In the past 25 years this nation has operated on a balanced budget only four times: in 1956, 1957, 1960 and 1969. The national debt has climbed to nearly $840 billion dollars, with interest payments that will amount to $48 billion by Fiscal Year 1980. It’s a sad state of affairs and something will have to be done to turn it around.

The tendency of a majority in Congress over the last quarter century to “spend now and pay later” is one of the main contributing factors to our nation’s current economic crisis. So far this year we have an annual rate of inflation of 13.4 percent—a rate that is unprecedented in peacetime, except in the war transition year of 1946.

All of this, of course, has led to what has been popularly termed “the taxpayers’ revolt” that we’ve seen developing throughout the country—most visible in California’s Proposition 13. The state of our economy is causing wage-earners to be constantly pushed into higher tax brackets by inflation—a trend that has been dubbed “taxflation.” Our 13.4 percent inflation rate has caused a 21.4 percent increase in individual federal income taxes.

And . . . to complicate the scene, the matter at this point is not only a domestic problem, but has reached the point of an international issue. As one of my colleagues said on the House floor, “When we consider what has happened to the dollar in the money markets around the world, when we see that the American dollar does not have the same respect that it had just a few years ago, we realize that our reputation as a nation has diminished as a result of our profligate economic policies.” (Congressional Record, 3.20/79, Hon. Robert McClory.) Over 20 percent of the national debt is owed to foreign sources. The interest payment on that debt increases our balance of payments deficit and causes pressure against the dollar.

Clearly the way to start bringing our nation’s economy under control will be to contain the rampant spending habits of a majority in Congress. Federal spending, as a percent of the gross national product, has increased from 17.5 percent in 1955 to 22.1 percent in 1979 . . . an example of unsound fiscal management in anyone’s book.

The issue at hand is discipline—a fiscal framework within which the legislative branch of government must operate. If we don’t establish such a framework, we could eventually find ourselves in the same boat England found herself in three years ago, at the height of her financial crisis. At that time, the ruling Labor Party had to go to the International Monetary Fund to borrow money.

In the process England was forced to institute certain budget restrictions in order to qualify for a loan. Once those restrictions were in place, the Labor Party found a way to accomplish the goals that they were unable to accomplish of their own volition. England was forced to put its own house in order very quickly in order to borrow critically needed funds. It’s sad that a great country, a nation rich in a history of world leadership, had to have fiscal discipline forced upon it from the outside. I hope we do not have to wait that long. I hope we will take back control of our destiny rather than waiting for outside forces to impose that discipline on us. Continued on page 28
The critical step for the nation to take toward self-discipline is the adoption of a constitutional amendment mandating a balanced federal budget. Some thirty states have already called for a Constitutional Convention to consider such an amendment. That is clearly a vote of no-confidence in Congress, and a decision by the American public to take matters into their own hands, having seen public officials fail to act to solve the problem. There are indications—finally—that the message is getting through to those in Washington. Last fall Congress passed, and the President signed into law, a bill authorizing the U.S. to participate in the Supplementary Financing Facility of the International Monetary Fund. The bill contained an amendment, known as the Byrd-Grassley amendment, which states, simply, “Beginning with fiscal year 1981, the total budget outlays of the federal government shall not exceed its receipts.”

A number of us in the House of Representatives who are concerned about the problem have formed the bi-partisan “Balanced Budget Caucus” of which I am a co-chairman. The sixty members of the caucus are committed to bringing about a balanced federal budget as soon as possible. We believe the problem is urgent and we are doing our best to see that something is done before we reach a “point of no-return.”

In my opinion a constitutional amendment initiated by Congress would be a quicker and preferable method to the convention approach. I hope that the current calls for a convention will have the effect of forcing Congress to begin the process for adoption of an amendment in the traditional manner. There is a question among many legal scholars whether a convention could be limited to consideration of a single amendment. Many believe the Founding Fathers intended a convention to be held only for a major rewrite of the Constitution, something I believe
most of us would not like to see.

A Constitutional Amendment will not be a panacea solving all of our economic ills overnight. It will, however, be a start. There is no statistical correlation between deficits and inflation, but there is a relationship between inflation and the money supply. The Federal Reserve takes care of deficits by expanding the money supply and thus creating inflation, therefore a balanced federal budget would help us control inflation but it would not do the whole job for us.

Flexibility would have to be written into any such amendment to make it useful. Those opposed claim that a constitutional amendment could “tie the hands of the government” in the event of war or economic catastrophe. A clause would obviously have to be written into the amendment allowing for deficit expenditures in the case of a severe national crisis. It has been proposed that such expenditures might be allowed only after a two-thirds favorable vote in each house of Congress. Such items will, of course, have to be given very important consideration before a final amendment is adopted.

In the process of bringing a situation under control which has been ignored for far too long, I must emphasize that we cannot take a “meat-ax” approach to budget cutting. Nearly all balanced budget and spending limitation measures which have been successful in Congress require no cuts in existing services, but merely impose a limit on the growth of expenditures. We must approach this goal in the same way that I succeeded in winning House approval for a $1.1 billion cut in the fiscal 1980 budget. In that case, funds were cut in the areas of levels of federal employment, travel, overtime, and film-making. When we tackle the overall project, we must do it in the same way . . . by restricting increases, and by selectively tightening the budget. We must make sure that, in bringing about fiscal responsibility, programs which are benefiting the American people do not suffer.

However, an amendment requiring a balanced federal budget is needed, and it’s needed soon. In the words of economist Eugene McAllister, “The public’s resistance to taxes would act as a counterweight to the political impulse to spend . . . Although a balanced budget does not guarantee an inflation-free society, the elimination of deficit spending would remove a major incentive for inflationary monetary policies. Finally, a balanced budget would free resources vitally needed by the private sector for investment . . . the balanced budget offers tremendous benefits at little risk. Despite the doomsayers, there is only one way to find out if it works: try it. Perhaps the most compelling argument in favor of the balanced budget is the alternative: to continue our present policy.”