support from unexpected, read liberal, quarters.

Why now? The answer seems to be a combination of lawmakers' deep-seated despair over their inability to control the deficit and election-year anxiety over the public's low regard for Congress. (Weekly Report, p. 1140)

"In principle, I'm against it," says Sen. Warren B. Rudman, R-N.H., whose frustration over the deficit prompted his decision in March not to seek re-election. "But this situation has me petrified. . . . A lot of very reasonable people have come to this conclusion."

Many liberal Democrats, who traditionally have opposed such a restraint on government spending, share his concerns. Some — Reps. Joseph P. Kennedy II of Massachusetts and Patricia Schroeder of Colorado, for example — support the balanced-budget drive.

"Deficit spending is a transfer from ordinary taxpayers to the wealthy holders of the paper," Kennedy argues, adding, "It's gotten to the point where interest [on the federal debt] exceeds all social spending."

Sen. Howard M. Metzenbaum, D-Ohio, who has opposed a balanced-budget amendment, also complains of frustration about the deficit. "For the first time, I'm re-evaluating. But I'm not there yet."

The growing support is all the more surprising because there has been little in recent years of the grassroots clamor for a balanced budget that was a hallmark of the early 1980s. The last time a state legislature passed a resolution calling for a constitutional convention to write a bal-

anced budget amendment was 1983. (Story, p. 1236)

Congressional committees have paid only a smattering of attention to the issue, and there is little up-to-date analysis of how an amendment would work — if it would work at all.

The House Budget Committee has now launched a series of hearings. Chairman Leon E. Panetta, D-Calif., an amendment foe, promises to air thoroughly all questions about the need for amending the Constitution. "This is a serious step, and we need to evaluate its implications for the Constitution, as well as for this body," he told the House on May 6.

"The devil is in the details," worries Stephen Bell, former Republican staff director of the Senate Budget Committee and now a managing director in the Washington office of Salomon Brothers.

"It's a hell of a lot harder to change a constitutional amendment than a law. They have to be very careful that any amendment . . . gets done what they want to get done," he says. "What you want to do is make sure it isn't a hoax."

Even some deficit hawks have raised voices of caution.

"Adherence to a balanced-budget rule would severely limit the government's ability to stabilize the economy," warns Robert D. Reischauer, director of the Congressional Budget Office (CBO). In particular, he told House Budget on May 6, a balanced budget amendment could neutralize the economy's automatic stabilizers, such as unemployment insurance, which cause spending to rise to offset the effects of slow growth.

But such concerns appear secondary to the broader worry about the size of the deficit.

### What Would an Amendment Do?

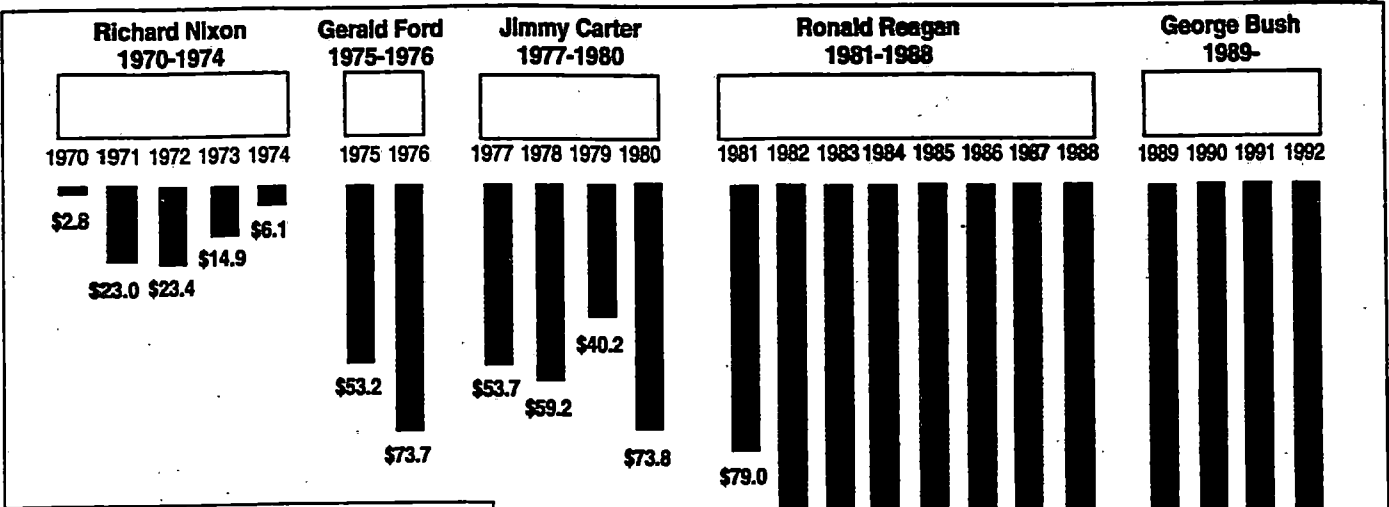
Two slightly different versions of a balanced-budget amendment are getting the most attention on Capitol Hill. Both closely track amendments that were defeated in prior Congresses. Both seem to enjoy broad support. And both are criticized by some Republicans as not going far enough.

Simon's amendment (S J Res 18) was approved on an 11-3 vote in the Senate Judiciary Committee on May 23, 1991. It has 27 cosponsors, half of whom are Democrats. (1991 Weekly Report, p. 1363)

In the House, Stenholm introduced H J Res 290, which has 275 cosponsors, 116 of them Democrats. Stenholm hopes the Judiciary Committee will consider the amendment soon. But even without committee action, there would plainly be more than the required 218 members willing to sign a discharge petition to bring the amendment straight to the House floor.

Simon's is the simpler of the two. It would require that total federal government outlays (actual spending) not exceed the government's total receipts for a given year. It would take three-fifths of the total membership (not just those present and voting) of each chamber to override this requirement. Even then, the deficit could not rise freely: Congress would have to approve a specific deficit amount.

Simon's amendment would also require the president to submit a balanced budget for each fiscal year. A bill to increase revenue could be enacted only if it were approved by a majority of the entire membership of the House and Senate. Congress could waive the requirements in the event of a declared war or when an enacted law declared that an ongoing military conflict threatened national security.



Stenholm's amendment differs in two significant respects.

First, it would require Congress and the president to "agree on an estimate of total receipts . . . by enactment of a law devoted solely to that subject." Actual outlays for a particular year could not exceed that revenue estimate, unless three-fifths of both chambers voted to permit a specific deficit.

Second, Stenholm would require a three-fifths majority in both chambers to pass any bill that increased the limit on federal debt. The debt limit — a statutory ceiling on the government's total accumulated deficits — must be increased periodically to accommodate additional borrowing. Under current law, raising the debt limit requires only a simple majority.

Other provisions of Stenholm's amendment are identical or nearly so to Simon's.

It is expected that the states would have seven years to ratify the constitutional change; each would take effect in the second fiscal year after ratification.

**Would It Really Work?**

Not surprisingly, neither Simon nor Stenholm see particular problems with their proposals.

Simon says that he believes Congress and the president would willingly comply with a constitutional mandate. He adds that he sees no problem in the Supreme Court declaring an enacted appropriations bill unconstitutional, if that were to be necessary. "The judiciary obviously enforces the laws and Constitution," he says.

Others, however, some of whom are just turning their attention to the subject, see plenty of problems.

"It won't do the job. There are too many loopholes in it," says Sen. Carl Levin, D-Mich., a staunch amendment

By the mid-1970s, deficits were enormous by peacetime standards—in excess of 3 percent of the gross domestic product (GDP).

opponent who nevertheless advocates attacking the deficit. "It will be just another excuse to do nothing to reduce the deficit for five more years."

"Frankly, it's not magic. . . . It's hard to enforce," Domenici concedes.

Analyses by CBO and the Congressional Research Service (CRS) raise a multitude of potential problems:

An amendment barring outlays in excess of revenues — the approach used by both Simon and Stenholm — sounds simple enough. But, as CBO pointed out in a 1982 study (the last time the agency looked closely at the subject), "Congress does not directly control the level of either." Both are estimates that are subject to mistake and manipulation.

Although Congress appropriates every dollar, the rate at which the money is spent is determined by many factors — the number of people qualifying for a program, the progress of a defense contractor in fulfilling an order, and the level of unemployment, for example. Moreover, some spending — interest on the federal debt and Social Security benefits, for instance — is paid out without Congress appropriating a specific amount.

And while Congress establishes

Except for a three-year, Gramm-Rudman induced retreat, entitlements pushed deficits above 5 percent of GDP in the 1980s.

rates of taxation, it can only guess at how much taxpayers will earn and therefore how much tax will be collected.

A more recent study, by CRS, raised dozens of questions of legal interpretation.

CRS analyst James V. Saturno examined a 1990 balanced-budget amendment that closely resembles

# The Drive To Convene a Convention

Activists have been trying for nearly 20 years to build support for a balanced-budget amendment — not in Congress but in the state legislatures. Taking the alternate route for amending the Constitution, they have campaigned to get two-thirds of the states to call a national convention.

The effort peaked in the early 1980s, with 32 of the necessary 34 states approving a convention call. Since then, there has been little action, but, as the issue of a balanced budget picks up steam on Capitol Hill, there are signs of new life on the state level. Legislatures in Wisconsin, New Jersey, Minnesota and Ohio are all considering resolutions this year. And organizers hope that if Congress does not act in 1992, pressure from the states will grow.

The Constitution provides that amendments can originate either in Congress or in a state-initiated constitutional convention. But all past efforts to call such conventions have died for lack of sufficient state support. As a result, it is not entirely clear how a meeting would be convened or how the drafting would be carried out. However, three-fourths of the states would have to ratify the results, just as they would a congressionally approved amendment.

In 1975 the National Taxpayers Union, a Washington-based lobbying group, began the grass-roots campaign to get state legislatures to call for a convention to deal with the growing federal deficit. (The shortfall at the time was \$53.2 billion. A near record high then, it looks decidedly modest compared with the \$300 billion to \$400 billion deficit expected in fiscal 1992.) By 1980, 30 states had passed resolutions. But as the campaign moved closer to forcing a convention, the political opposition stiffened.

"By the time you get around 32 or 33 [states], the stakes are rising," said Frank Sorauf, a political science professor at the University of Minnesota at Minneapolis. "[The] politics become more serious and more real."

Powerful politicians, including President Jimmy Carter and Senate Budget Committee Chairman Edmund S. Muskie, D-Maine, began speaking out against tampering with the Constitution, according to Sorauf. The AFL-CIO also began a state-by-state drive to defeat the initiative.

Critics argued that interest groups, including the National Taxpayers Union, could use the convention to radically rewrite the Constitution, proposing anything from a line-item veto to a return to the gold standard.

Supporters insisted that there are safeguards to prevent a runaway convention: Congress could pass a conven-



U.S. CAPITOL HISTORICAL SOCIETY

The signing of the Constitution in 1787.

tion procedures bill ensuring an orderly process, and nothing could be added to the Constitution without the approval of 38 states.

The critics prevailed, however, and the effort stalled. In 1983, Missouri became the 32nd and last state to approve a resolution. The National Taxpayers Union tried to keep the drive alive through the 1980s, but the cause, often championed by conservative Republicans, found an unsympathetic audience in the 18 remaining state legislatures, 17 of which were controlled by Democrats.

As the decade came to a close, the movement seemed to slip backward. Florida, Alabama and Louisiana rescinded their resolutions; it is not clear whether the rescissions are technically legal, but organizers assume that they need five more states.

While the state effort seems to be receiving little attention at the moment on Capitol Hill, organizers hope it will push federal lawmakers forward. "Most state legislatures are willing to give Congress the chance to get it done. Next year will really up the pressure," said Al Cors, director of government relations for the National Taxpayers Union.

Supporters see precedents in past convention drives. In 1911, 30 states, one shy of the two-thirds necessary, called for the popular election of U.S. senators. Congress responded. An amendment was approved and made part of the Constitution within two years.

"If they get the requisite number of states, it puts enormous pressure on the Congress to propose and approve an amendment," said Sorauf. "[It's] an expression of popular will."

—Paul Nyhan

Stenholm's and identified enforcement problems, starting with the opening requirement that Congress and the president "agree" — something not required anywhere in existing law.

Saturno wondered about the timing of a revenue estimate bill: Could it be enacted after the appropriations bills, for instance, enabling Congress to spend what it wants and then "estimate" that

there will be sufficient revenue?

He also suggested that a simple majority could "evade the intent of the requirements for a supermajority vote to permit excess outlays," by taking the step of changing the revenue estimate.

Saturno found other opportunities for Congress or the president to circumvent the intention of the amendment by changing the dates of the fiscal year or

adjusting economic assumptions that underlie revenue estimates.

And he speculated that Congress would be put in the awkward position of regularly trying to rescind previously enacted appropriations, because the amendment would likely be triggered only by information that actual outlays were about to breach the revenue target.

He concluded: "The lack of an en-

forcement clause in this proposal makes it unclear whether any action could be taken to ensure that balance was achieved, and even if it could, who would be required to take it, when would it take place or even who would have standing to compel compliance."

### GOP Concern About Taxes

Beyond those enforcement concerns, many Republicans are unhappy that Democrats are driving the process and that the amendments under discussion would erect only the smallest of barriers to using tax increases to offset the deficit.

"A lot of Democratic members think it will compel a bipartisan tax increase," Bell says. The Wall Street Journal agreed in an April 29 editorial headlined, "Simon's Tax Increase," denouncing liberal support for a balanced-budget amendment as "political camouflage."

And President Bush has insisted that a balanced-budget amendment include "safeguards against a resort to higher taxes as the means of complying with the constitutional mandate."

Sen. Bob Kasten, R-Wis., is promoting a change in Simon's amendment that would require a three-fifths majority vote in each chamber to enact a revenue increase larger than the growth rate of the economy. Rep. Joe L. Barton, R-Texas, is sponsoring a similar idea in the House.

Simon and Stenholm reject the idea of requiring more than a simple majority to approve tax increases. Most Democrats — and some Republicans — appear to believe that the best course would be to allow Congress and the president to choose from among a combination of tax increases and spending cuts.

There may be a battle on this point, especially in the Senate. But even Republican advocates of the Kasten-Barton approach don't hold out a lot of hope that they will prevail.

### Raising Consciousness

If a balanced-budget amendment is submitted to the states, House Democratic leaders in particular think that would also be an appropriate time for Congress to begin debating seriously just how to cut the deficit.

"We ought to set ourselves a goal of reducing the deficit systematically on a year-by-year basis until we reach the year in which it becomes effective," Speaker Thomas S. Foley, D-Wash., told reporters May 7. "It would be disastrous to wait."

## Step 2: Ratification

Getting a constitutional amendment through Congress is only the first step. The measure must then be ratified by three-fourths (38) of the states within a period set by Congress; in recent times that has been seven years.

Since 1960, Congress has approved six amendments; four of them were ratified and became part of the Constitution. An amendment giving the vote to 18-year-olds set the record for quick ratification, winning approval just 100 days after it was cleared by Congress. By contrast, the Equal Rights Amendment (ERA), which would have outlawed discrimination based on gender, never got sufficient state support, despite the fact that Congress granted a 39-month extension.

Amendment	Passed Congress	Ratified	Time Elapsed
D.C. vote in presidential election	June 16, 1960	March 29, 1961	286 days
Ban poll taxes	Sept. 14, 1962	Jan. 23, 1964	1 year, 131 days
Presidential disability	July 6, 1965	Feb. 10, 1967	1 year, 219 days
18-year-old vote	March 23, 1971	July 1, 1971	100 days
ERA*	March 22, 1972	Failed	10 years, 100 days
D.C. representation in Congress**	Aug. 22, 1978	Failed	7 years

\* Approved by 35 of the 38 states necessary; died June 30, 1982.

\*\* Approved by 16 of the 38 states necessary; died Aug. 22, 1985.

Panetta and Gephardt say they want to bring the constitutional amendment to the House floor in tandem with a bill that would shrink entitlement programs, cut defense and domestic discretionary spending — including outright elimination of entire programs and departments — and increase taxes.

The details of such a bill remain to be fleshed out, but it is certain that Congress cannot eliminate a \$400 billion deficit overnight, and even a piecemeal approach would entail big changes.

Many Republicans are opposed to this approach, and Stenholm says it would be impossible to do this year.

So Panetta is not sanguine that such a bill stands a chance of passage. "Members will probably vote for the amendment and then vote against doing anything," he says.

However, many members of both parties — including supporters and opponents of a constitutional amendment — see an educational advantage to the process. Regardless of the amendment's success or failure, they think it is healthy to raise the level of public debate about spending and taxing choices.

"We're making no choices now,"

Rudman says. "Maybe this is a way to get the American people to recognize what we're doing down here."

Sending an amendment to the states "would raise the level of public debate," Levin agrees. But he wants to do that sooner than, say, 1993, when state legislatures may convene and find the proposed amendment on members' desks. "We ought to find a way to pressure the presidential candidates to address the issue," he says.

For an amendment opponent such as Foley, showing members and the states just how deep the cuts might go could be invaluable in preventing ratification.

"I think it would probably demonstrate right away something that has to be demonstrated — that this is not a painless exercise," Foley said. "It is going to affect every aspect of government activity and all reaches of the federal budget."

But Foley holds out little hope that the amendment will die. "Everything I have seen from the state legislatures on this question indicates to me that it would be rapidly ratified and with probably less consideration, debate and judgment than perhaps any amendment ever submitted to the states in this century at least," he said.

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Table 3

State Balanced Budgets and Deficit Limitations:  
Constitutional and Statutory Provisions

State	Governor Must Submit a Balanced Budget	Legislature Must Pass a Balanced Budget	Governor Must Sign a Balanced Budget	May Carry Over Deficit For One Year Maximum	May Not Carry Over Deficit Into Next Biennium	May Not Carry Over Deficit Into Next Fiscal Year	Constitutional Limit on General Obligation Debt <sup>1</sup>
Alabama	CS	YR ✓	YR	NP	NP	YR	YR
Alaska <sup>2</sup>	S	S ✓	S	NP	NP	YR	\$350,000
Arizona	S	NP	NP	NP	YR	YR <sup>3</sup>	NP
Arkansas	YR	NP	YR	YR <sup>3</sup>	NP	YR <sup>3</sup>	300,000
California	S	C ✓	C	C	C	C	YR
Colorado	S	YR ✓	YR	NP	NP	C	NP
Connecticut	YR	C ✓	C	NP	YR	YR	NP
Delaware	C	C ✓	NP	NP	NP	YR	NP
Florida	S	C ✓	YR	NP	NP	NP	NP
Georgia	YR	YR ✓	YR	NP	NP	NP	NP
Hawaii	CS	NP	CS	NP	NP	NP	NP
Idaho	C	C ✓	NP	NP	NP	YR	2,000,000
Illinois	C	C ✓	NP	NP	NP	NP	NP
Indiana	C	C ✓	C	NP	YR	YR	0
Iowa	C	C ✓	NP	NP	NP	NP	250,000
Kansas	S	S ✓	NP	NP	YR	YR	1,000,000
Kentucky	C	C ✓	C	NP	YR	YR	500,000
Louisiana	YR	YR ✓	YR	NP	NP	NP	0
Maine	YR	NP ✓	NP	YR <sup>7</sup>	NP	YR <sup>7</sup>	2,000,000
Maryland	C	C ✓	NP	NP	YR <sup>7</sup>	YR <sup>7</sup>	NP
Massachusetts	CS	NP ✓	NP	NP	NP	NP	NP
Michigan	C	C ✓	C	NP	NP	NP	NP
Minnesota	CS	C ✓	CS	S	CS	CS	0
Mississippi	S	NP ✓	NP	NP	NP	NP	0
Missouri	C	C ✓	C	NP	NP	YR	NP
Montana	C	C ✓	NP	YR	YR	YR	NP
Nebraska	C	C ✓	C	NP	NP	NP	100,000
Nevada	S	C ✓	C	NP	NP	NP	AV
New Hampshire	S	NP ✓	YR	NP	YR	YR	NP
New Jersey	S	C ✓	C	NP	NP	YR	0
New Mexico	NP	NP ✓	YR	NP	NP	YR	AV
New York	C	C ✓	C	C	NP	NP	V
North Carolina	C	C ✓	C	NP	NP	YR	YR
North Dakota	YR	YR ✓	YR	NP	NP	NP	NP
Ohio	YR	YR ✓	YR	NP	YR	YR	V
Oklahoma	S	NP ✓	NP	NP	YR	YR	50,000
Oregon	CS	CS ✓	CS	NP	NP	NP	YR
Pennsylvania	C	C ✓	S	C	NP	NP	V
Rhode Island	CS	CS ✓	S	NP	NP	YR	11
South Carolina	C	C ✓	C	NP	NP	YR	V
South Dakota	C	C ✓	C	NP	NP	YR	100,000
Tennessee	C	C ✓	C	NP	NP	YR	NP
Texas	C	C ✓	C	NP	NP	YR	200,000
Tennessee	C	C ✓	C	NP	NP	YR	AV
Texas	C	C ✓	C	NP	NP	YR	NP
Utah	S	C ✓	NP	NP	NP	NP	NP
Vermont	NP	NP ✓	NP	NP	S	S	VT
Virginia	S	NP ✓	NP	NP	NP	T	T
Washington	S	NP ✓	NP	NP	YR	NP	AV
West Virginia <sup>2</sup>	S	NP ✓	NP	NP	NP	NP	AV
Wisconsin	NP	NP ✓	NP	NP	NP	NP	AV
Wyoming	YR	YR ✓	YR	NP	YR	YR	AV

There are ~~31~~ states currently, which have some provision  
calling for a balanced State budget.

<sup>1</sup> Advisory Commission on Intergovernmental Relations

Table 2 (cont.)  
**State Balanced Budgets and Deficit Limitations:  
Constitutional and Statutory Provisions**

**Key**

AV—Percentage of property value

T—Percentage of taxes

C—Constitutional provision

V—Popular vote required for any debt

NP—No provision

YR—Yes/restriction applies

S—Statutory provision

<sup>1</sup> Different provisions may apply to other long- and short-term debts.

<sup>2</sup> Information not available.

<sup>3</sup> May carry over only with legislative concurrence.

<sup>4</sup> Not more than 10% of prior year's net general revenues.

<sup>5</sup> Not to exceed 20% of average of General Fund revenues for 3 fiscal years preceding; may not be exceeded by popular vote.

<sup>6</sup> Limited to 10% of 3-year average of Bond Security and Redemption Fund.

<sup>7</sup> General Fund must have positive balance at end of fiscal year of proposed budget.

<sup>8</sup> 5% of General Fund.

<sup>9</sup> 5% of General Fund.

<sup>10</sup> Highway, \$500 million; coal, \$100 million.

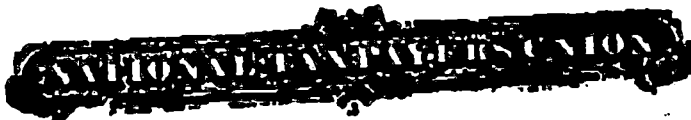
<sup>11</sup> Limited to 5% of last completed fiscal year revenue for capital improvement bonds.

Source: National Association of State Budget Officers, *Budgetary Processes in the States, 1987*.

NAT. TAXPAYER'S UNION

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A NONPARTISAN, NONPROFIT ORGANIZATION DEDICATED TO THE PUBLIC INTEREST

325 PENNSYLVANIA AVENUE, SOUTHEAST

WASHINGTON, DISTRICT OF COLUMBIA 20002

TELEPHONE: AREA CODE (202) 543-1300

543-1300

NATIONAL TAXPAYERS UNION CONFIRMS COUNT ON 32 STATE LEGISLATURES WHICH HAVE PASSED A RESOLUTION CALLING FOR A CONSTITUTIONAL CONVENTION ON A BALANCED FEDERAL BUDGET AMENDMENT

The 32 state legislatures which have passed balanced budget amendment resolutions are:

Alabama 1	HJR 227, Act 302	1976
Alaska	HJR 17	1982
Arizona	SJR 1002, HCR 2003	1979, 1977
Arkansas	HJR 1	1979
Colorado	SJM 1	1978
Delaware	HCR 36	1975
Florida 2	Sen. Memorial #234, HR 2801	1976, 1976
Georgia	Res. Act. #93, HR #469-1267	1976
Idaho	HCR 7	1979
Indiana	SJR 8	1979
Iowa	SJR 1	1978
Kansas	SCR 1661	1979, 1978, 1975
Louisiana 3	SCR 4, SM 73, HCR 269	1975
Maryland	SJR 4 (Original), Md JR 77 (Enrolled)	1975
Mississippi	HCR 51	1983
Missouri	SCR 3	1976
Nebraska	LR 106	1979, 1977
Nevada	SJR 8, SJR 2	1979
New Hampshire	HCR 8	1976
New Mexico	SJR 1	1979
North Carolina	Resolution 5	1975
North Dakota	SCR 4018	1976
Oklahoma	HJR 1049	1977
Oregon	SJ Memorial 62	1976
Pennsylvania	HR 236	1976, 1976
South Carolina	SCR 1024, SCR 670	1979
South Dakota	SJR 1	1977
Tennessee	HJR 22	1978, 1977
Texas	HCR 13, HCR 31	1979
Utah	HJR 12	1976
Virginia	SJR 38	1977
Wyoming	HJR 12 (Original) JR 1 (Enrolled)	1977

Certified copies of these resolutions are on file at the National Taxpayers Union.

- 1 Alabama voted to rescind 4/28/88.
- 2 Florida voted to rescind 5/25/88 (SM 302).
- 3 Louisiana voted to rescind 7/90.

DKII:67

Contact: Al Cors  
202/ 543-1303

E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E N T

01-Jun-1992 11:45am

TO: Gary J. Gershowitz

FROM: Elizabeth M. Hinchliffe  
Office of Communications

SUBJECT: hi

Hi -- welcome back. Hope you had a good weekend.

I'm working away on the Balanced Budget thing (yuck...), and I came up with some information I need. I'm working with Tom Scully and with Calio's office on the substance of the address, so please don't contact them for this information.

- ✓ 1. Have other Presidents (especially the Founding Fathers) written/said anything in support of balanced budgets?
- ✓ 2. Can you find any old calls from Bush (as many years back as possible) for balanced budget?
- ✓ 3. Recent general statements the President has made on the need for institutional change (particularly his "five pillars" speech -- was it March 20th?).
- ✓ 4. What is our current GNP? How much does the U.S. make in federal taxes every year?
- ✓ 5. How many states have balanced budget amendments? Any examples?
- ✓ 6. Can you find some magazine articles about balanced budget debate -- I'm looking for explanation and analysis, pros and cons.

Thanks. The speech is due tomorrow, so ASAP on these would be great.

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