BALANCING THE BUDGET

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■ THE FEDERAL BUDGET has been balanced only twice in the past quarter of a century. The last time was in 1969, some thirteen years ago! Why, then, speak of a "Federal Budget" at all? Why draw up such a document if it is only to be ignored by Congress whenever it decides to spend more? Because the *purpose* of the Budget is to deceive the public into believing that some measure of fiscal responsibility remains on Capitol Hill.

What we propose to do here is first to examine the current state of the Budget and then identify what concerned Americans might do to limit spending and taxes as a means of putting an end to escalating deficits.

Contrary to the rhetoric in the Establishment media about the so-

President Reagan has announced his support for a Constitutional Amendment to limit taxation and balance the Federal Budget. And none too soon. The Congressional Budget Office now projects a deficit of $114.1 billion for this year and a whopping $157.7 billion of red ink in 1983. The Amendment deserves support.

called Reagan Budget cuts, there has been no reduction. And federal spending will be much higher this year than last. In March of 1981 the new Reagan Administration estimated that its proposed Budget for 1982 would be $695 billion. That estimate was already $38 billion *more* than was to be spent in Fiscal 1981. By July, however, the estimate for the 1982 Reagan Budget was revised upward to $705 billion — some $48 billion more than was spent in 1981. By autumn of last year, the Reagan team was talking about a 1982 Budget in excess of $722 billion — a full $65 billion more than the outlays for the previous Fiscal Year. The Administration projections announced in April of this year, however, estimate that we will in fact spend $728.9 billion! This is nearly $72 billion over 1981 outlays and an astounding $113 billion more than Jimmy Carter's original proposal for Fiscal 1981!

Unfortunately, the situation might be even worse than these Administration projections indicate. The Congressional Budget Office estimates that the Fiscal 1982 outlays will be at least $741.5 billion! If the C.B.O. projections turn out to be correct, it will mean that this year's Budget will be more than $84 billion higher than the final outlays for 1981 and a whopping $126 billion more than the Carter Administration's first estimate for the 1981 Budget!

So why all the talk about cuts? As we have been pointing out here for months, the base line used by the Administration team at the Office of Management and Budget was not the spending level in Fiscal 1981, but rather the projection for the 1982 Budget as estimated by the outgoing Carterites. The Carter team had projected the 1982 Budget outlays to be $739.2 billion. By using the Carter Administration projections for 1982 as the base line, the *increased* spending levels proposed by the Reagan Administration could be called Budget cuts even though they were above the previous year's levels.

However, with the more recent spending estimates by the C.B.O., even this claim can no longer be made. After all, $741.5 billion is $2.3 billion *more* than the $739.2 billion which the Carter boys claimed they would have spent!

Remember, this is the same 1982 Budget that the President and Congress supposedly slashed to the bone after their dramatic confrontation last summer! Every night on the evening news we are reminded of the heartless Reagan Budget cuts and the moans of anguish emanating from sundry well-organized advocates claiming to represent those who have

Michael Evans — The White House

The failure of Congress to control deficit spending has deepened the liquidity crisis. Last year Washington hit the capital markets for $142.1 billion, $57.9 billion for the deficit and $84.2 billion to finance loans. The Treasury will have to borrow more than $200 billion in 1982 to cover Budget and off-Budget costs.

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been hurt by reductions. In reality, however, we are winding up with a Budget larger than the one we are told was slashed.

While on the campaign trail, candidate Ronald Reagan was telling us that the then-current Carter Budget was much too large. And, indeed, it was. If it was too large then, it is still too large today. But this year's Budget under the stingy Reagan Administration is not only a colossal $126 billion more than what the Carter people claimed they would spend in Fiscal 1981, it is even more than what they projected for 1982! No matter how we look at it, there has been no Budget cut. None.

And there won't be a real Budget cut for Fiscal 1983 either. As we go to press, President Reagan and Congress are still attempting to negotiate a compromise on the 1983 Budget. In April the Administration's O.M.B. estimated that the 1983 Federal Budget would come to $767 billion. This is $9.4 billion more than the previous estimate released in February and $34 billion more than the original projection announced in March of 1981. What we have here is not a Budget in any real sense, but a series of continually revised estimates trying to keep up with the latest outrages of the spenders. Despite Mr. Reagan's commendable efforts to reduce Big Government, it is clear that Congress is spending money like the host of a Roman orgy. If even a dent is to be made in such spending, severe measures must be taken.

Given the poor record of predicting federal spending, as reflected by the series of revised estimates, the 1983 Budget projection of $767 billion seems unrealistically conservative. With this year's Budget already predicted by the C.B.O. to be more than $84 billion larger than what was spent last year after mammoth efforts by President Reagan to hold the line, what are the chances that federal outlays will grow by only $25.5 billion in the Fiscal Year to come?

As with official Budget outlays, estimates of the Budget deficit for 1982 have been revised upward. You will recall that President Reagan had hoped to keep the 1982 deficit down to $42.5 billion when he offered his Budget last year. In his State of the Union address at the beginning of this year, Mr. Reagan abandoned the $42.5 billion figure and pledged that the Budget deficit for Fiscal 1982 would be held *under* $100 billion. That's more than twice the early prediction! Moreover, figures released by the government the day after the President's speech showed that the deficit for the first quarter of Fiscal 1982 (October, November, and December) had already reached an enormous $48.2 billion!

The estimate of the 1982 deficit, reluctantly released by the O.M.B. in April, was $100.5 billion, with $101.9 billion projected for next year's well of red ink. The Congressional Budget Office, on the other hand, estimates this year's deficit at $114.1 billion and projects a stupefying $157.7 billion deficit for Fiscal 1983.

All of this accumulating Debt will have to be financed either by further borrowing — or by inflation through the Federal Reserve System. Americans pay for federal spending either by taxes, stingingly high interest rates, or more inflation.

The impact of federal loans and loan guarantees must also be considered. In an excellent, half-page article that appeared in the March fifteenth issue of *Forbes*, M.S. Forbes Jr. warned his readers about the failure of the Reagan Administration aggressively to tackle the off-Budget areas of federal spending. Forbes observed:

"Last year, one way or the other, Washington hit the capital markets for $142.1 billion. Of that, only $57.9 billion was for the deficit we read so much about. The rest — $84.2 billion — went to finance loans made by such agencies as the Farmers Home Administration and the Rural Electrification Administration, and to guarantee loans to Chrysler Corp., mortgages for the Federal Housing Administration, *etc.* . . . Direct and guaranteed loans as well as money raised by quasi-government agencies, such as the Farm Credit Administration, are slated to reach $107.4 billion in 1982 and $113.2 billion in fiscal 1983."

When the above figures are added to the expected on-Budget deficits for this year and next, it is clear that the borrowing requirements of the U.S. Treasury will be more than $200 billion — crowding out private borrowers in the credit markets and rocketing interest rates still further. In 1979 federal and federal-related borrowing (which includes loan guarantees) absorbed 46.7 percent of the total net national savings. In 1980 the percentage was 73.2. By 1981 the Federal Money Sponge was soaking up a whopping 78.8 percent of everyone's savings! On the basis of the deficit figures released by O.M.B., it is now estimated that total federal borrowings on and off the Budget — including sponsored and guaranteed credit transactions — will exceed $206 billion in Fiscal 1982 and gobble up ninety percent of the nation's estimated savings! Which means that for every dollar in the nation's capital pool there will be only about one dime left to finance capital replacement.

This increasing demand for credit by Uncle Sam is of course responsible for hurling skyward the price of borrowing money. Real (inflation-adjusted) interest rates are now the highest in U.S. history. Despite recession-caused bankruptcies and layoffs, interest rates remain high while small- and medium-sized businesses are being strangled to death in this growing liquidity squeeze.*

In view of the excruciating liquidity crisis, resulting from massive federal deficits swallowing up the lifeblood of the credit markets, many have urged the Federal Reserve to

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*Some pundits try to play down the importance of the burgeoning deficits, observing that they represent a declining proportion of the nation's Gross National Product. This, however, is beside the point. It is not a nation's G.N.P. that is called upon to finance the deficits. It is the total net savings in the country that bear the burden. The percentage of money saved, after taxes, is still only about five or six percent, despite the Administration's attempts to stimulate more savings. Federal deficits are devouring our seed corn.

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monetize a great proportion of this Debt — paying it off in phony money. Unless the Fed begins to inflate to reduce interest rates, they say, the resulting pressure on the credit markets will keep interest rates as high as the space shuttle — and many more bankruptcies would ensue. They argue that this could precipitate a full-scale bust that would make the Great Depression of the 1930s seem like a mild downturn by comparison.

It should be pointed out, however, that if the Fed does begin to inflate in earnest, that will set the stage for eventual runaway inflation — and long-term interest rates will be bid up to the stratosphere anyway!

Meanwhile, the federal spending continues. And federal taxing. According to a startling report released in March by the Tax Foundation, federal spending for this year will translate into a total real tax bill of $6,916 for the average worker who earns $25,000 a year and supports a wife and two children. Of this nearly $7,000 in direct federal cost per worker, $2,291 is earmarked by the government for Social Security and Welfare expenditures. Another $670 goes for socialized health, followed next by $254 for education, training, employment, and social services. Veterans' benefits take $220 of this average worker's annual income. National defense costs him over $1,700. And you will no doubt be interested to know that more than $905 of the take from his wages goes to servicing the interest on the National Debt.

While Middle America is sweating blood, Congress has virtually exempted itself from taxes. Congressmen do not pay Social Security taxes. And, on December sixteenth, both houses approved a measure giving the lawmakers a huge tax exemption for their living expenses in Washington, D.C. This fringe benefit was made retroactive to January 1, 1981. Prior to passage, Congressmen had a $3,000 ceiling on the amount they could deduct on their income tax for living expenses. Now, they can deduct virtually all of their costs. Congressman Ron Paul of Texas is one of those who voted against the measure. He observed: "This legislation, which is the equivalent of Congress giving itself another big pay raise, demonstrates the lack of concern that Congress has for the average American who is (unlike Congress) unable to insulate himself from rising living costs." Even the *Washington Post* was critical of these actions, making the point that "tax writers should be tax payers."

Given the degree to which Congress has insulated itself from the political and economic burdens it has created for the rest of us, it should be obvious that the vociferous crying of our Congressmen over the impending deficits represents only alligator tears. The great deficit panic is largely a smokescreen behind which taxes can be raised and spending continued with only minimal interruption. The current "Liberal" Congress has no more fervent desire than to continue federal spending with abandon.

In order to prevent any meaningful Budget cuts from taking place, the "Liberal" spenders and their media supporters are trumpeting the lie that further cuts in social programs are unbearable, on the grounds that they have already been cut to the bone! Syndicated columnist M. Stanton Evans put it well in an article entitled "The Federal Budget Conspiracy" which appeared in the February twentieth issue of *Human Events*. He maintained:

"A weird, oblique conspiracy is at

work to convince the American people that the federal budget has been cut, when nothing of the sort has happened . . . . The motives of the critics in crying up a nonexistent slashing of the budget are apparent: To portray the Administration as heartless and indifferent to human suffering; to keep the spending gusher flowing with the argument that we have already done all the cutting that is possible; and to blame the mammoth deficits that face us on the Reagan tax-rate reductions, rather than on the runaway course of federal spending."

Evans points out that the major reason the Budget keeps growing by Baryshnikov leaps and bounds is the automatic spending triggers built into the "entitlement" programs. He explains: "Because these programs run of their own accord and have been largely exempt from economy efforts, the cuts that have been made are concentrated on a narrow range of discretionary outlays, including grants to the states, staffing of government offices and the like — leading to media horror stories that reinforce the false impression of stringent cutbacks. The Reagan budget plan for '83 makes a stab at the problem, proposing marginal reform of the entitlements, and so far as it goes it is to the good. It doesn't, however, go nearly far enough, and in the present climate can hardly hope to do so."

Having built up the myth that the Budget cannot be cut further, the Potomac politicians have bludgeoned the President to go along with a tax increase under the guise of fighting the intolerably high deficits. There is talk of imposing a surtax on individuals earning $35,000 or more a year. Of course this levy would not apply to Congressmen taking advantage of the tax dodge they voted for themselves last year. The effect of such a scheme would be to squeeze even more money out of productive investment and into tax shelters. Yet White House Chief of Staff James Baker and Senate Majority Leader Howard Baker have conspired to maneuver the President into accepting such a measure despite his instinctive reluctance to do so.

Another alternative being discussed as part of a 1983 Budget compromise is rescinding part of the three-year tax-rate reduction enacted only last year. While neither deep enough nor implemented early enough, the Reagan rate reduction was at least a move in the right direction and is essential to his economic recovery program. Because this tax cut is being phased in over a period of thirty-three months, its impact will not immediately be enough to generate recovery. The five percent tax-rate cut which took effect in October reduced the average $15,000-a-year worker's tax burden by only seventeen dollars. Whoopee! Such small gains for the taxpayers have been eaten up by increases in Social Security taxes and the effects of bracket creep. Now some people on Capitol Hill want to take even this paltry bit of "tax relief" away from American workers!

But that's not all. Other lawmakers are proposing higher excises on liquor, cigarettes, and even gasoline. And perhaps the worst of these efforts is the diabolical drive to repeal tax indexing, the indexing of tax brackets, personal exemptions, and the standard deduction that is scheduled to take effect in 1985! This indexing provision, which was passed last year, is of potentially great significance to the average taxpayer — especially those in lower- and middle-income brackets. It would go a long way toward keeping inflation from pushing taxpayers into higher brackets even though their spending power remains the same. Without such indexing the government has a built-in vested interest in inflation since *it results in tax increases for which the Congress does not have to vote.*

Instead of smothering our already beleaguered economy with more taxation — sabotaging any hope for swift economic recovery — we should demand that the tax-rate reductions already enacted be sped up to take effect immediately rather than waiting until July first and January of 1983 for the next two rounds. Taxes on interest and dividend income should be eliminated and capital gains taxes should be drastically cut or abolished altogether. Yet the "Liberal" Democrats, and many Republicans as well, are using the specter of huge deficits to call for *more* taxes. More taxes imposed during a recession can only sabotage the President's program for economic recovery.

Delaying the meager tax-rate cuts already enacted will not balance the Budget, reduce interest rates, or improve the economy. Tax hikes have never resulted in a balanced Budget. From 1972 to 1981 taxes paid by U.S. workers rose an average of 249 percent. Federal spending increased more than three hundred percent during that same period. If tax increases balance Budgets, then why did a $300 billion tax increase between 1976 and 1981 coincide with total Budget deficits for those years of $318 billion? The proper course for Congress to take is to cut federal spending. Otherwise, we may find ourselves "born free" only to be taxed to death!

Left to their own devices and inclinations, our Congressmen will never seriously attempt to balance the Federal Budget. There are, however, rational grounds for hope that growing resentment from the grass-roots taxpayers might force Congress to act more responsibly.

As the federal government's persistent failure to balance its Budget has produced a National Debt of more than $1 trillion ($1,000,000,000,000), an increasing number of Americans has become aware of the growing crisis which Big Government poses both to our economic well-being and our individual liberty. With the widening of the well-deserved credibility gap between the Establishment politicians and the American people, more and more taxpayers are getting mad as hell — and they aren't going to take it any more. One result of this growing Middle American rage is the effort to impose on the federal government a Constitutional Amendment to require a balanced Budget and to restrict the growth of federal spending and taxes. As we go to press, President Reagan has endorsed such an Amendment.

Although many proposals to this end have been made, the measure which has attracted the most widespread support so far is the Balanced Budget/Tax Limitation Constitutional Amendment, currently pending in Congress as Senate Joint Resolution 58 and House Joint Resolution 350. This proposed Amendment would never have been seriously considered by Congress if it were not for the threat of a Constitutional Convention.

The U.S. Constitution provides that two-thirds of the state legislatures can require Congress to call a Constitutional Convention for the purpose of considering and recommending Amendments to the Constitution. So far, thirty-one state legislatures have approved petitions calling for a Constitutional Convention to draft a Balanced Budget Amendment and consider related issues. Thirty-four states are needed to put this effort over the top. If only three more states join the list, Congress will be legally obligated to authorize such an assemblage, the only one to take place since the Constitution was hammered out in 1787. Washington, Missouri, Kentucky, and Ohio are among the states most likely to send the petition over the top, and at least one house in each of five more states where the measure is pending has already given approval. The National Taxpayers Union and other groups are concentrating their efforts on these last few legislatures.

The idea is to use the *threat* of a Constitutional Convention to pressure Congress into passing an Amendment of its own. It could very well do just that. Most Congressmen want to avoid a real Constitutional Convention at all costs. They view the prospect with unmitigated horror, partly because an Amendment written by such an historic gathering might impose very strict spending limitations, and partly because such an independent group might propose other Constitutional Amendments to place further restrictions on the federal government which would upset the Establishment applecart.

Once sessions of a Constitutional Convention got underway, there is no telling what issues might be raised. This is the stuff of bad dreams for bureaucrats and politicians who want the game to continue as is. Consequently, Congress is likely to enact the Balanced Budget/Tax Limitation Amendment (S.J. Res. 58/H.J. Res. 350) before the thirty-fourth state votes its approval of a Convention call.* So far, the proposed amendment has been co-sponsored by over half of the membership of the U.S. Senate and there are some two hundred co-sponsors in the House. The measure faces tough opposition in the House, however, especially from Speaker Tip O'Neill and Representative Peter Rodino, Chairman of the House Judiciary Committee where the bill has been bottled up. Congressman Barber Conable is circulating a discharge petition to bring the matter to the House floor for a vote by the whole body.

If both houses of Congress pass the Amendment, it will then go to the state legislatures for ratification. According to our Constitution, three-fourths of the legislatures must approve an Amendment before it becomes law. The earliest it could be put into effect would be October of 1985 — which would be the beginning of Fiscal 1986. At the rate at which Big Government is growing, that could be too late. But as Conable notes, "Strategically, it's a lot easier to vote for a short-term deficit if you're willing to vote for long-term discipline."

In other words, Congress could pass the Amendment for political reasons — to make itself look less irresponsible as it votes in another record-level Budget or raises the National Debt ceiling to accommodate still more spending. It is easy to put off fiscal discipline to the future while pouring out $100 billion a year of red ink in the meantime. With growing public concern about projections of more than $345 billion in new red ink for the next four years, Congressmen and Senators fear that if they fail to show some commitment to balancing the Budget, disillusioned voters, fed up

*Many of the state resolutions petitioning Congress to call a Constitutional Convention are contingent on Congress passing its own Balanced Budget Amendment. If Congress fails to do this, and a real Constitutional Convention is convened, will it open a Pandora's box? Some Congressmen have warned that a Convention might scrap the whole Constitution and make people wear their underwear on the outside. Not likely. It must be remembered that whatever proposed changes such a Convention might make would have to be ratified by three-fourths of the states before becoming part of the Supreme Law of the Land.

with empty promises, will turn out incumbents in the coming November elections.

But would such an Amendment really do the job? Certainly attempts to require Congress by law to spend no more than receipts have not been successful.

We asked this question of Lewis Uhler, president of the 600,000-member National Tax Limitation Committee and co-author with economist Milton Friedman of the Amendment. Uhler pointed out: "Laws control men, but constitutions control governments. Simple statutes can be repealed or ignored by a simple majority vote in Congress because one Congress cannot bind succeeding Congresses. But a Constitutional Amendment has the force of the Constitution. If we are going to suppose that those whom we elect to Congress are going to ignore the Supreme Law of the Land, then we've got deep trouble in this thing we call the noble experiment in self-government."

Nevertheless, there are many people — including supporters and cosponsors of the Amendment — who have serious reservations and criticisms of some of its content. For one thing, it does not actually require a balanced Budget. Section One only requires that Congress *plan* a balanced Budget by requiring it to draw up a Budget statement in which outlays do not exceed receipts. The best laid plans often go astray, especially if the plans are not taken seriously in the first place.

And even the requirement to plan a balanced Budget can be overriden by a recorded vote of three-fifths of the total membership of each house. While this would be much more difficult to obtain than a simple majority, doubters maintain that Congress would vote to override the balanced-Budget provision under pressure from organized special-interest groups seeking more spending. Balancing the Budget (without raising taxes, inflation, or interest rates to unbearable levels) would require radical cuts in social spending, big cuts out of defense appropriations, and perhaps even high direct taxes. These are all politically unacceptable. Significant cuts in social spending might result in riots and chaos in the streets. Serious cuts in the bloated Pentagon budget, large enough to do any good, might invite war or nuclear blackmail. More taxes? They are already sky-high!

Backers of this Amendment, however, maintain that its passage would so change the political environment that their incentives would work to quell the spending and taxing process. Supporters claim that, instead of bidding up spending as is now the case, special-interest groups and lobbyists would compete over reduced outlays.

In addition to the balanced-Budget provision of Section One, Section Two of this proposal would restrict the growth in tax receipts in a Fiscal Year to a rate no greater than the growth in the National Income (usually measured by the Gross National Product) in the previous calendar year. This tax-rate limitation could be overridden, to permit a more rapid growth in tax revenues, only by a recorded vote of a majority of the membership of both houses of Congress. Lewis Uhler explains that when both of the first two sections of the Amendment are considered together, the idea of this plan would be that actual outlays could not exceed statement outlays, which could not exceed statement receipts, which could not grow faster than the economy. Deficits *could* occur if actual receipts fell below planned receipts when, for example, an unanticipated recession caused revenues to decline below expectations in any Fiscal Year. When asked about these possible unanticipated deficits, Uhler acknowledged the possibility, but went on to explain that he thinks the Amendment would work to reverse the bias toward greater and greater federal spending. He made the following observations:

"Under the Amendment it is clear that there may be actual deficits run; but it is also clear that there may be actual surpluses run. Our calculations suggest that over the life of the business cycle we should enjoy some surpluses. You have to look at how Sections One and Two of the Amendment work together. If there were only Section One, Congress could set the level of tax receipts high enough to accommodate almost any level of spending it wants. But the level of tax receipts in Section One cannot exceed the level of receipts provided for in Section Two. Section Two limits the increase in the tax level to the rate of growth in the National Income that took place in the previous calendar year. So Section Two is the ultimate restraint which limits the growth in taxes, and hence spending, from year to year, linking it to no more than the growth rate of the National Income.

"Basically, what the Amendment would do is to take the current bias, which is clearly in favor of greater spending, taxes, and chronic deficits, and shift the bias in the norm of fiscal policy to planned balanced Budgets and to a limitation on growth rates so that government doesn't grow faster than our ability to pay. To breach that norm would require extraordinary votes. It requires a three-fifths vote of the whole body to plan an unbalanced Budget. Under Section Two, to breach the growth-rate limitation, the Amendment requires two things to take place simultaneously: one, a constitutional majority of both houses of Congress; and, second, the passage of a tax measure — subject to Presidential veto — which provides for the specific additional receipts.

"A 'constitutional majority' means fifty percent plus one of the full membership of both houses of Congress (rather than a simple majority of those present). In the Senate, for example, it would take 51 votes. On the other hand, to *lower* the level of receipts below the maximum set by Section Two, only a simple majority is required under Section One. And if Congress does that, there will then be a new and lower base from which to operate for the ensuing years. So, what you have is a ratcheting back on potential spending and taxing under the Amendment."

Note that this would not guarantee a reduction in Big Government; it seeks only to control the growth of federal spending and taxes by linking them with the growth of the economy as measured by a statistical index. The federal Leviathan is already much too huge and tyrannical in its usurpation of our earnings and liberties! But if this Amendment were to prove effective enough dramatically to slow the growth, it might give us a little more time to awaken our fellow Americans to the impending crisis and to begin to make the real and radical cuts that are necessary to establish prosperity on a sound and permanent basis.

In addition to the first two sections already discussed, the proposed Balanced Budget/Tax Limitation Amendment contains four other sections. Section Three authorizes Congress to waive any of the Amendment's requirements for any Fiscal Year in which a declaration of war is in effect. Section Four is intended to ensure that Congress does not circumvent the Amendment's restrictions on its spending and taxing authority by merely passing on new and unreimbursed costs to the states. Section Five clarifies the intent of the Amendment by defining the terms "receipts" and "outlays" in the broadest possible manner. It is clear that outlays would include what is presently referred to as "off-Budget expenditures" as well as loans to non-federal entities which default.

James Dale Davidson, author of *The Squeeze* and president of the National Taxpayers Union, has been in the forefront of the movement to get states to call for a Constitutional Convention to balance the Budget. Like Lewis Uhler, Davidson is a staunch supporter of the resolutions in Congress which propose the Balanced Budget/Tax Limitation Amendment. We asked him if Congress might try to tinker with the way the National Income growth rate is computed in order to make it seem higher, thus permitting taxation at a higher rate. Davidson replied, "That's a good question and it is not taken care of satisfactorily in the Amendment itself. However, the Judiciary Committee's statement that accompanied the Amendment suggests that the Congress could use any measurement of National Income provided that this method *does not change* once adopted except as in accordance with the Amendment. The Congress could pick a particular index, then try to change it later if they find that it is not making it as easy for them as they would like, and my guess is that they will try to fiddle with it. But, as far as purposes of litigation are concerned, the document put out by the Judiciary Committee to accompany the Amendment should help tie Congress down in this respect."

There are several other Balance-the-Budget proposals and tax-limitation measures now pending in Congress. In fact, many solons who are giving their support to S.J. Res. 58/ H.J. Res. 350 are, in addition, supporting other bills or Amendment proposals which they believe will be even tougher. Georgia Congressman Larry McDonald has submitted a bill (H.R. 991) which, if passed, would provide for a ten percent reduction in congressional salaries whenever the federal Budget is not balanced. The problem with this measure is that it has to be voted on by Congress itself before it can become law or be submitted to the states for ratification as a Constitutional Amendment. Congress probably won't approve that. Too bad the Founding Fathers didn't think of it when they were drafting the Constitution!

Another of the many alternatives to the aforementioned Constitutional Amendment, an Amendment proposed by Congressman John Rousselot (R.-California), has more than fifty co-sponsors in the House. We spoke with Mark Krotoski, Congressman Rousselot's Legislative Assistant, about how this resolution compares with the one called for by H.J. Res. 350. Rousselot's proposal (H.J. Res. 100) would prohibit annual deficits in federal spending rather than require only that Congress *plan* a balanced Budget. Furthermore, unlike the more widely supported resolution, H.J. Res. 100 would put indexing of tax rates to offset the effects of inflation into the Constitution. In view of the fact that there are already efforts afoot to repeal the tax-indexing law passed only last year — even though it does not go into effect until 1985 — this makes a good deal of sense. It is a lot harder to repeal an Amendment to the Constitution than it is to repeal a simple statute.

Krotoski explained that the balanced-Budget provision of the Rousselot plan could be overridden by Congress — but it would be even more difficult. Under the Amendment called for in H.J. Res. 350, and its counterpart in the Senate, the restriction on tax growth could be overridden by a majority of both houses of Congress, whereas the Rousselot Amendment would require a three-fifths vote by both houses *with* the approval of the President or a *two-thirds* vote in both houses if the President vetoes the tax increase. This, as well as other provisions, make it a stronger measure than the one under serious consideration in the House Judiciary Committee.

Some thoughtful Conservatives insist that the Amendment proposed by H.J. Res. 350 and S.J. Res. 58 does not go far enough, and that it should be worded to put a tighter and shorter leash on the federal spenders. Jim Davidson agrees that the Amendment could be improved, but feels an ideal Amendment would probably not have a chance of passage. "The good should not be held hostage by the best," he says. "There are provisions of the Bill of Rights which are not given the strictest enforcement — but I don't think anyone doubts that we have more freedoms today than we would have had if we'd never had the Bill of Rights."

It is true, of course, that the federal government has routinely ignored many parts of our Constitution as it stands. To take only one example, we observe that federal officials have totally disregarded the Tenth Amendment of the Bill of Rights which reserves all powers not specifically assigned to the central government to the states or to the people. On the other hand, it can be said that a *new* Constitutional Amendment would have the benefit of popular awareness and support so that concerned taxpayers could focus their scrutiny on Congress to see that it abides by the new restrictions. This will be greatly aided by such organizations as the National Taxpayers Union, the National Tax Limitation Committee, and Tax Reform IMmediately, which act as "watch dogs" to inform the public about how our representatives vote on the important Budget matters.

As Murray Rothbard has said, "The Federal budget can and must be balanced, but on the backs of the bureaucrats and feeders at the government trough, rather than the American people!" A recent Sindlinger poll found that only eighteen percent of Americans think taxes should be raised, while a surprising fifty-three percent favor cuts in social programs. A full seventy-nine percent said they favored Budget cuts in order to balance the Budget.

We must keep in mind that *total* federal spending, no matter how it is financed, is the real tax burden on the American people. This is the real issue and not merely the size of the deficit. It is overall spending that must be cut and cut deeply. If a Constitutional Amendment would help do that, then it is to the good. But we must guard against letting such a short-term success lull us into complacency. We must not flag in our endeavors to create a greater awareness of the crisis facing Americans. As the April issue of *The Freeman* observed: "However difficult the task of reducing the size of government, it is not impossible. Essential to any fundamental change in policy is economic education. Once voters and taxpayers understand the economic implications of spending programs, the proponents of limited government will be in a more persuasive position."

We need a firm foundation of understanding to provide the grass-root support to make any permanent and real changes. Otherwise, the push for a balanced Budget — by Constitutional Amendment or other means — will turn out to be little more than a Quixotic adventure. ■ ■