WHETHER THE CONSTITUTION SHOULD BE AMENDED TO ADDRESS THE FEDERAL DEFICIT?

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BEFORE THE

SUBCOMMITTEE ON THE CONSTITUTION

OF THE

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WHETHER THE CONSTITUTION SHOULD BE AMENDED TO ADDRESS THE FEDERAL DEFICIT?

FRIDAY, MAY 13, 2011

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE CONSTITUTION,
COMMITTEE ON THE JUDICIARY,
Washington, DC.

The Subcommittee met, pursuant to call, at 11:24 a.m., in room 2141, Rayburn House Office Building, the Honorable Trent Franks (Chairman of the Subcommittee) presiding.

Present: Representatives Franks, Chabot, Nadler, and Scott.

Staff Present: (Majority) Zachary Somers, Counsel; Sarah Vance, Clerk; (Minority) David Lachmann, Subcommittee Chief of Staff; and Veronica Eligan, Professional Staff Member.

Mr. FRANKS. The Subcommittee will come to order.

We want to welcome everyone to the Subcommittee on the Constitution, particularly the witnesses that are here with us today. I also want to say that I know that because of the change in the schedule this morning, that we are going to have a few people that will not be here. One of the notable absences will be Mr. Jim Jordan, the Chairman of the RSC, who is very strongly in favor of a balanced budget amendment, and I wanted to express his comments in that regard.

We called a hearing today because we must examine ways to change America's course on Federal spending and the enormous Federal deficits that we face. It is absolutely necessary that a balanced budget once again become the norm in America. Currently, the Federal Government is borrowing $0.40 of every dollar it spends. The massive amount of borrowing is causing the Federal deficit to grow rapidly as a percentage of America's total economic output. If we continue on our current path, the Federal deficit will climb to at least 100 percent of our annual Gross Domestic Product by the end of this decade.

To put that another way, if we begin to pay our deficit and debt off today at $1 billion a year, a very modest effort on our part, it would take us somewhere in the neighborhood of 12 to 15,000 years to do that. And the good news is we are not doing that, we going into debt at a thousand times that pace. So that puts it into perspective.

Unfortunately, the deficit spending has become the way of life for the Federal Government. It hasn't always been this way, for the

first 140 years of America's history, we lived under an unwritten constitutional rule that budgets should be balanced except during times of war. According to Nobel Prize winning economist James Buchanan, "Politicians prior to World War II would have considered it to be immoral to spend more than they were willing to generate in tax revenue, except during periods of extreme and temporary emergency."

We must return to those roots. The Federal Government cannot continue to live beyond its means. The question is how do we turn the current pattern of overspending around for the long term.

Some suggest that we can tax our way out of this crisis. However that has never been proven to work, in fact, it has been proven many times not to work. In order to pay for entitlement spending alone, solely by raising taxes, we would have to double the marginal tax rates for all income tax brackets over the next 30 years.

Others suggest that statutorily imposing spending caps and other legislative restraints will solve the problem. In the past, however, such efforts have failed miserable in the long run. The one solution that has the teeth to impose spending restraint on the Federal Government is a constitutional amendment.

Since the 1930's, there have been numerous proposed constitutional amendments to require a balanced budget or to control government spending or borrowing. Unfortunately, none of those constitutional approaches to spending restraints have been adopted. A balanced budget amendment has been unable to gather the necessary two-thirds majority of both Houses during the same Congress.

But with this hearing, we can begin to consider once again whether the Constitution should be amended to control Federal spending. Hopefully our witnesses can help us determine whether Constitutional amendment is needed. And if it is, whether a balanced budget amendment is the correct approach and what the necessary components of such an amendment would consist of.

Over 200 years ago, Thomas Jefferson wrote to James Madison that no generation can contract debts greater than may be paid during the course of its own existence. Because according to Jefferson, then the earth would belong to the dead and not to the living generation. Today America is contracting debts that will burden multiple future generations; it is time for Congress to act.

And with that, I would now recognize the Ranking Member of the Subcommittee, Mr. Nadler, for his opening statement for 5 minutes.

Mr. NADLER. Thank you, Mr. Chairman. Here we go again, if you can't balance the budget, and you can't face your constituents after having voted for truly Draconian budget cuts, why not vote on the Constitutional amendment instead? That way you can vote for the idea of a balanced budget without having to make any hard choices and without doing anything real to get toward a balanced budget. Not a bad deal.

Of course, we have all been down to road before. My Republican friends love constitutional amendments. For any complaint, there is the constitutional amendment. It is not, however, a free vote. If adopted, this proposed amendment would have catastrophic consequences for the Nation, for the economy, and for the future.

While it would be nice to have some easy way to force a balanced budget, the world doesn't work that way. We know how to balance the budget because we have done it before. Under the Clinton administration, we balanced the budget, which would have remained in balance except for the reckless Bush administration's tax cuts and unfunded wars.

In the not too distant past, we managed not only to balance the budget, but to run surpluses and begin paying down the debt. That is what you do in good times, you pay down the debt. Unfortunately, thanks to President Bush and a Republican Congress we managed to turn record surpluses into record deficits in record time. How did we do it? There was the huge tax cuts for the very wealthy; there were two wars fought off budget. I don't recall hearing a peep from any of my colleagues on the other side who are now born again fiscal conservatives. In fact, Vice President Cheney said, we have learned that deficits don't matter. That summed up the Republican attitude during the Bush administration.

Having the regulators go to sleep while financial manipulators, banks and hedge funds crashed the economy, killed off revenues, and that is one of the main causes of our present budget crisis in addition to those ongoing tax cuts. But rather than admit the serious economic mismanagement and looking for ways to straighten things out, we got this dusted off quack remedy from the past.

I guess it is easier to vote for something like this than to have to endure another Town Hall where angry constituents want to know why you voted to destroy Medicare.

Strangest of all, the amendment calls for balancing the budget by 2016, even though the Republican budget the House recently passed doesn't project a balanced budget until 2040.

The amendment would require a three-fifths votes by Congress to exceed a balanced budget. That should lead to some really history-making horse trading. Can you imagine what the holdouts, the ones that get to you 60 percent will get in exchange for passing a budget? I would predict if this goes into effect in order to pass budgets will need of 60 percent, and you will have monumental, monumental deficits to buy their votes, and monumental earmarks to buy their votes. It will make anything we do now look like child's play.

Really troubling is the proposal to require a three-fifths vote to raise the debt limit. Do the sponsors really want to reduce U.S. Treasury notes to junk bond status? Do you think anyone will buy our paper if this becomes law? I wouldn't. The amendment also treats military engagements as the only true emergencies requiring the budget to be out of balance. That shows a poor understanding of history and of economics. By the way, given the proposal and the new Defense authorization bill that came out of Armed Services, we are going to be at war all the time anyway, so this would totally negate this amendment.

Did Herbert Hoover win the last election? If in the middle of a recession when tax revenues are down and unemployment is up, we begin to slash the budget in ways my Republican colleagues are now suggesting, much less the far more Draconian measures that this amendment would require will go from the great recession right into another great depression.

It has been tried before and if we want the Constitution to enshrine Herbert Hooverism, we will get what we deserve. We should know that in good times you should balance budgets and pay down the debt; in bad times, during a recession you should run deficits in order to prime the pump and get the economy running and put people back to work.

Let's manage the budget the old fashioned way, by making hard choices, by promoting growth, by making everyone pay their fair share of taxes, including billionaires and oil companies. It isn't fun, and it won't make us a lot of friends. We have done it before and we can do it again. It only requires the courage of our own convictions to face the voters with the actual budget you are proposing. And I know how hard those Town Halls can be, I held many of them myself, but that is the job. Let's get down to business and quit fooling around with proposals that could never be implemented with anything that the Congress, that the Republicans for that matter would be willing to vote for. Thank you, I yield back.

Mr. FRANKS. Thank you, Mr. Nadler. And without objection, other Member's opening statements will be made part of the record. We have a very distinguished panel of witnesses today. Our first witness is representative Bob Goodlatte, he has been a major force in all of this. Congressman Goodlatte is serving his 10th term as representative of Virginia's sixth congressional district. He is Chairman of the House Judiciary Committee's Subcommittee on Intellectual Property, Competition and the Internet, and serves on the House Agriculture Committee, where he is currently Vice Chairman of that Committee.

On January 5, 2011, Representative Goodlatte introduced two balanced budget amendments: H. Res. 1, which has 131 cosponsors, and H. Res. 2, which has 221 cosponsors. Welcome you today, Bob.

Our second witness is Professor David Primo. Professor Primo is an associate professor of political science at the University of Rochester and a senior scholar at the Mercatus Center at George Mason University. He received his doctorate in political science from Stanford University, his research focuses on American politics, government spending and campaign finance. Professor Primo has authored, or coauthored, several journal articles and policy reports, as well as three books, including Rules and Restraint, Government Spending and the Design of Institutions.

Our third witness is Robert Greenstein. Mr. Greenstein is the founder and president of the Center on Budget and Policy Priorities. He is considered an expert on the Federal budget and a range of domestic policy issues. He has written numerous reports, analyses, book chapters, op ed pieces and magazine articles. Prior to founding the Center, Professor Greenstein was administrator of the Food and Nutrition Service at the U.S. Department of Agriculture. He was appointed by President Clinton in 1994 to serve on the bipartisan Commission on Entitlement and Tax Reform and headed the Federal budget policy component of the transition team for President Obama. He is a graduate of Harvard College, and has received honorary doctorates from Tufts University and Occidental College.

Our fourth witness is Mr. Andrew Moylan. Mr. Moylan is vice president of the Governmental Affairs for the National Taxpayers

Union, where he lobbies on Federal and State issues, conducts policy research and analysis, assists in taxpayer education efforts, and formulates reports and opinion pieces. His writings have appeared in publications such as The Wall Street Journal, The Washington Times, Investors Business Daily and Forbes Magazine. Mr. Moylan is a graduate of University of Michigan, and prior to joining NTU, worked at the Cato Institute. Welcome, sir. I welcome all of you.

Each of the witnesses' written statements will be entered into the record in its entirety. I ask that each witness summarize his or her testimony in 5 minutes or less. And to help you stay within that timeframe, there is a timing light on your table. When it switches from green to yellow you will have 1 minute to conclude your testimony, when the light turns red, it signals that the witness' 5 minutes have expired. Before I recognize the witnesses it is the tradition of the Subcommittee that they be sworn. So please stand to be sworn in.

[Witnesses sworn.]

Mr. FRANKS. Be seated. I will now recognize our first witness, the Honorable Bob Goodlatte for 5 minutes.

TESTIMONY OF THE HONORABLE BOB GOODLATTE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. GOODLATTE. Thank you, Mr. Chairman and Ranking Member Nadler, and Members of the Subcommittee. It is an honor to be before my colleagues on the Judiciary Committee to talk about this important issue. It is not a new issue. In fact, in 1798, less than 10 years after our Constitution took effect, Thomas Jefferson wrote to John Taylor and said "I wish it were possible to obtain a single amendment to our Constitution. I mean, an additional article taking from the Federal Government the power of borrowing."

This is also not the first time a serious effort has been made to pass a balanced budget amendment to the United States Constitution. On March 2, 1995, a pivotal day in the history of our country, the United States Senate failed by 1 vote to send a balanced budget amendment to the States for ratification. The amendment had passed the House by the requires two-thirds majority, with more than 70 Democrats joining with almost all the Republicans to provide 300 votes in favor of it. And the Senate vote was the last legislative hurdle before ratification by the States. If that amendment had passed and been ratified by the States, 49 out of 50 of which have balanced budget amendments of their own, then we would not be facing the fiscal crisis we now face.

If that amendment had passed, then balancing the budget would have been the norm rather than the exception over the past 15 years, and we would have nothing like the annual deficits and skyrocketing debt that we must address today.

The good news is that like 1995, this Congress is again standing at a crossroads at this very moment. The decisions we made today will steer the direction of our country for the next 15 years. And we have an opportunity now to take action to ensure that 15 years from today, our children will face a much brighter fiscal picture. We must not allow ourselves to miss this opportunity.

Here's what we know, experience has proven time and again that Congress cannot, for any significant length of time, rein in exces-

sive spending. The annual deficits and the resulting debt continue to grow due to political pressures and dependency on government programs. Budget plans that purport to cut spending over long periods of time are great goals, but in order to achieve the results these budgets promise, a majority of fiscally conservative Members must be elected in perpetuity. While it is one of my strongest desires that this will occur, we simply cannot afford to bet our children and grandchildren's future on this happening.

In order for Congress to be able to consistently make the very tough decisions necessary to sustain fiscal responsibility over the long term, Congress must have an external pressure to force it to do so. I believe the most realistic chance we have today to enact the institutional reform necessary is through a balanced budget amendment to our Constitution.

Many Members of Congress have introduced balance budget amendments to this Congress. I introduced two versions on the first day of the 112th Congress. House Joint Resolution 2 is the exact text that passed the House in 1995 and failed in the Senate by 1 vote. This amendment requires that total annual outlays not exceed total annual receipts. It also requires a true majority of each Chamber to pass tax increases, and requires a three-fifths majority to raise debt limit. This legislation has limited exceptions for times of war.

House Joint Resolution 1, which I also introduced, goes much further. In addition to provisions of H. Res. 2 it also requires a three-fifths majority to raise taxes and imposes an annual spending cap that prohibits spending from exceeding 20 percent of GDP. In the U.S. Senate, 47 Republican senators have cosponsored a balanced budget amendment that is similar to House Joint Resolution 1, which is a strong sign that the Senate is ready to engage in debate on this subject.

While my preference is to pass the stronger version of the balanced budget amendment, I want to be very clear in my testimony today, the two-thirds majority requirement for passing an amendment to the Constitution demands that we achieve bipartisan support for any balanced budget amendment. Our extraordinary fiscal crisis demands an extraordinary solution. So we simply cannot afford to succumb to political posturing on this issue at a point in time so critical to our Nation's future. We must rise above that and move forward with the strategy that includes legislation that will get at least 290 votes on the House floor.

So as we consider a balanced budget amendment, I encourage the Members of this Committee to devote our effort to passing the strongest balanced budget amendment that can garner two-thirds of the House of Representatives.

We are at a crossroads in America. We can make the tough choices and control spending, paving the way for a return to surpluses and ultimately paying down the national debt. Or we can allow big spenders to lead us further down the road of chronic deficits and leave our children and grandchildren saddled with debt that is not their own. The choice is ours, the stakes are high and failure is not an option. Thank you, Mr. Chairman.

Mr. FRANKS. And thank you, Mr. Goodlatte.

[The prepared statement of Mr. Goodlatte follows:]

Prepared Statement of the Honorable Bob Goodlatte,
a Representative in Congress from the State of Virginia

March 2, 1995 was a pivotal day in the history of our country. On that day, the U.S. Senate failed by one vote to send a balanced budget amendment to the states for ratification. The amendment had passed the House by the required two-thirds majority previously and the Senate vote was the last legislative hurdle before ratification by the states.

If that amendment had passed, then we would not be facing the fiscal crisis we now face. If that amendment had passed, then balancing the budget would have been the norm, rather than the exception over the past 25 years and we would have nothing like the annual deficits and skyrocketing debt that we must address today.

The good news is that like 1995, this Congress is again standing at a crossroads at this very moment. The decisions we make today will steer the direction of the country for the *next* 25 years. We have an opportunity now to take action to ensure that 25 years from today, our children will face a much brighter fiscal picture. We must not allow ourselves to miss this opportunity.

Here's what we know: experience has proven time and again that Congress cannot for any significant length of time rein in excessive spending. The annual deficits and the resulting debt continue to grow due to political pressures and dependency on government programs.

Budget plans that purport to cut spending over long periods of time are great goals, but in order to achieve the results these budgets promise, a majority of fiscally conservative Members must be elected into perpetuity. While it is one of my strongest desires that this will occur, we simply cannot afford to bet our children and grandchildren's future on this happening.

In order for Congress to be able to consistently make the very tough decisions necessary to sustain fiscal responsibility over the long term, Congress must have an external pressure to force it to do so.

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In the U.S. Senate, 47 Republican Senators have cosponsored a balanced budget amendment that is similar to H.J.Res. 1, which is a strong sign that the Senate is ready to engage in debate on this subject.

While my preference is to pass the stronger version of the balanced budget amendment, I want to be very clear in my testimony today. The two-thirds majority requirement for passing an amendment to the Constitution demands that we achieve bipartisan support for any balanced budget amendment.

Our extraordinary fiscal crisis demands an extraordinary solution, so we simply cannot afford to succumb to political posturing on this issue at a point in time so critical to our nation's future. We must rise above that and move forward with a strategy that includes legislation that will get at least 290 votes on the House Floor.

So, as we consider a balanced budget amendment, I encourage the Members of this Committee to devote our effort to passing the strongest balanced budget amendment that can garner two-thirds of the House of Representatives.

We are at a crossroads in America. We can make the tough choices and control spending, paving the way for a return to surpluses and ultimately paying down the national debt, or we can allow big spenders to lead us further down the road of chronic deficits and leave our children and grandchildren saddled with debt that is not their own.

The choice is ours. The stakes are high. Failure is not an option.

Mr. FRANKS. We will now recognize Professor Primo for 5 minutes.

TESTIMONY OF DAVID M. PRIMO, PROFESSOR, UNIVERSITY OF ROCHESTER AND THE MERCATUS CENTER

Mr. PRIMO. Thank you very much, Chairman Franks, Ranking Member Nadler and Members of the Subcommittee. Thank you for inviting me here today to discuss whether the U.S. Constitution should be amended to deal with the Nation's fiscal problems. As Chairman Franks mentioned, I am an associate professor of political science at the University of Rochester, and a senior scholar at the Mercatus Center at George Mason University.

I have spent several years researching the mechanics of budget rules and I have written a book Rules and Restraint, on this subject. In my testimony this morning, I will establish why attempts to create long-term fiscal reforms are likely to fail in the absence of Constitutional budget rules.

The recent bipartisan attention to our Nation's fiscal problems is heartening. Eelected officials in both parties have proposed bold changes to the status quo. And finally voters are paying attention. In a recent poll an astonishing 95 percent of the respondents agreed that the Federal budget deficit is a problem, and 81 percent agreed that action is needed now. So I think this is a rare opportunity for meaningful, long-term change. But I fear, I fear that there's a significant risk that promises made today will not be kept tomorrow. The political reality is that the hard cuts in any plan are usually deferred until well into the future. So the likelihood of having long-term agreements with durability, in the absence of some enforcement mechanism, is unfortunately very small. I believe that a Constitutional amendment can help us avoid making this a wasted opportunity.

Today I will focus my testimony on three main points. First I will establish why a Constitutional amendment is necessary. Second, I will discuss three principles that Congress should follow as it designs a Constitutional rule. Third, I will argue that the benefits of Constitutional reform outweigh its potential risks.

So first, why Constitutional reform? After all, there are other ways to enforce budget rules. The House and the Senate can create internal rules such as the PAYGO rule enacted in 2007. Congress and President could reach agreement on a statute with enforcement mechanisms such as Gramm-Rudman-Hollings in the 1980s. Well, the answer lies in Article 1, Section 5 of the U.S. Constitution, and this is going to establish why Chamber-based and even statutory rules are inferior to Constitutional rules.

Article 1, Section 5 states plainly, "Each House may determine the rules of its proceedings." What this means is that a current Congress cannot bind future Congresses. Historically, Congress and the President have chosen to evade or undo rules that proved to be inconvenient. PAYGO and Gramm-Rudman-Hollings are just two examples.

Constitutional rules are different. Unlike internal or statutory rules, Constitutional rules can only be changed after several significant hurdles have been overcome. Constitutional rules, therefore, provide the means to help keep Congress in check and ensure that fiscal discipline is maintained even when the temptation to abrogate agreements is hard to resist.

The promise of Constitutional rules as enforcement mechanisms lies in this durability. But this durability is also a peril. Bad rules can be locked in just as good rules can be. And this brings me to my second main point. To prevent bad rules from being locked into the Constitution, legislators should follow three principles when constructing them: One, the rule should be general and apply to the entire Federal budget; a Constitutional rule is meant to be permanent, and as a consequence, it should focus on total spending and not on some programs at the exclusion of others.

Two, the rules should be precise to prevent the use of loopholes or gimmicks. A Constitutional rule that leaves too many implementation details up to the Congress is likely to be eviscerated despite the best of intentions. Third, rules should have limited, carefully constructed exit options. In order to send a signal that Constitutional rules ought to be waived only in extraordinary circumstances, the threshold for waiving the rule should be very high, something like 90 percent of both Chambers.

My final point addresses the critics of Constitutional reform. Amending the Constitution is a serious, some might even say drastic step for this country. Some critics argue that a Constitutional amendment is unnecessary or too risky. Well, the history of failed budget rules suggests that Constitutional rules are necessary. As for alleged risks, such as increased financial burdens for the States or the delegation of too much power to the U.S. Supreme Court, these are speculative risks and ought to be weighed against the very real danger that Congress will not be able to abide by the rules it sets out for itself.

In closing, Congress and the President have a rare opportunity to enact meaningful budget reforms. Constitutional rules, unlike statutory or internal rules, can provide the enforcement mechanism that will help ensure that reforms to entitlements and other spending areas are not undone by future congresses.

Thank you again for inviting me to testify and I welcome your questions.

Mr. FRANKS. Thank you Professor Primo very much.

[The prepared statement of Mr. Primo follows:]

SHOULD THE CONSTITUTION BE AMENDED TO ADDRESS THE FEDERAL DEFICIT?

MAY 13, 2011

David M. Primo
Associate Professor of Political Science, University of Rochester
Senior Scholar, Mercatus Center at George Mason University

House Committee on the Judiciary
Subcommittee on the Constitution

Good Morning Chairman Franks, Ranking Member Nadler, and members of the subcommittee. Thank you for inviting me here this morning to discuss whether the U.S. Constitution should be amended to address the nation's fiscal problems.

I am an associate professor of political science at the University of Rochester and a senior scholar at the Mercatus Center at George Mason University.[1] My research focuses on legislative politics and fiscal policy. I have written papers and a book on the subject of budget rules, and I have been following the debate over our nation's future fiscal course with great interest.[2] In my testimony, I will show why attempts to create long-term fiscal reform, stabilize the debt, and reduce the deficit are likely to fail in the absence of Constitutional budget rules.

The United States faces severe fiscal challenges that can no longer be ignored. Our current $14 trillion national debt is just the tip of the iceberg. Entitlement spending threatens to bankrupt the nation. The unfunded liabilities from Social Security and Medicare are three to seven times the size of our current debt, depending on how one calculates these figures.[3]

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[1] The views expressed here are my own and do not represent the official positions of the University of Rochester or the Mercatus Center at George Mason University.

[2] See, for example, Primo, David M. 2007. *Rules and Restraint: Government Spending and the Design of Institutions*. American Politics and Political Economy Series. Chicago, IL: University of Chicago Press. Some passages and ideas in this testimony appear in Primo, David M. 2010. "Making Budget Rules Work." Working Paper No. 10-62, Mercatus Center at George Mason University, available at http://mercatus.org/sites/default/files/publication/Making%20Budget%20Rules%20Work.Primo_9.28.10.pdf.

[3] Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds. 2009. *Annual Report*. Washington, DC: Government Printing Office; Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds. 2009. *Annual Report*. Washington, DC: Government Printing Office. The Medicare Trustees set unfunded obligations for Part B and D at 0 because they are guaranteed funding from general revenues. However, the portion of Part B and D that comes out of general revenues can reasonably be construed as an unfunded liability, since specific revenues are not allocated for this spending (as opposed to Social Security, for which there is a dedicated fund); if these costs are accounted for, unfunded liabilities exceed $100 trillion dollars.

Any solution to this crisis must accomplish three things: First, Social Security and Medicare expenses have to be stabilized and future promises have to be limited. Second, discretionary spending has to be pared down. Third, future politicians must be prevented from undoing any reforms that are implemented. The focus of my testimony today will be the third of these requirements.

The recent bipartisan attention to the challenges we face is heartening. The dangers of our debt and deficit levels are no longer the province of commissions whose reports gather dust. Instead, we have elected officials taking a stand and proposing bold changes to the status quo. The President's National Commission on Fiscal Responsibility and Reform proposed a serious plan, and legislators from both parties endorsed it. House Budget Committee Chairman Paul Ryan proposed an ambitious plan to control federal spending, and President Barack Obama responded to Chairman Ryan's plan with one of his own. Voters are also paying attention. In a poll conducted by Pew Research Center and *The Washington Post* in April 2011, an astonishing 95% of respondents agreed that the federal budget deficit was a problem, and 81% agreed that action was needed now.[4]

This, in short, is a rare opportunity for meaningful long-term change. I believe that a Constitutional amendment can help us avoid making this a wasted opportunity. In my testimony, I will first establish that opportunities for long-term fiscal reforms rarely emerge. I will then show why long-term reforms are unlikely to be robust without Constitutional change. The next part of my testimony will focus on why it is important to get the rules right and offer some principles that I hope members will follow as they work toward achieving fiscal discipline. I will close my testimony by rebutting arguments against a Constitutional amendment.

THE **CHALLENGES OF FISCAL REFORM**

The enactment of real fiscal reform is always an uphill battle. Three factors stack the deck against reform:

- Fiscal problems are "creeping" risks.
- The electoral benefits of additional spending typically exceed the electoral benefits of fiscal discipline.
- Pledges made by legislators today will be hard to keep tomorrow.

Creeping Risks

Creeping risks, also referred to as slow failures, develop gradually over time, with any single event having a small but real effect on risk severity.[5] As enough events occur, the risk ultimately manifests itself in catastrophic ways. The World Economic Forum identifies fiscal crises as one of the major creeping risks facing the world today, and the recent debt crisis in Greece is an excellent example of a creeping risk manifesting itself suddenly.[6] The U.S. fiscal situation, though perhaps not as dire as Greece's right now, is headed in the same direction.

The temptation when dealing with creeping risks, as opposed to immediate risks, is to postpone action. A bullet to the chest is an immediate risk for which delayed action is not an option. A poor diet, which could eventually lead to heart disease, is a creeping risk. It's easy to avoid action on a diet. It's not so easy to avoid dealing with a bullet wound. The same is true of the federal budget. Many of the most severe risks we face, including the trajectory of Medicare spending, will not manifest themselves in dramatic fashion for years,

[4] See http://people-press.org/files/legacy-questionnaires/4-26-11%20Topline%20for%20release%20with%20joint%20WaPo%20deficit%20questions.pdf.
[5] Global Risk Network of the World Economic Forum. 2010. *Global Risks 2010: A Global Risk Network Report.* Geneva, Switzerland: World Economic Forum.
[6] Ibid.

prompting many legislators and pundits to argue that tough decisions should be postponed, as well. Unfortunately, the longer we wait to address creeping risks, the bigger the costs will be.

Fortunately, recent statements from legislators in both parties, as well as the president, acknowledge that we ought to take on long-term fiscal problems. To be sure, there are passionate disagreements about how to address these problems. But even agreement that a problem exists is progress.

Electoral Benefits of Spending

The nature of government spending makes it important to take advantage of the current realization that budget reform is needed. The benefits of government programs are typically much more concentrated than the costs of those programs.[7] If spending and taxes are reduced by $1 billion through cuts to construction projects, each citizen receives about $3 in benefits through lower taxes, but the beneficiaries of the construction projects lose far more per capita. It is much easier for a member of Congress to claim credit for preserving the construction project than to claim credit for the savings from eliminating such a project. The politics of fiscal reform, then, are stacked in favor of beneficiaries over taxpayers. Typically, beneficiaries will be the winners, and taxpayers the losers. Curiously, though, economists have found that elected officials who spearhead fiscal adjustments (a sustained decrease in deficit-to-GDP or debt-to-GDP ratio) are not typically punished at the ballot box.[8] This is a puzzle until one realizes that fiscal adjustments are "endogenous," or chosen strategically by politicians. Researchers have also shown that fiscal adjustments are often spurred on by crises, when the public may be willing to accept tough medicine.[9] So, in the face of an active crisis (or the perception that a crisis is imminent), the political calculi that prevent reform may be adjusted in favor of taxpayers. As I noted earlier, elected officials may have more leeway today than in most years. The public is paying attention to the deficit and believes some action is needed, though just as in Congress, there is disagreement among voters regarding how to achieve fiscal reform.

Keeping Promises

Acknowledgment by Congress and President Obama that creeping fiscal risks have to be addressed, and public agreement in this regard, creates a rare opportunity for change. Without an enforcement mechanism to accompany any reform agreements, there is a significant risk that any promises made today will not be kept tomorrow. Legislators may commit today to cutting spending next year (and the following year, and so on), but when next year comes, legislators and their constituents may value spending over the cut, especially if the cut is painful. In other words, the same pain the legislator is trying to avoid today will manifest itself next year, forcing the same difficult choice. The political reality is that the hard cuts in any plan are usually deferred until well into the future, so the likelihood of long-term agreements having durability in the absence of some external enforcement mechanism is very small.

We can make an analogy to somebody trying to lose ten pounds. This person could write out a plan for doing so, but without some enforcement mechanism, the temptation each day would be to skip a workout or eat that extra piece of dessert. Just as somebody trying to lose weight needs some sort of enforcement mechanism to achieve his or her goal, any agreement on budget reform requires a similar enforcement mechanism.

THE CASE FOR CONSTITUTIONAL CHANGE

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[7] Wilson, James Q. 1980. *The Politics of Regulation*. New York: Basic Books; Lowi, Theodore J. 1964. "American Business, Public Policy, Case-Studies, and Political Theory." *World Politics* 16:677-693.

[8] Alesina, Alberto. 2010. "Fiscal Adjustments: What Do We Know and What Are We Doing?" Working Paper No. 10-61, Mercatus Center at George Mason University, available at http://mercatus.org/sites/default/files/publication/Fiscal%20Adjustments.%20What%20Do..Corrected%20Table.Alesina.pdf; Alesina, Alberto, Roberto Perotti, and Jose Tavares. 1998. "The Political Economy of Fiscal Adjustments." *Brookings Papers on Economic Activity* 1998(1):197-266.

[9] Alesina, Alberto, Silvia Ardagna, and Francesco Trebbi. 2006. "Who Adjusts and When? The Political Economy of Reforms." *IMF Staff Papers* 53(Special Issue):1-29.

There are many ways to create enforcement mechanisms to ensure that agreements reached today are enforced tomorrow. The House and the Senate can create internal enforcement rules, such as the PAYGO rules passed in 2007. Congress and the president can reach agreement on a statute with enforcement mechanisms, as with Gramm-Rudman-Hollings legislation in the 1980s. Or, these rules can be codified in the Constitution. Constitutional rules are the only ones, however, that are "sticky" in the short-run and therefore immune to the problems that plague internal or statutory rules.

Article I, Section V of the U.S. Constitution establishes why chamber-based and even statutory rules are inferior to Constitutional rules. It states plainly, "Each House may determine the rules of its proceedings." The implications of this simple statement are profound. Members of Congress can construct their own rules, meaning that they can change their own rules, or even ignore them, as they see fit. The current Congress cannot bind future Congresses. If the goal of a rule is to ensure that deals are kept, some external enforcement mechanism is needed.

Statutes may provide slightly more durability than internal rules, but these can be changed with a simple majority vote if the president chooses not to veto a change. And when Congress is feeling enough pressure from constituents that they want to abrogate a budget agreement, it will be difficult for the president to stand in its way. Historically, we have observed Congress and the president evade or undo rules that proved to be inconvenient. Gramm-Rudman-Hollings and PAYGO are two examples.[10]

Constitutional rules are different. Unlike internal or statutory rules, Constitutional rules can only be changed after several significant hurdles are overcome, including either a two-thirds majority in the House and the Senate or a Constitutional convention, either of which would have to be followed by ratification of the change by three-fourths of the states. By contrast, internal or statutory rules can be changed in days, minutes even, if the political will exists. Constitutional rules typically take years to change, and changes are rare, as evidenced by the small number of amendments—27—to the U.S. Constitution. Moreover, the U.S. Supreme Court would be able to intervene if Congress flouted Constitutional budget rules.

Constitutional rules, therefore, provide the means to help keep Congress in check and ensure that fiscal discipliue is maintained even when the temptation to abrogate agreements is hard to resist. Statutory rules and internal rules simply do not provide the same level of stability. If Congress is committed to long-term fiscal reform, it ought to propose to the states a Constitutional amendment that creates a framework for fiscal discipline.

GETTING THE RULES RIGHT

The promise of Constitutioual rules as enforcement mechanisms lies in their durability. But this durability is also a peril: bad rules can be locked-in just as good rules can be. I will discuss three principles of rule design that will help mitigate this problem.

1. Legislators should design budget rules that are general and apply to the entire federal budget.

A Constitutional rule is meant to be permanent, and as a consequence, it should focus on total federal spending or revenues rather than specific government programs. A Constitutional amendment regarding the Medicare program, for instance, is ill-advised. An amendment that limits the outlays or the revenues of the federal government speaks to a general principle of fiscal responsibility, and it provides the structure for subsequent debates in Congress about how to achieve that principle. Moreover, it prevents legislators from

[10] For a description of the pitfalls of PAYGO, see de Rugy, Veronique, and David Bieler. 2010. "Is PAYGO a No-Go?" Mercatus on Policy No. 73, Mercatus Center at George Mason University, available at http://mercatus.org/sites/default/files/publication/MOP73_PAYGO_web.pdf.

carving out certain programs from this general principle, as is often done today with entitlements like Medicare and Social Security.

2. Legislators should design rules that are precise and prevent the use of loopholes or gimmicks.

Budget rules ostensibly designed to accomplish the same goal, perhaps even with the same name, can have very different effects depending on how they are implemented. Yet, budget rules are often (intentionally) written in vague terms, with the details left to be worked out. Or, the wording of the rule permits evasion relatively easily. The details can make-or-break a rule's effectiveness, since the entire purpose of rules is to encourage elected officials to take actions that they have incentives not to take. Definitions are crucial in this regard. For instance, Congress allowed itself to determine on a case-by-case basis what constituted an emergency that permitted caps on spending or PAYGO laws to be waived.[11] Constitutional rules that leave implementation details up to Congress may be eviscerated once the details are worked out.

3. Legislators should design rules with limited, carefully constructed exit options.

While the point of a Constitutional rule is durability, unexpected events require that Congress has the flexibility to, say, fund a war or handle a major emergency. To address such emergencies, most Constitutional budget rule proposals permit waiver of the rule with either a majority, three-fifths, or two-thirds supermajority. These thresholds are problematic because they are no more difficult than passing regular legislation, circumventing a filibuster, or overriding a presidential veto, respectively.

In order to send a signal that Constitutional rules ought to be waived only in extraordinary circumstances, the threshold for waiving the rules should be very high—say, 90% of both chambers. In true emergencies, the Congress would undoubtedly provide needed funds. In order to make the declaration of an emergency transparent, spending made under this provision could be segregated from other spending and be paid back during a set time period—for instance, 10 or 15 years. This would further discourage inappropriate use of waiver provisions.[12]

ARGUMENTS AGAINST CONSTITUTIONAL BUDGET RULES, AND MY REPLIES

Amending the Constitution is a serious—some might even say drastic—step for the country, and there is strong opposition to taking this action on budgetary matters. I will now consider three important arguments against reform and rebut them.

1. **Claim:** A Constitutional amendment is unnecessary since all we need to do to restore fiscal discipline is pass the right kinds of bills.

Reply: In a perfect world, this claim would be absolutely correct. Legislators and the president would come together and agree to binding limits on spending, and then they would live by those agreements. Voters would understand when significant cuts to local projects were required or when Medicare benefits were scaled back. In the real world, however, such agreements are unlikely to survive for more than a few years before elected officials succumb to spending temptations.

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[11] Saturno, James V. 2007. "Emergency Spending: Statutory and Congressional Rules." CRS Report for Congress, RS21035, July 24.

[12] For several examples of questionable emergency designations, see de Rugy, Veronique. 2008. "The Never-Ending Emergency: Trends in Supplemental Spending." Mercatus Policy Series Policy Comment No. 18, Mercatus Center at George Mason University, available at http://mercatus.org/sites/default/files/publication/The_Never-Ending_Emergency.pdf.

2. **Claim:** A Constitutional amendment gives too much power to the U.S. Supreme Court over budgetary matters.

Reply: Unless an amendment explicitly rules this out (as some versions of Constitutional budget rules do), the U.S. Supreme Court may adjudicate disputes regarding Constitutional budget rules, and lawsuits challenging Congressional budgets may be commonplace. The end result, some fear, is a budget process that ends each year with the decision of nine unelected justices. This fear is unwarranted, as rule designers can be proactive in limiting judicial overreach. The Supreme Court could be authorized to require only certain sorts of remedies—for instance, the Court could only mandate spending cuts to satisfy a balanced budget rule, not tax increases. Standing of citizens could be limited to avoid frivolous lawsuits. And, the clearer the rule, the less leeway the justices will have in interpreting it. This fear of judicial intervention, in fact, will motivate Congress to take all possible actions to avoid Court involvement in the budget process. Moreover, the Court will be loath to micromanage the budget process, and would most likely simply request that a problematic budget be revised. The hypothetical dangers outlined by critics of Constitutional reform have to be balanced against the very real danger that Congress will not be able to abide by the rules it sets out for itself, or will change them when the going gets tough.

3. **Claim:** A Constitutional budget rule won't solve our fiscal problems, but will merely shift burdens to the states.

Reply: A Constitutional budget rule will certainly force the states to reevaluate their spending habits, but this is a benefit, not a drawback, of such a rule. By placing spending decisions closer to the people who have to bear the costs of those decisions, policy outcomes will tend to be more efficient. Limits on federal spending, and especially aid to the states, will also eliminate incentives for states to overspend. There is extensive evidence in the economics literature for a "flypaper effect," meaning that federal aid tends to "stick where it hits" and create upward pressure on state spending.[13] Though there is dispute about the precise size of this flypaper effect, there is little doubt that federal aid creates perverse incentives for the states.

CLOSING

In closing, Congress and the president have a rare opportunity to enact meaningful budget reforms. My fear is that those agreements will ultimately dissolve in the absence of a Constitutional amendment that provides a framework for enforcing those agreements. Constitutional rules, unlike statutory or internal rules, are difficult to change. If written to cover the entire budget, avoid loopholes, and make waivers difficult to obtain, Constitutional rules can provide the enforcement mechanism that will help ensure that specific reforms to entitlements, defense, and other spending areas will not be undone by future Congresses.

Thank you again for inviting me to testify. I welcome your questions.

[13] For an overview, see Hines, Jr., James R., and Richard H. Thaler. 1995. "Anomalies: The Flypaper Effect." *Journal of Economic Perspectives* 9(4):217–26; Inman, Robert P. 2008. "The Flypaper Effect." NBER Working Paper No. 14579.

Mr. FRANKS. We will now recognize Mr. Greenstein for 5 minutes.

TESTIMONY OF ROBERT GREENSTEIN,
CENTER ON BUDGET AND POLICY PRIORITIES

Mr. GREENSTEIN. Thank you for the invitation. And I should start by saying I very much agree that our fiscal policy is on an unsustainable course. However, a Constitutional balanced budget amendment would, in my view, be a highly ill-advised way to address that. It would require a balanced budget every year regardless of the State of the economy, unless a super majority of both Houses overrode that. And that would thereby require the largest budget cuts or tax increases precisely when the economy is weakest and would hold substantial risk of tipping faltering economies into recessions and making recessions longer and deeper.

When the economy weakens, revenue growth drops and revenues may even contract while expenditures for programs like unemployment insurance increase. Those revenue declines and expenditure increases are temporary, but they are critical for helping struggling economies to keep from falling into a recession and from moderating the depth of recessions that do occur.

When the economy weakens, consumers and businesses spend less and that causes further job loss. The drop in tax collections and increase in unemployment and other benefits that occur automatically when the economy weakens cushions that blow. It keeps the purchases of good and services from falling even more, and that's why economists use the term automatic stabilizers to describe these reductions in revenue and increases in expenditure that occur automatically when the economy weakens. These changes help stabilize the economy.

The Constitutional balanced budget amendment effectively suspends the automatic stabilizers. That's the opposite course from what sound economics should call for. That's why one of the Nation's leading economists and budget experts, Bob Reischauer, as the director of CBO in 1992 explained, and I am quoting, "If it worked, a Constitutional balanced budget amendment would undermine the stabilizing role of the Federal Government." It is why when a Constitutional amendment was considered in the '90's, more than a thousand economists, including 11 Nobel laureates issued a joint statement saying the proposed amendment mandates perverse action in the face of recessions.

To keep the budget balanced every year would aggravate recessions and that is why this January when asked in a Senate Budget Committee hearing, the current CBO director, Douglas Elmendorf, sounded essentially the same warning. To be sure, the balanced budget requirement could be waived by a vote of three-fifths of the House and Senate, but that doesn't address the problem. It is difficult to get three-fifths vote for anything considering the paralysis that regularly marks the Senate.

In addition, it may take months after a downturn begins before sufficient data are available to convince three-fifths of the Members of both Houses that a recession is underway. And it is all too likely that even after evidence of a downturn is clear, that a minority in the House or the Senate would hold a waiver vote hostage to demands for concessions on other matters. By the time a recession were recognized to be underway and there were three-fifths in both Houses, if that could be achieved at all, extensive economic damage

could have been done and hundreds of thousands, or even millions of additional jobs lost.

The bottom line is the automatic stabilizers need to be able to continue to work automatically to protect American businesses and jobs. And the balanced budget amendment effectively precludes that. I would also note that it would make it harder than it already is to raise the debt limit by requiring a three-fifths vote of both Chambers. Frankly, I think that is playing with fire. It would heighten the risk of a default which could damage our economy for years to come.

I don't have time to go into it in my opening remarks, but the Constitutional balanced budget amendment could interfere with the proper workings of Social Security and even the Federal Reserve as well.

A final point I would make is that the fact that States must balance their operating budgets even in recessions makes it all the more important from the standpoint of economic policy that the Federal Government not be subject to the same stricture. That was theme of a recent article by the American enterprises institute scholar Norman Ornstein.

And I will close by saying what Ornstein wrote. Ornstein wrote, "Few ideas are more seductive on the surface and more destructive in reality than a Constitutional balanced budget amendment." Thank you.

[The prepared statement of Mr. Greenstein follows:]

820 First Street NE, Suite 510
Washington, DC 20002

Tel: 202-408-1080
Fax: 202-408-1056

center@cbpp.org
www.cbpp.org

Prepared Statement of Robert Greenstein, President,
Center on Budget and Policy Priorities

Thank you for the invitation to testify today. I am Robert Greenstein, president of the Center on Budget and Policy Priorities, a policy institute that focuses both on fiscal policy and on policies affecting low- and moderate-income Americans. We, like most others who analyze fiscal policy developments and trends, believe that the nation's fiscal policy is on an unsustainable course. As part of our work, we have been analyzing proposed changes in budget procedures for more than 20 years. We have conducted extensive analyses of proposals to write a balanced-budget requirement into the Constitution, among other proposals.

The purpose of changing our fiscal policy course is to strengthen our economy over the long term and to prevent the serious economic damage that would likely occur if the debt explodes in future decades as a share of the economy. But we need to choose our fiscal policy instruments carefully. We want to avoid "destroying the village in order to save it."

The goal of a constitutional balanced budget amendment is to address our long-term fiscal imbalance. Unfortunately, a constitutional balanced budget amendment would be a highly ill-advised way to try to do that and likely would cause serious economic damage. It would require a balanced budget every year regardless of the state of the economy, unless a supermajority of both houses overrode that requirement. This is an unwise stricture that many mainstream economists have long counseled against, because it would require the largest budget cuts or tax increases precisely when the economy is weakest. It holds substantial risk of tipping faltering

economies into recessions and making recessions longer and deeper. The additional job losses would likely be very large.

When the economy weakens, revenue growth drops and revenues may even contract. And as unemployment rises, expenditures for programs like unemployment insurance—and to a lesser degree, food stamps and Medicaid—increase. These revenue declines and expenditure increases are temporary; they largely disappear as the economy recovers. But they are critical for helping struggling economies to keep from falling into a recession and for moderating the depth and length of recessions that do occur.

When the economy weakens, consumers and businesses spend less, which in turn causes further job loss. The drop in tax collections and increases in unemployment and other benefits that occur automatically when the economy weakens cushions the blow, by keeping purchases of goods and services from falling more. That is why economists use the term "automatic stabilizers" to describe the automatic declines in revenues and automatic increases in UI and other benefits that occur when the economy turns down; these actions help to stabilize the economy.

A constitutional balanced budget amendment, however, effectively suspends the automatic stabilizers. It requires that federal expenditures be cut or taxes increased to offset the effects of the automatic stabilizers and prevent a deficit from occurring—the opposite course from what sound economic policy calls for.

Over the years, leading economists have warned of the adverse effects of a constitutional balanced budget amendment. For example, in Congressional testimony in 1992, Robert Reischauer—then director of the Congressional Budget Office and one of the nation's most respected experts on fiscal policy—explained: "[I]f it worked [a constitutional balanced budget amendment] would undermine the stabilizing role of the federal government." Reischauer noted that the automatic stabilizing that occurs when the economy is weak "temporarily lowers revenues and increases spending on unemployment insurance and welfare programs. This automatic stabilizing occurs quickly and is self-limiting—it goes away as the economy revives—but it temporarily increases the deficit. It is an important factor that dampens the amplitude of our economic cycles." Under the constitutional amendment, he explained, these stabilizers would no longer operate automatically.[1]

Similarly, when a constitutional balanced budget amendment was under consideration in 1997, more than 1,000 economists including 11 Nobel laureates issued a joint statement that said, "We condemn the proposed 'balanced-budget' amendment to the federal Constitution. It is unsound and unnecessary. . . . The proposed amendment mandates perverse actions in the face of recessions. In economic downturns, tax revenues fall and some outlays, such as unemployment benefits, rise. These so-called "built-in stabilizers' limit declines of after-tax income and purchasing power. To keep the budget balanced every year would aggravate recessions."[2]

More recently, in January 2011, the current CBO director, Douglas Elmendorf, sounded a similar warning when asked about a constitutional balanced budget amendment at a Senate Budget Committee hearing. Elmendorf observed:

> "Amending the Constitution to require this sort of balance raises risks . . . [t]he fact that taxes fall when the economy weakens and spending and benefit programs increase when the economy weakens, in an automatic way, under existing law, is an important stabilizing force for the aggregate economy. The fact that state governments need to work . . . against these effects in their own budgets—need to take action to raise taxes or cut spending in recessions—undoes the automatic stabilizers, essentially, at the state level. Taking those away at the federal level risks making the economy less stable, risks exacerbating the swings in business cycles."[3]

Proponents of a constitutional amendment likely will respond to these admonitions by noting that the proposed constitutional amendment would allow the balanced-budget requirement to be waived by a vote of three-fifths of the House and the Senate. That, however, does not address this problem. It is difficult to secure three-fifths votes for anything; consider the paralysis that marks the work of the Senate. Moreover, it may take months after a downturn begins before sufficient data are available to convince three-fifths of the members of both houses of Congress that a recession is underway. Furthermore, it is all too likely that even after the evidence for a downturn is clear, a minority in the House or Senate would hold a wavier vote hostage to demands for concessions on other matters (such as new, per-

[1] Statement of Robert D. Reischauer before the House Budget Committee, May 6, 1992.
[2] This statement was issued on January, 30, 1997.
[3] Federal Service, Transcript of Senate Budget Committee hearing, January 27, 2011.

manent tax cuts). By the time a recession were recognized to be underway and three-fifths votes were secured in both chambers, if such support could be obtained at all, extensive economic damage could have been done and hundreds of thousands or millions of additional jobs unnecessarily lost.

The bottom line is that the automatic stabilizers need to continue to be able to work automatically to protect American businesses and workers. The balanced budget amendment precludes that.

Nor is a recession the only concern. Consider the savings and loan crisis of the 1980s, or the financial meltdown of the fall of 2008. A constitutional balanced budget amendment would have hindered swift federal action to rescue the savings and loan industry or to rapidly put the Troubled Assets Relief Program in place. In both cases, history indicates that federal action helped save the economy from what otherwise likely would have been far more dire problems.

Moreover, the federal government provides deposit insurance for accounts of up to $250,000; this insurance—and the confidence it engenders among depositors—is critical to the sound functioning of our financial system so that we avoid panics involving a run on financial institutions, as occurred in the early 1930s. A constitutional prohibition of any deficit spending (unless and until a supermajority of both houses of Congress voted to authorize it) could seriously weaken the guarantee that federal deposit insurance provides. That is a risk we should not take.

These are illustrations of why fiscal policy should not be written into the Constitution.

A parallel problem is that the proposed constitutional amendment would make it even harder than it already is to raise the debt limit, by requiring a three-fifths vote of both the House and Senate to raise the limit. This is playing with fire. It would heighten the risk of a federal government default. A default would raise our interest costs and could damage the U.S. economy for years to come.

Mistaken Analogies to States and Families

Proponents of a constitutional amendment sometimes argue that states and families must balance their budgets every year and the federal government should do so, too. But statements that the constitutional amendment would align federal budgeting practices with those of states and families are not accurate.

While states must balance their *operating* budgets, they can borrow to finance their *capital* budgets—to finance roads, schools, and other projects. Most states do so. States also can build reserves during good times and draw on them in bad times *without* counting the drawdown from reserves as new spending that unbalances a budget.

Families follow similar practices. They borrow—they take out mortgages to buy a home or student loans to send a child to college. They also draw down savings when times are tight, with the result that their expenditures in those periods exceed their current incomes.

But the proposed constitutional amendment would bar such practices at the federal level. The *total* federal budget—including capital investments—would have to be balanced every year, with no borrowing allowed for infrastructure or other investments that can boost future economic growth. And if the federal government ran a surplus one year, it could *not* draw it down the next year to help balance the budget.

I would also note that the fact that states must balance their operating budgets even in recessions makes it all the more important from the standpoint of economic policy that the federal government *not* be subject to the same stricture. American Enterprise Institute analyst Norman Ornstein addressed this matter in a recent article, where he wrote: "Few ideas are more seductive on the surface and more destructive in reality than a balanced budget amendment. Here is why: Nearly all our states have balanced budget requirements. That means when the economy slows, states are forced to raise taxes or slash spending at just the wrong time, providing a fiscal drag when what is needed is countercyclical policy to stimulate the economy. In fact, the fiscal drag from the states in 2009–2010 was barely countered by the federal stimulus plan. That meant the federal stimulus provided was nowhere near what was needed but far better than doing nothing. Now imagine that scenario with a federal drag instead."[4]

[4] Norman Ornstein, "Four Really Dumb Ideas That Should Be Avoided," *Roll Call,* January 26, 2011.

H.J. Res. 1 Raises Additional Issues

The foregoing concerns apply to all versions of the balanced budget amendment that have been introduced. Some versions of the balanced budget amendment, such as H.J. Res 1, raise additional serious concerns, because they would write into the Constitution new prohibitions against raising any revenues—including closing wasteful tax loopholes—to help balance the budget and also would prohibit federal expenditures in any year from exceeding a figure such as 20 percent of the Gross Domestic Product. These constitutional prohibitions could be overridden only by supermajority votes in both the House and the Senate.

This requirement for a supermajority to raise taxes would be extremely unsound. It would protect what President Reagan's former chief economic advisor, Harvard economist Martin Feldstein, has called the biggest area of wasteful government spending in the federal budget—what economists call "tax expenditures" and Alan Greenspan has called "tax entitlements."

In 2010, tax expenditures amounted to $1.1 trillion, more than the cost of Medicare and Medicaid combined (which was $719 billion), Social Security ($701 billion), defense ($689 billion, including expenditures in Iraq and Afghanistan), or non-defense discretionary spending ($658 billion, including expenditures from the Recovery Act). Many of these tax expenditures are fully the equivalent of government spending. Let me use child care as an example.

If you are low- or moderate-income, you may get a federal subsidy to help cover your child care costs, and the subsidy is provided through a spending program. If you are higher on the income scale, you still get a government subsidy that reduces your child care costs, but it is delivered through the tax code, as a tax credit. (Moreover, if you are a low or modest income parent with child care costs, you likely will miss out because the spending programs that provide child care subsidies are *not* open ended and can only serve as many people as their capped funding allows. By contrast, if you are a higher income household—and there is no limit on how high your income can be—your child care subsidy is *guaranteed,* because the tax subsidy you get operates as an open-ended entitlement.) It is difficult to justify making the tax-code subsidy sacrosanct and the program subsidy a deficit-reduction target merely because one is delivered through a "spending" program and the other is delivered through the code.

And as the child care example illustrates, sharply distinguishing between subsidies delivered through the tax code and those delivered through programs on the spending side of the budget also has a "reverse Robin Hood" aspect. Low- and moderate-income households receive most of their government assistance through spending programs; affluent households receive most of their federal subsidies through tax expenditures. Effectively barring reductions in tax expenditures from contributing to deficit reduction is a prescription for placing the greatest burden of deficit reduction on those who can least afford to bear it.

The problems do not stop there. If it requires a supermajority to raise any revenue, another likely outcome is a proliferation of tax loopholes. New loopholes—including loopholes that Congress *did not* intend but that high-priced tax lawyers and accountants have found ways to create—could become untouchable once they appeared, because it would require a supermajority of the House and Senate to raise any revenue. It would become more difficult to close tax loopholes that opened up, since special-interest lobbyists could seek to block such action by preventing a supermajority in one chamber.

Finally, H.J. Res 1 would bar federal spending from exceeding 20 percent of GDP. To hit that level would require cuts of a draconian nature. This can be seen by examining the austere budget that the House of Representatives passed on April 15, sometimes referred to as the Ryan budget.

Under that budget, Medicare would be converted to a voucher system under which, the Congressional Budget Office has said, beneficiaries' out-of-pocket health-care costs would nearly triple by 2030 (relative to what those costs would be that year under the current Medicare program). CBO also has written that under the Ryan budget, federal Medicaid funding in 2030 would be 49 percent lower than it would be if the Affordable Care Act's Medicaid expansion were repealed but Medicaid otherwise was unchanged. And funding for non-security discretionary programs would be cut more than one-third below its real 2010 level. Yet CBO says that under this budget, total federal spending would be *20¾ percent of GDP in 2030,* so it would breach the allowable limit under H.J. Res 1. This illustrates the draconian nature of the proposed 20 percent-of-GDP requirement.

Another way to look at the 20 percent of GDP level is to examine federal expenditures under Ronald Reagan. Under President Reagan, who secured deep budget cuts at the start of his term, federal expenditures averaged 22 percent of GDP. And that

was at a time *before* any members of the baby boom generation had retired and when health care expenditures throughout the U.S. health care system (including the private sector) were one-third lower as a share of GDP than they are today. It also was before the September 11 terrorist attacks led policymakers to create a new category of homeland security spending, and before the wars in Iraq and Afghanistan led to increases in veterans' health-care costs that will endure for a number of decades.

Conclusion

Policymakers need to begin to change our fiscal trajectory. As various recent commissions have indicated, we need to stabilize the debt as a share of GDP in the coming decade, and to keep it stable after that (allowing for some fluctuation over the business cycle). But establishing a balanced budget amendment in the Constitution would be most unwise. It would likely exact a heavy toll on the economy and on American businesses and workers in the years and decades ahead. It is not the course the nation should follow.

Mr. FRANKS. Thank you, Mr. Greenstein. We now recognize Mr. Moylan for 5 minutes.

TESTIMONY OF ANDREW MOYLAN, NATIONAL TAXPAYERS UNION

Mr. MOYLAN. Chairman Franks, Ranking Member Nadler, Members of the Subcommittee, thank you for the opportunity to testify this morning on behalf of the American taxpayer regarding the important questions surrounding a Constitutional amendment to address the Federal deficit. My name is Andrew Moylan and I am vice president of Government Affairs for the National Taxpayers Union, a nonpartisan citizen organization founded in 1969 to work for limited government at all levels.

I want to start with an old joke that our budget tells us what we can't afford, but it sure doesn't keep us from buying it. And unfortunately, that has been true of Washington for far too long, and that's why for decades, NTU has been one of the most powerful voices supporting durable, structural reforms to our budget process to protect taxpayers. We believe that a strong balanced budget amendment is not only necessary to address our debt problems, but would provide the very life blood that will restore and sustain the financial health of our republic.

Our current situation is certainly bleak, and I want to point out just three nuggets that I think are instructive about just how bleak it is. First of all, under President Obama's budget outline for this year, our borrowing this year alone will be roughly equal to the entire Federal budget of 1982 after adjusting for inflation. To put this another way, again, after adjusting for inflation, we are spending both the 2003 Federal budget, and the 1982 Federal budgets this year.

Second, in the President's plan the lowest single year deficit we see in the coming decade is $607 billion, which is a number higher in absolute terms than every yearly deficit from 1789 to 2008, and roughly equal in inflation adjusted terms to our overspending in war mobilized 1944.

Finally, while many in Congress attributed the recent explosion in spending due to crisis response due to a financial meltdown in a resulting recession, the Federal Government has actually run deficits in 44 of the last 50 years, which ought to give pause even

to the most diehard of Keynesians who believe that surpluses should be the norm in most economic growth cycles.

We have been told for the better part of 40 years now that fiscal discipline would evolve by electing the right people, while Republican and Democrats alike abuse the Nation's good credit. We were told statutory measures were sufficient to bring outlays under control, even as laws like Gramm-Rudman-Hollings were trampled underfoot. We were told that our foundational document shouldn't be cluttered by mundane matters of budgeting as the tax, spend, and borrow culture in Washington threatens to erode the foundations of prosperity for people like my 2-year old daughter.

No one would argue that the Founders of our Nation lacked political will. And even they could not balance the budget and keep up payments on the national debt without a structure to facilitate it. In 1786, the Articles in Confederation collapsed in large part because of chaotic finances and it took a structural change then, the drafting of a new Constitution. And it will take a structural change today, the drafting of a balanced budget amendment to ensure fiscal discipline.

While the views I express here are mine alone, I also come today as the ambassador for more than 90 grassroots organizations across the country that comprise the BBA Now coalition. This collaborative effort, which you can read more about at bbanow.org worked together to develop a commonsense balanced budget amendment that has, at its core, three principles: A balanced budget requirement, a super majority threshold for passage of a tax increase, and a limitation on Federal spending. There are several resolutions that have been introduced that include these important pillars, including Representative Goodlatte's H.J.Res 1, Senator Hatch's S.J.Res. 3, and the so-called consensus BBA, introduced as H.J.Res. 56 by Representative Walsh, and S.J.Res. 10 by Senator Hatch and his 46 Republican colleagues.

Opponents of a BBA often argue that it would leave Congress unable to respond to emergencies or recessions. But the truth is that under most BBAs, Congress can enact whatever kind of spending or taxation policies it chooses so long as the super majority of its Members vote in the affirmative. And furthermore, despite claims to the contrary, Congress is not only capable of the achieving such super majorities but has done so regularly when faced with truly urgent decisions. And as an example, I would point to the trouble Troubled Asset Relief Program which is surely as unpleasant a vote as has ever been cast in Congress. And yet it passed with a three-fifths majority in the House and with 74 votes in the United States Senate.

It is also important to note that a BBA is not an economic policy, and it is not a Federal budget. It is simply a set of guidelines within which Congress can create a sustainable economic policy and a Federal budget. If we failed to seize this opportunity, the result could well be a painful debt crisis that could begin not over the span of 6 months, but over the course of 6 hours on a Sunday evening while you sit with your family, and investors in Asian markets begin to stampede away from American debt.

The President has said that he hopes his era will be remembered as a time when ocean levels stopped rising, but to modify that line

slightly, I hope that we can look back on this time together and say that this was the moment when the rise of red ink began to stop and our budget began to heal. Thank you, and I look forward to questions.

[The prepared statement of Mr. Moylan follows:]

Statement of

Andrew Moylan
Vice President of Government Affairs
National Taxpayers Union

Prepared for

The Subcommittee on the Constitution
Committee on the Judiciary
United States House of Representatives

Regarding the Subcommittee's Hearing on

Whether the Constitution Should be Amended to Address the Federal Deficit

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Contact Information:
Andrew Moylan
Vice President of Government Affairs
National Taxpayers Union
108 N. Alfred St.
Alexandria, VA 22314
703-683-5700
amoylan@ntu.org

Introduction

Chairman Franks and distinguished Members of the Subcommittee, thank you for the opportunity to testify on behalf of the American Taxpayer regarding the important issue of a constitutional amendment to address the federal deficit. My name is Andrew Moylan, and I am Vice President of Government Affairs for the National Taxpayers Union (NTU), a non-partisan citizen group founded in 1969 to work for lower taxes and smaller government at all levels. NTU is America's oldest non-profit grassroots taxpayer organization, with 362,000 members nationwide. We look forward to this hearing as the beginning, rather than the end, of robust and serious deliberation of constitutional protections for taxpayers, hopefully to include hearings by the full Committee on the Judiciary in this chamber and the Senate."

Few citizen groups in Washington can match NTU's decades-long history of principled advocacy in favor of a Balanced Budget Amendment (BBA), which is why I hope you will find these comments on solutions to our staggering debt problems helpful. NTU has been one of the most powerful voices in support of durable structural reforms to our budget process to protect taxpayers. We were active participants in several major campaigns to enact a BBA in Congress, including the closest-ever effort in the 104th Congress that saw House passage and fell one vote short in the Senate. During that time and to this day, NTU has additionally sought to propose a BBA for ratification through the limited amendment convention process provided under Article V of the U.S. Constitution. . You can also find further research into these topics on our website at www.ntu.org.

In pursuit of a sustainable fiscal future, NTU has worked in conjunction with friends and allies as part of the "BBA Now Coalition." The result of these deliberations is a "Common Sense Balanced Budget Amendment" proposal that has attracted the support of more than 90 grassroots and campus groups across the country. Along with NTU, our coalition includes such national groups as the American Civil Rights Union, Americans for a Balanced Budget Amendment, Americans for Tax Reform, American Solutions, Balanced Budget Amendment Now, Contract from America, Institute for Liberty, Let Freedom Ring, National Tax Limitation Committee, ReAL Action, Regular Folks United, 60 Plus Association, Tea Party Express, Young Americans for Freedom, and Young Conservatives Coalition. The proposal details and a full list of supporters can be found at the coalition's website, www.bbanow.org.

In the course of our work with coalitions such as BBA Now, other organizations, and academic experts on public finance, we have received a great deal of advice and consultation on the elements of a successful federal tax and expenditure limitation. Much of that advice and consultation has been informed by experience at the state and local level. For example, Colorado's Taxpayer's Bill of Rights (TABOR) has, since its adoption in 1992, been regarded as one of the most important constitutional mechanisms for state and local fiscal discipline ever devised. TABOR, in turn, can trace its lineage to a wealth of experience in other states. Few individuals have been as deeply involved in this process as Professor Barry Poulson of the University of Colorado. For that reason, I would like to commend Members of the Subcommittee to Professor Poulson's important work in the hopes that it might be helpful in your deliberations on a federal constitutional amendment as well as statutory mechanisms.

We were gratified that the three most important components of the BBA Now Coalition's product are reflected in several resolutions under consideration in Congress: a simple balanced budget requirement, a supermajority threshold to enact any tax increase, and a limit to prevent spending from climbing above historical averages. We believe that these three cornerstones,

along with greater discipline in the appropriations process, a restructuring of our entitlement programs, and a complete overhaul of our burdensome and loophole-ridden Tax Code would provide a solid foundation for America's future.

The Problem

In the past decade, under the direction of Presidents and lawmakers from both parties, our federal budget has expanded dramatically no matter what measure one consults. At the dawn of the new millennium in 2001, federal outlays were about $1.8 trillion or 18.2 percent of our Gross Domestic Product (GDP), a level below post-World War II averages. Through the middle of the decade, we saw an explosion in spending driven by such factors as the creation of a new cabinet-level Department of Homeland Security as well as increased expenditures on defense and education. By 2003, the modest spending discipline of the late 1990s had given way to federal outlays that now seem permanently fixed at or above the post-war average of 19.6 percent of GDP. Add in the more recent surge in so-called "crisis response" spending, such as the $700 billion Troubled Asset Relief Program (TARP) of 2008 or the $862 billion "economic stimulus" bill of 2009, and the picture grows even bleaker.

In 2011, our budget is more than twice as large as in 2001, reaching about $3.8 trillion. As a percentage of our economy, 2011 outlays will surpass a level unseen since the era of full-scale war mobilization in the 1940s, at over 25 percent. Perhaps most disturbing, President Obama's estimate of our overspending problem, at roughly $1.6 trillion in 2011 is about equal, in inflation-adjusted terms, to the *entire* federal budget in 1982. Put another way, we will raise through the Tax Code and spend (in real terms) roughly the federal budget of 2003 and borrow an amount approximating the 1982 federal budget just for good measure.

Perhaps even more disturbing, Congress and Presidents alike in recent years have not only failed to grapple with our broken entitlement programs but have actually added to their size and scope. The Medicare prescription drug benefit that passed in 2003, which NTU vigorously opposed, added another layer to the program's liabilities. Just last year, the health care reform bill passed by Congress included large changes to Medicare spending that would lead to significant savings; however, that legislation spends every single dime of the savings (and more than $500 billion raised through higher taxes) on a dramatic expansion of Medicaid and a new regime of health care subsidies. These and other actions have led the nation's finances to the point where if leaders do not take corrective action soon, the United States could face a devastating debt crisis that would likely precipitate not only dramatic spending cuts but also massive tax hikes in very short order.

The federal government has seen deficits during 44 of the last 50 years. This fact ought to give pause even to die-hard Keynesians, who believe surpluses should be the norm in most economic growth cycles. While NTU's dedication to limited government would on its own lead us to conclude that this spending spree is unacceptable, sheer mathematics tell us that it is unsustainable. As of today, we are perilously close to the point where our country's debt exceeds its economic output. This sad statistic places us in rare company – just slightly below countries already staggered by debt crisis (like Ireland) and just above countries thought to be under grave threat of one (like Portugal).

The Solution

While the causes of the recent spending spree are myriad and complicated, the remedies are relatively straightforward. On the discretionary side, Congress must cancel wasteful programs, root out inefficiencies, and roll back agency spending to pre-bailout, pre-stimulus levels. With mandatory spending, Congress must take hold of the so-called "third rail" of politics with both hands and enact serious entitlement reforms primarily focused on controlling the growth in spending on Medicare and Medicaid and rectifying the terrifying prospect of Social Security operating in deficit from here on out.

Though Congress should aggressively pursue these prudent spending restraints, they will not be enough to rectify the defects of the budget process itself. Thus, Congress must enact with all deliberate speed a robust Balanced Budget Amendment to the Constitution.

As I briefly recounted earlier in this testimony, NTU's most fundamental and enduring goal has been to establish constitutional limits on the size and future growth of government. Throughout the 1970s and 1980s, my organization helped to launch and sustain the movement for a limited Article V amendment convention among the states to propose a Balanced Budget Amendment for ratification, all while pursuing a BBA through Congress. Our members were elated over the passage of S.J. Res. 58 in 1982, and the passage of H.J. Res. 1 in 1995 through the House of Representatives. In both cases the measures, whose provisions varied somewhat, fell short of enactment in the other chambers of Congress.

This history provides an illustration of how prescient the arguments of BBA advocates have proven to be, and how specious those of opponents have been. For the better part of 40 years, we were told that fiscal discipline would evolve simply by "electing the right people," all while Republican and Democratic Presidents and Congresses abused the nation's good credit. We were told that statutory measures would bring outlays under control, even as laws such as the Gramm-Rudman Hollings Act were trampled underfoot. We were told that our foundational document shouldn't be "cluttered" with mundane matters of budgeting, even as the tax-and-spend culture in Washington eroded the foundations of prosperity for current and future generations.

This is particularly interesting in light of an oft-overlooked portion of our nation's history: the failure of the Articles of Confederation and the drafting of the Constitution. In 1995, NTU's then-Chairman (and current Chairman Emeritus) James Davidson testified before this very Subcommittee about that event's connection to fiscal mismanagement:

> Our Constitution was adopted precisely because of fiscal collapse under the Articles of Confederation. As Sidney Homer wrote in *A History of Interest Rates*, 'The finances of the nation were chaotic. Expenditures were authorized without the power to tax. Government credit sank so low that by 1787 certified interest-bearing claims against it were worth less than fifteen cents on the dollar.'
>
> As Sidney Homer and other historians have documented, the need to balance the budget and restore the good credit of the government led directly to the drafting of the Constitution in the first place. Mr. Homer says, 'In spite of the great potential economic strength of the new country, its financial and political system broke down completely in 1786. Credit at home and abroad was no longer available. The impossibility of

government without money, credit, or power led to the Constitutional Convention of 1787 and a new nation in 1789.'

It is often said that politicians do not need constitutional help to maintain fiscal responsibility; all they are supposed to need is the 'will' to do so. The evidence of our own history says otherwise. No one would argue that the great leaders who brought our country its independence lacked political will. Yet even they could not balance the budget and keep up payments on the national debt under the Articles of Confederation. It took a change in the Constitution to restore sound policy and sound credit."

The notion that limits on taxes and spending are too trivial for the Constitution seems quaint today, as our national debt tests the ominous level of 100 percent of the nation's economic output. As noted earlier, unsustainable entitlement programs, whose dire condition has been known for at least 20 years now, threaten to heap unfathomable burdens on taxpayers. BBA naysayers sought to derail the constitutional budgetary discipline that could have made adjustments to the realities of these programs gradual and bearable, all while they complained that the measure would "take too long to ratify" for it to have any salutary effect. The question now before Congress is, how could our Constitution *not* be allowed to contribute toward restoring our nation's fiscal stability? The fiscal crisis our government faces overwhelmingly demonstrates the continued relevance of a BBA to curing the maladies that threaten the health of our economy.

Current Proposals

To our members, a BBA would provide the very lifeblood that will restore and sustain the financial health of our Republic. We are therefore encouraged over the intensifying interest among Members of Congress and state legislators in a unified BBA concept. Several iterations of a Balanced Budget Amendment have already been introduced in the 112th Congress. NTU has traditionally supported a range of approaches to a BBA, but several merit specific discussion here.

Perhaps the most prominent proposal is the so-called "Consensus BBA" introduced by Senator Hatch (R-UT) as S.J. Res. 10 and by Representative Walsh (R-IL) as H.J. Res. 56. This resolution combines and refines elements from several amendments introduced thus far in Congress. Its structure is relatively simple. First, it directs the President to submit and Congress to enact a balanced budget while allowing for a two-thirds vote to authorize any specific excess. A two-thirds vote would also be required for any tax increase and courts would be prevented from ordering any increase in revenue. It would provide a backstop by requiring a three-fifths vote of Congress in order to approve any increase in the national debt. Further, the resolution carefully spells out how Congress could suspend the provisions of the BBA and authorize specific additional spending to address national security threats: by majority vote in the event of a declared war, and by three-fifths vote in any other type of military conflict. Finally, it enacts a spending limitation that will hold federal spending to 18 percent of GDP.

NTU supports this proposal for its strength and comprehensiveness and its proper focus on the true cause of our fiscal maladies: overspending. By including a strong expenditure limitation, this version of a BBA would provide a vital check on irresponsible budgeting. Although several types of mechanisms could answer to the purpose of controlling growth in expenditures, any such protection incorporating Gross Domestic Product must pay careful heed to historical experience. In this case, NTU believes that an annual spending cap at 18 percent of

GDP is clearly the most prudent choice. Such a level reflects the share of economic output that federal revenues have typically represented since World War II. Given that constitutional amendments should be designed with a long nod to the past and an equally farsighted view to the future, 18 percent is a most stable and logical benchmark.

In addition, setting the expenditure limit at 18 percent would make a valuable contribution toward harmonizing all parts of the amendment so that the whole functions as intended. An assumption that spending should normally be linked to the average and customary federal revenue proportion would, by its very nature, give Congress and the President a starting point that is closer to balance. Indeed, the limit helps to remedy Washington's increasingly metastasized affliction of tax-spend-and-borrow, by elevating the concept of expenditure restraint to its rightful place in policymaking. While the two-thirds "supermajority" override requirement is essential to ensuring this place, so is the 18 percent cap on expenditures. If set too high, the spending limit would merely institutionalize, rather than minimize, deficits. Recent spending-to-GDP ratios in excess of 20 percent – and the resulting pressures to borrow or tax even more – ought to convince fiscal disciplinarians of the need for a carefully-designed limit, given that Washington has only collected more than 20 percent of GDP in revenues three times since 1940.

Another strong BBA proposal is S.J. Res. 5, introduced by Senator Mike Lee (R-UT). This version is similar in structure to the aforementioned "Consensus BBA," with a balanced budget requirement, an 18 percent spending cap, and a supermajority threshold for tax hikes but is stricter in several areas. First, it harmonizes all supermajority requirements at a two-thirds vote of Congress. Second, it contains no specific language authorizing excesses for national security purposes, preferring to allow the supermajority override option to serve that purpose.

Senators Cornyn (R-TX) and Hatch (R-UT) have also introduced a BBA, S.J. Res. 3, which would achieve many of the same goals, though its spending limit is placed at a higher level of 20 percent of GDP, roughly the historical post-war average for outlays. In your chamber, Representative Bob Goodlatte (R-VA) has continued his long history of leadership on this issue by introducing H.J. Res. 1, which incorporates other supermajority requirements and spending limitations, and H.J. Res. 2, which takes a more basic stance. All of these proposals, and perhaps some others yet to be introduced, deserve consideration, but Congress must do so without delay.

In NTU's opinion some particular BBA concepts are worthy of further deliberation, and some should be avoided. While many proposals in Congress achieve a cap on spending by limiting it to a certain percentage of GDP, this is not the only way to achieve such a goal. Basing a limitation on a prior year's revenues, or receipts over a range of years, could achieve similar aims. However, we would strongly urge Members to avoid any provisions to exempt certain portions of the federal budget from a BBA. This policy would provide an enormous loophole through which to drive additional spending and unleash a destructive lobbying war over what programs should receive special status.

Rebuttals to Common Arguments against a BBA

The latter, chilling prospect aside, a legion of BBA opponents has for quite some time waged war against the very notion of a constitutional protection against greater debt. Some of the arguments they deploy have gained an unwarranted amount of political currency and I'd like to address the more common ones here.

During the BBA debates of the 1980s and 1990s, one familiar refrain from opponents was that an amendment was simply unnecessary to restrain deficits because Congress could do so on its own. If political "will" were enough to protect citizens from unwise or pernicious legislation, then we could likewise do without the all-important First Amendment to the Constitution as well since Congress could simply refrain from passing any laws abridging freedom of speech. But our Founders recognized, and citizens and scholars now universally accept, the need for limitations on the power of government to abridge fundamental rights such as these. So it is that we must limit the power of legislators to imperil our nation's finances and our children's future. Just as our Founders did, Congresses and Presidents both present and future need a credible fiscal structure and reasonable guidelines within which they can operate. A strong BBA would provide exactly that kind of protection. Though prominent in prior debates, this argument ought to have no relevance now that we've had decades of intervening experience with scarcely interrupted (and bipartisan) support for ever-higher debt to the detriment of our fiscal health.

The common refrain heard today is that a BBA would be a "depression-maker" because it would prevent Congress from utilizing fiscal policy to counteract an economic recession. The response to this contention is two-fold: one technical, the other practical. The technical response is that under the "Consensus BBA," Congress can enact whatever kind of spending or tax policies it likes so long as two-thirds of its Members vote in the affirmative. Other proposals include lower thresholds, such as three-fifths, to achieve such an override. These provisions preserve Congressional flexibility by allowing large majorities to act in times of emergency.

The practical response is that despite claims to the contrary, Congress is not only capable of achieving such supermajorities but has done so regularly when faced with truly urgent decision points in recent history. For example, when the financial panic of late 2008 gripped the nation, Congress passed the Troubled Asset Relief Program with strong bipartisan supermajorities in both chambers (including 74 votes in the Senate). Setting aside for a moment whether or not TARP was good policy (for the record, NTU was a staunch opponent), it was clearly advertised as an emergency measure to prevent an economic collapse. For better or worse, Congress took that advice and passed the bill with votes from both parties.

For further evidence, we can look to supplemental appropriations bills. In recent years, these have generally fallen into two categories: spending on wars, or response to natural disasters. Disaster spending tends to draw strong support and pass with huge majorities, but the vigorous public debate surrounding the wars in Iraq and Afghanistan led to much closer votes. NTU took no position on U.S. involvement in these conflicts, but it is clear that policies enjoying widespread public support have no trouble clearing a supermajority hurdle while policies that are controversial have a more uncertain path.

Some opponents of a BBA contend that we have never enshrined any specific economic policy in the Constitution and should not do so now. But the BBA is not an economic policy and it is not a federal budget; it is a set of guidelines within which Congress can create economic policy and a federal budget. It is no more an economic policy than the 21st Amendment, which repealed alcohol prohibition, was a specific regulatory policy for states. Neither of these amendments prescribes the manner in which legislators must incorporate them in daily policy; they simply lay out the ground rules for the debate.

Others argue that a BBA would take too much time and effort to ratify and gain the force of law. While it is true that ratification can be protracted, the process of amending our

Constitution is rightly one that involves meeting strict criteria. Nonetheless, the obvious point needs to be made: had the Senate followed the House's lead in 1995 and passed the BBA, the measure could very well have been ratified and operating for the better part of a decade by now. In any case, NTU urges passage of statutory language in pursuit of the same goals expressed in a Balanced Budget Amendment to help bridge the gap. Still, given that statutory measures exist at the whim of Congress, taxpayers can only count on a strong constitutional measure to protect them from fiscal disaster.

There are often questions about how such an amendment would be enforced. Some say that a BBA is essentially unenforceable because there is nothing that will compel Congress to comply with its mandates, but that cynical view could be extended to virtually any policy, whether constitutional or statutory. President Jackson famously said of an 1832 Supreme Court decision, "[Chief Justice] John Marshall has made his decision, now let him enforce it!" Marshall, of course, did not have an army at his disposal and could rely only upon the tensile strength of the fabric of our system of checks and balances and robust public involvement in the federal government. As with essentially every other policy, a BBA would be enforced through these tools if a violation occurred.

BBA opponents argue that it is unwise for it to include a spending limitation since that would necessitate large reductions in expenditures over the coming years. First, it is simply not accurate to characterize a return of spending to post-war revenue averages as any kind of "steep" or "draconian" cut. Further, even the most aggressive budget outline that has been proposed (by the Republican Study Committee, the caucus of House conservatives) would envision outlays hovering around $3.3 trillion (an amount just shy of 2009 expenditures of $3.5 trillion) and then modestly increasing to $4.3 trillion by the end of the decade. This would merely allow for the historical trend for spending increases to catch up with the massive spikes witnessed in 2009 and 2010. But most importantly, these kinds of reductions are absolutely necessary to changing our trajectory of ever-increasing deficits and debt. We must begin to reduce spending now to ward off fiscal catastrophe.

Others argue that a BBA in and of itself does nothing to solve the long-term drivers of our debt: entitlement costs. While technically correct, no single policy is likely to solve those problems and the Constitution would be the wrong place to deal with such details. What a BBA will do is ensure that future leaders do not dig the debt hole any further and that that they do not habitually deviate from historical norms on spending. By establishing those boundaries, the BBA will give Congress the proper incentives to finally grapple with entitlement reform,

Conclusion

Thomas Jefferson, a hero to many conservatives, once wrote, "I wish it were possible to obtain a single amendment to our Constitution …; I mean an additional article, taking from the federal government the power of borrowing." Franklin D. Roosevelt, a hero to many liberals, once said, "Let us have the courage to stop borrowing to meet continuing deficits. Revenues must cover expenditures by one means or another. Any government, like any family, can, for a year, spend a little more than it earns. But you and I know that a continuation of that habit means the poorhouse." Though they lived more than a century apart in time and miles apart on the ideological spectrum, both of these titans of American history recognized the threat posed by deficits and expressed support for policies to make them a thing of the past.

No proposal in Congress today would guarantee such an outcome – an end to deficit spending. What a BBA will guarantee is a more deliberative, accountable budgeting process that avoids the rash impulse to tax or borrow and encourages consensus-building toward spending restraint. Constitutions shouldn't make policy, but they should set rules within which policymakers operate and they should safeguard the rights of citizens. If the fundamental right – of every generation – to be free of excessive federal debt cannot be protected by our Constitution, little else in that precious document will matter. Thus, the past, present, and future all speak clearly to us on behalf of this reform.

Mr. FRANKS. Thank you, Mr. Moylan, and I thank all of you for testimony. I will now begin the questioning by recognizing myself.

Now Mr. Moylan said I think this is perhaps a moment for us to deal with things that we haven't thus far been able to deal with.

I don't often quote Shakespeare, but he said, "There is a tide in the affairs of men, which, taken at the flood, leads on to fortune. But omitted all the voyage of their lives is bound in shallows and in miseries, and on such a full sea we now find ourselves afloat, and we must take the current when it serves or lose our venture."

And I think that this is a moment when the American people are awake, they understand the significance of the issue. They understand that the deficit they are dealing with may be able to eventually destroy us in a way that no military power has ever been able to be do. And I think this is the time for this Congress to take a stand. I want to especially thank Mr. Goodlatte for having the courage to come forward with this, and I want to also reiterate on behalf of Mr. Jordan, his support for this effort and the support of much of the RSC in Congress in that vein.

I know that there are those who testified here today that we need deficits to prime the pump, in times of low economic activity, but I am convinced that if we prime the pump much more with deficits, we are all going to fall in the well. And I know that there are those who have said that there's an automatic stabilizing factor with deficits, but as Mr. Moylan pointed out, 44 of the last 50 budgets have been with deficits.

And it seems to me that the deficits are not stabilizing us, but they are leading us to what has become one of the most significant points of instability in our history.

So I am going to ask Mr. Goodlatte a question. The annual Federal budget has been balanced only six times since 1960, and yet many of the opponents of the balanced budget amendment seem to be more concerned with ensuring that the government can run deficits during recessions than addressing the major economic downturn that will eventually occur if we don't get spending under control.

And I would ask you, Mr. Goodlatte, do you believe that either of your balanced budget amendment proposals are so inflexible that Congress would not be able to address the short term needs of the country during a recession or a critical emergency?

Mr. GOODLATTE. Well, thank you, Mr. Chairman. No, I do not believe that's the case. In fact, I think Mr. Moylan has just cited a very good example with the TARP vote, very controversial, very difficult vote, but passed with majorities that exceed the requirements of even my stronger balanced budget amendment.

So I don't think that's the case. I think the greater concern is this, there is no automatic stabilizer that Mr. Greenstein refers to. The evidence, of course, is in the few times that the budget has been balanced in the last 50 years, but it also defies Keynesian economic theory. An abbreviated version of Keynes would say in difficult economic times, the government will borrow money, spend that money to stimulate economic activity which will create jobs in theory, which will, in turn, result in increased revenues coming back to the Federal Government which the Federal Government will then use to pay back the money that it borrowed.

Obviously, that last part of Keynesian economic theory is theory and not practice, and therein lies the problem and why I think we need to have the strongest rule possible to restrain the desires of Members of Congress representing people who have desires to see

government spend money on lots of different things know that they have to live within their means. And that's obviously the core purpose of a balanced budget.

Mr. FRANKS. Well, thank you, sir. I think history may bear out that your efforts were not only timely, but may have been critically important to the success of the country.

Professor Primo, it will take years for a balanced budget amendment to be ratified and have the force of law, and that leads to two questions. First, is the delay in an amendment becoming effective a reason not to pursue the amendment? And second, what should Congress do to control spending while we're waiting for the enactment of a balanced budget amendment?

Mr. PRIMO. I believe that while we—it will take several years to put into effect a Constitutional amendment, but that doesn't mean that we can't take steps now to put us on the track to abiding by that amendment when it goes into effect. And right now the debate that's going on between the Congress and the President over how to deal with the Nation's fiscal problems, that debate should continue. And there should be an agreement that's reached that takes on the difficult entitlement issues and takes on some difficult tax issues. There are reasonable positions on both sides of that issue, I believe. And those two sides should come together to formulate an agreement that will put us on the glide path toward abiding by that Constitutional amendment when it comes into effect.

And the benefit of doing this is that it will send also a very strong signal to the markets that the United States is serious about fiscal reform. So the passage of the amendment today or the process of beginning of the passage of the amendment today is very important because of the signals it sends to the markets as well as the spur it will give, I believe, to the Congress and President to reach agreement on fiscal reform.

Mr. FRANKS. Could I ask unanimous consent for 1 minute to ask Mr. Moylan a question?

Mr. NADLER. By all means.

Mr. FRANKS. Mr. Moylan, some of the opponents of balanced budget amendments argue that the Constitution is not the place for budget rules, that it somehow would be an inappropriate place to put a balanced budget requirement in the Constitution itself. Can you address that?

Mr. MOYLAN. I think that it is precisely the place to lay out what we see as sort of the rules of the road for how Congress can budget moving forward. The Constitution is not the place to enshrine specific policies; it's not the place to enshrine what marginal tax rates will be or anything like that. But laying out what the rules of the road are and establishing what those guidelines are is extremely important to be able to guide Congress in the direction that respects taxpayers and respects the burdens that they have to pay and that ensures that we can get to balance.

So I think that that's an objection that I find wanting a little bit because we're not talking about enshrining any kind of particular policy or any particular implication to a budget or a program. I mean, all of that stuff is within the purview of Congress once the amendment is passed.

Mr. FRANKS. Thank you, sir, I would now recognize the Ranking Member for 5 minutes for questions.

Mr. NADLER. Thank you. I would start off by pointing out that one of my objections to this amendment is that it precisely does exactly what you just said it doesn't do. It enshrines in Constitutional our particular views as economics and the budget. It says it takes the view, for example, that we ought to cut expenditures rather than increase taxes, that's legitimate political debate. But it's a legitimate political debate our grandchildren ought to be as free to have as we are to have. Maybe we should increase taxes rather than reduce expenditures, maybe the other way around. That's a decision every generation should be able to make for itself.

And this amendment deliberately biases that by saying you a need three-fifths vote to increase the debt limit. You need a whole majority of those, not just persons voting, an extraordinary majority to increase taxes.

Second, let me ask Mr. Goodlatte, and please answer quickly because I have a number of questions for a lot of people. This amendment demands a balanced budget by 2016. The House Republican budget that we just passed that some people are saying was rather Draconian in its cuts wouldn't get to a balanced budget by 2040. In broad strokes, how would you advance the balanced budget from 2040 beyond what the Republican budget does in 2016, which would be necessitated by this amendment?

Mr. GOODLATTE. Thank you, Mr. Nadler. I would direct to you the House Republican Study Committee Budget which balances it in 9 years.

Mr. NADLER. It's not 2016?

Mr. GOODLATTE. No, we don't know it is 2016 because we don't know how long the States will take to ratify this. But I certainly am prepared to adjust that budget by accelerating some spending.

Mr. NADLER. Let me ask you the second question. Most of the States have balanced budget amendments; New York State adopted it in 1847. But those amendments, like any rationale corporation differentiate between the capital budget and an operating budget. This does not necessitate, if there were that we would never borrow money. If you never borrow money a family wouldn't afford the house or the car, the corporation couldn't invest, the Federal Government couldn't invest in long-term investments. It makes no sense. How do you reply to that?

Mr. GOODLATTE. As you know the Federal Government budgets on an annual basis and it does not make expenditures well into the future as it is now. So quite frankly, that certainly is another alternative to consider, but given the fact that we have a deficit—a debt that is now over $14 trillion, we have got a lot of debt on the plate we have to work—I think it is better to limit the——

Mr. NADLER. Let me just observe that any organization whether it be a government or a corporation, et cetera, ought to have some debt for long-term investments. If you want to balance an ongoing expense budget, that's what most States do and that's what a lot of corporations do. And you want to limit the amount of the debt for long-term investments and not say you should never borrow for it.

Mr. Greenstein, the basic theory behind this amendment is that we're spending too much and we're—period. What is the basic cause of the change? In 2000, the debate of the presidential election between Bush and Gore was what should we do with the anticipated $5.6 trillion deficit over the next 10 years—I'm sorry, what should we do with the anticipated 5.6 surplus then anticipated over the next 10 years? What turned that into the huge deficits we have now?

Mr. GREENSTEIN. We just issued a paper on this earlier this week just using basically the Congressional Budget Office analyses. There are really three main factors, one of the largest factors were the costs including the extra interest, as a result of 2001 and 2003 tax cuts. Another large factor were additional expenditures that certainly weren't contemplated in 2001 for the wars in Iraq and Afghanistan and related funding for Homeland Security. We really didn't spend much on that before——

Mr. NADLER. Tax cuts and the wars and Homeland Security?

Mr. GREENSTEIN. And third big issue, of course, is the big increase in the deficit that resulted as a result of the biggest recession since the Great Depression.

Mr. NADLER. If we got unemployment down to 5 percent as it was in 2007, what would that do to the size of our deficit?

Mr. GREENSTEIN. Excuse me?

Mr. NADLER. If unemployment were gotten down to 5 percent as it was in 2007 before the onset of the great recession, what would that, by itself, do to the size of the deficit?

Mr. GREENSTEIN. I don't have the figures in front of me, the economic maybe it would reduce it a third, but we'd still have very large deficits.

Mr. NADLER. It would reduce it by about a third. Let me ask you, lastly, I saw a figure recently that as a percentage of GDP, total taxation is now running at about 15 percent, historically it has run 22, 23 percent, are those figures correct?

Mr. GREENSTEIN. Well, historically if you take a long average it is in the 18 to 19 percent range. It is very low now, that's a combination of the tax cuts but also the fact the economy is so weak, whenever the economy weakens this much that reduces revenues a share of the gross——

Mr. NADLER. And finally, my last question is the following: I read this amendment and it says, no bill to—it says that the Congress shall enforce and implement this article by appropriate legislation. The President shall submit a budget which shall be balanced in terms of anticipated revenues and anticipated expenditures. Let's assume the President submitted a budget under this amendment and he said we're going to cut taxes and therefore revenue is going to go up. So my—or because taxes are already cut I'm assuming this level of revenues. The revenues are, in fact, much lower and the expenditures are the same or higher. How would you enforce this amendment if the estimates were off? And if Congress decided to take wrong estimates either deliberately or not deliberately?

Mr. GREENSTEIN. I don't think this is clear, two parts to the answer is I read the wording of the Constitutional amendment. It does say that estimates can be used in determining whether the balanced budget requirement has been met. The bigger issue is

what happens if, due to factors in the economy, whatever the factors would be, we're running a deficit in a given year, it is clear in the estimates it is going to be a deficit and the Congress and the President don't rein it in, what happens? Do people have standing to go into court? Do the courts or the President unilaterally? Who is empowered to take the action to restore balance if the Congress and the President don't pass legislation to do that? I don't think that's clear how that would be enforced from the wording of the amendment.

Mr. NADLER. Thank you.

Mr. GOODLATTE. Mr. Nadler, I wonder if I might be allowed to answer the question.

Mr. NADLER. Please.

Mr. GOODLATTE. First of all, the obvious answer it will be enforced at the polls in the next election, but secondly.

Mr. NADLER. That hasn't seemed to work in the last 30 years, that's the whole point of your amendment.

Mr. GOODLATTE. There is no such Constitutional requirement or even a requirement in the law that we balance the budget. But the second thing is that most States that have this requirement also have additional budget rules that may require the governor of the State to step in and make adjustments to expenditure in the middle of the budget process in order to bring it back into balance, that certainly is what is done in Virginia, and governors of both parties have to step in and make some tough decisions in the middle of process if the projections don't match up with the initial budget.

Mr. FRANKS. Thank you, Mr. Nadler. And I would now recognize Mr. Scott for 5 minutes for questions.

Mr. SCOTT. Thank you, Mr. Chairman. Mr. Chairman, this entire discussion is interesting because you get down to the bottom line if we're going to balance the budget, it is going to require some tough votes, whatever the mechanism is. And many of them will be career-ending votes. In 1993, we passed a budget by the thinnest of margins. One vote could have switched, would have ruined it in the House, the Vice President had to vote in the Senate. We received zero Republican votes in the House or Senate. There were tough votes. As a matter of fact, when the 218th vote was cast in the House, Marjorie Margolies-Mezvinsky was greeted by a chorus of cheers from the Republican side, bye-bye Marjorie. That vote was used to defeat her in the next election, along with 50 Democratic colleagues who lost their seats primarily because of those tough results.

Those votes resulted a record number of jobs, record economy as measured by the Dow Jones industrial average. The Republicans tried to dismantle that plan in 1995. President Clinton let the government get shut down rather than sign those bills. The result was not only did we balance the budget, we were on course to paying off the entire national debt by 2008. Had we not fought two wars without paying for it, prescription drugs without paying for it, tax cuts without paying for it. We would have paid off the national debt by 2008. We'd owe no money to China, Japan, Saudi Arabia. We would have paid off the entire debt held by the public. In fact, when Greenspan was testifying in early 2001 he was asking questions like what happens if you pay off the national debt too quickly,

what happens if there are no government bonds, what happens to investments and long-term interest rates?

In 2001, we eliminated PAYGO which we had, which meant if you wanted to do a tax cut, you'd have to pay for it with spending cuts. If you wanted to increase spending, you'd have to raise taxes to pay for it, PAYGO. We eliminated PAYGO, passed the tax cuts and everything else and went directly into the ditch; instead of paying off the debt we doubled the debt.

Now at some we are going to have to actually vote for tax increases and/or spending cuts to get the budget under balance. This is not magic, it is arithmetic. Now if we look at the proposed amendments, one of the questions that's been responded to is, we had all these questions responded to. One question that was not asked is how this proposal will actually help balance the budget?

Now we have been debating the title, but not really the provisions. The provisions of the bill basically, not just dismiss H.R. 1, because that has a super majority to increase taxes, that will obviously make it more difficult to balance the budget. But all of them have—if you're going to pass an unbalanced budget, you require a 60, a three-fifths vote.

The question is will that help or hurt passing a severe meaningful deficit reduction plan? Now the Clinton budget never got anywhere close to 60 percent, Ryan's budget which is the one the House passed, didn't get anywhere close to 60 percent. If you needed 60 percent those budgets wouldn't have passed. Now we have heard examples of how you do get to 60 percent, you can pass an $800 billion TARP, spending. You can pass an $800 billion tax cut from last December, that got 60 percent. That's obviously not the direction we need to go.

My question is, how is a requirement of a super majority going to help you get people to cast career-ending votes? Would it be easier to pass the Ryan plan, for example, with a simple majority, or a three-fifths vote in both the House and the Senate?

Mr. Greenstein, can you explain to me whether it would be more likely or less likely that a plan like Ryan's would pass when you increase the number of votes required?

Mr. GREENSTEIN. I think clearly less likely. In my view, super majorities requirements in some States, California as an example, have really led to gridlock and they have made it harder for a policymakers to make the very tough decisions that are needed. We're going to need very tough decisions in the years ahead, whether it is a Constitutional amendment or not, the Constitutional amendment, I think, everyone on the panel agrees is, in itself, something that changes a program or raises a tax.

Mr. SCOTT. Let me ask a follow-up question on that. There is no proposal on the table, the colleague from Virginia mentioned the Republican Study Group which balances the budget in 9 years. That budget to pass would require what percentage under this proposal?

Mr. GOODLATTE. It would require a majority vote.

Mr. SCOTT. No, it would require the Republican majority—may I have an additional minute, Mr. Chairman?

Mr. FRANKS. Yes.

Mr. SCOTT. The Republican Study Committee Balances the budget in 9 years would require a three-fifths vote in the House and Senate to pass.

Mr. GOODLATTE. No, it would require majority vote because it did not contain tax increases?

Mr. SCOTT. It's an unbalanced budget this year.

Mr. GOODLATTE. Correct, correct.

Mr. SCOTT. And you're going to pass an unbalanced budget this year.

Mr. GOODLATTE. Again, as I said before, it presumes that you have—the budget hasn't been balanced in more than a decade, so you've got to have a glide path; there's no question about that.

Mr. SCOTT. Right. But the glide path requires a three-fifths vote to enact.

Mr. GOODLATTE. No, not until this it ratified.

Mr. SCOTT. Right, exactly. If the balanced budget amendment were in effect, the Republican Study Committee budget, it would take a three-fifths vote to pass.

Mr. GOODLATTE. If the balanced budget amendment were in effect, that's correct, but only if we hadn't been doing the work together to get to a balanced budget——

Mr. SCOTT. But the point is that requiring a three-fifths vote to pass the Republican Study Committee's budget would make it more difficult to pass rather than less likely.

Is there anything in the three-fifths requirement that makes it more likely that a fiscally responsible budget would be enacted rather than a fiscally irresponsible budget? You didn't have any trouble getting three-fifths to pass an $800 billion tax cut late last year.

Mr. GOODLATTE. But we didn't balance the budget.

Mr. SCOTT. It made it worse, it made it worse. And you got three-fifths for that.

Mr. GOODLATTE. But that would be contrary to this law.

Mr. SCOTT. Where is it in the law that prefers a fiscally responsible—once you get to three-fifths—and any budget that is going to pass under this, any budget this year, if this was the law, any budget that would pass would require three-fifths, my question is, why is it more likely that it would be fiscally responsible requiring three-fifths or "Katie, bar the door" Democrats get their spending, Republicans get their tax cuts, and we are further in the ditch.

Mr. GOODLATTE. Because you've got to go face the voters after you've done that.

Mr. SCOTT. We faced the voters after we cut taxes $800 billion. I don't see anybody that got any pain for putting us $800 billion worse in the ditch last December than we are today; who's suffering from that?

Mr. GOODLATTE. There was no requirement that the budget be balanced, that's the difference.

Mr. SCOTT. And there's no requirement that the budget be balanced under any of these proposals. The only requirement is it takes three-fifths to pass the budget.

Mr. GOODLATTE. That's correct. But I think it would have tremendous pressure on individual Members to go home and explain

why they voted for something that didn't balance when there was an alternative offer that did balance and they didn't vote for it.

Mr. SCOTT. You have that today. You have that today.

Mr. MOYLAN. Mr. Chairman, may I respond briefly to that? I think that the three-fifths supermajority requirement, we view that as a bulwark against what we view as irresponsible tax increases. And part of the reason that we hold that view is that even if you assume extension of the 2001/2003 tax cuts, even if you assume patching of the AMT, revenues will get back to historical average levels by about the end of this decade. And so eventually we are going to get back to average levels of revenue even if we again assume extension of the policies that I know you're not a supporter of. And so we see this as really spurring the needed spending restraint to be able to bring the budget back to balance.

Mr. SCOTT. You're absolutely right, I don't support those provisions. I support a budget that is $1.3 trillion better than the Republican budget we passed. As a primary author of the Congressional Black Caucus budget that let the tax cuts for the wealthy expire and we came up with revenues to be able to extend, by paying for them, the tax cuts under $250,000. We extended them, but we paid for them. And we ended up $1.3 trillion better than the Republican budget without repealing Medicare.That's what I support.

Mr. MOYLAN. I think there's no question that we can balance the budget at a higher level of spending; it requires a much higher level of taxation. And I don't have the numbers in front of me, but my recollection of a lot of the alternative budgets that came from the Democratic side is that we're talking about balancing the budget at 23, 24, 25 percent of GDP. The question is whether or not that's advisable. I would submit that it's not.

Mr. SCOTT. There is a difference between a tax limitation, limiting taxes and balancing the budget. If the society decides, for example, that it wants universal health care and society is willing to pay for it as the health care reform did, we had significant additional spending and we more than paid for it.

Now unfortunately, under this proposal, you can pass a new spending plan with a simple majority, but then turn around and can't pay for it because you can't get the supermajority to pay for it. That's how you end up in the ditch.

Mr. FRANKS. The gentleman's time has expired. But Professor Primo, did I hear you would like to make a response?

Mr. PRIMO. Yes, I would. Thank you.

One important thing that a Constitutional amendment will do is create a norm that used to be present in the Congress: that budgets ought to be balanced. The presumption of a Constitutional amendment that requires a balanced budget or that limits spending to a certain percent of GDP is that that is what is expected of Members of Congress. Deficits would no longer be the norm, but would have to become the exception. And so I believe that having a Constitutional amendment in place will send a very different signal to voters than the current status quo, which is that deficits are acceptable.

Mr. SCOTT. How do the provisions—not just the title, how do the provisions of the Constitutional amendment actually help get to a balanced budget?

Mr. PRIMO. If I may respond, they would help to get to a balanced budget because elected officials would be able to go back to their districts and say I had to cast this tough vote because the Constitution requires fiscal responsibility, and that is a very different message. So right now you go back to your districts and you say, "Oh, I had to make a cut to this program, but look, we got some fiscal responsibility out of it." Voters are going to say, but you cut my program.

Mr. FRANKS. The gentleman's time has expired.

I would just say that we do have a fairly good laboratory to answer some of these questions; that is, in Arizona we have a balanced budget amendment, and it has, even in difficult moments like this, allowed us to balance our budget and improve our economy. It has worked very well in the States, and we do that all the time. So some of these doomsday, and when they talk about tax cuts being the problem, that is creating increased revenues.

But in the interest of fairness, without objection, I will give the gentleman one more minute.

Mr. SCOTT. I will just ask a question about Arizona. You said you have a balanced budget. Does that include capital expenditures? You have to balance the total budget, as these amendments would, all outlays and all revenues; or does your Constitutional amendment to balance the budget allow you to borrow money for capital expenditures like all the other——

Mr. FRANKS. I just answered the gentleman's question. There are some efforts on the part of the legislature to try to circumvent that, but yes, we have to balance the budget on capital expenditures, too. But there are sometimes leasing programs to try to get around that, and I think the gentleman's point is well taken.

But in Arizona and a lot of other States who have balanced budget amendments that are not only not able to deficit spend, but they are not able to print money and they are not able to do a lot of other things that the Federal Government does, it has worked very well. Arizona was hit harder than just about anyone in this recession, and yet we are coming out of it very effectively, the United States isn't. And the primary difference is the fact that we have a balanced budget, we have no alternative.

But with that, I want to be fair, but if——

Mr. GREENSTEIN. Could I have one sentence?

Mr. FRANKS. Please.

Mr. GREENSTEIN. All I want to say is, what is the key goal? If the key goal is fiscal responsibility—and we all agree that requires tough choices, regardless of your views on what those choices should be—then I would urge not to erect new supermajority requirements which will make it harder, not easier, to get the tough choices made.

Mr. FRANKS. Mr. Moylan, you have a last word?

Mr. MOYLAN. I would just respond to Mr. Scott's statement that what would incentivize a balanced budget here is, first of all, simply the requirement that the budget be balanced, and second of all, we view these supermajority requirements again as these back-

stops against tax hikes. You could theoretically balance the budget by raising taxes. You would have to convince more of your colleagues to be able to do that than if you were to choose to do so through spending restraint. I view that as a feature of it, you may view it as a bust. But the requirement of the balanced budget is the most important portion of it because it requires that you square income and outlays, and the question is how do you get to that?

Mr. FRANKS. I don't know how to add anything more to that and would concur with that.

Mr. Scott.

Mr. SCOTT. Just very briefly. There is no requirement in these that the budget be balanced. You need a 60 percent vote to pass any budget that is pending in Congress today. There is no requirement to balance the budget.

Mr. FRANKS. Well, with that, I am just saying that perhaps there is an alternative here, and that is to repeal the law of mathematics. So let's work on that.

Without objection, all Members will have 5 legislative days to submit to the Chair additional written questions for the witnesses, which we will forward and ask the witnesses to respond as promptly as they can so that their answers may be made part of the record.

Without objection, all Members will have 5 legislative days within which to submit any additional materials for inclusion into the record.

And with that, again I thank the witnesses, thank the Members for the lively discussion, and observers. And this hearing is now adjourned.

[Whereupon, at 12:30 p.m., the Subcommittee was adjourned.]

APPENDIX

Material Submitted for the Hearing Record

Gerald W McEntee
Lee A. Saunders
Vice Presidents
Ken Allen
Henry L. Bayer
George Boncoraglio
Anthony Caso
Greg Devereux
Danny Donohue
David R. Fillman
Michael Fox
Albert Garrett
Raglan George Jr.
Sherryl A. Gordon
Lakesha Harrison
Danny J. Homan
Salvatore Luciano
John A. Lyall
Roberta Lynch
Gleniant S. Middleton Sr.
Gary Mochel
Douglas Moore Jr.
Henry Nicholas
Eddie L. Parks
Randy Pereira
George E. Popyack
Greg Powell
Laura Reyes
Lillian Roberts
Eddie Rodriguez
Lawrence A. Rowling
Joseph P. Rugnik
Kathy J. Sackman
Eliot Seide
Mary E. Sullivan
Braulio Torres
David Vermeij
Jeanette D. Wynn

Statement for the Record By the American Federation of State, County and Municipal Employees (AFSCME)

For the Hearing on Whether the Constitution Should be Amended to Address the Federal Deficit?

Before the Subcommittee on the Constitution Committee on the Judiciary U.S. House of Representatives May 13, 2011

American Federation of State, County and Municipal Employees, AFL-CIO
TEL (202) 429-1000 FAX (202) 429-1293 TDD (202) 659-0446 WEB www.afscme.org 1625 L Street, NW, Washington, DC 20036-5687

Statement for the Record
By the American Federation of State, County and Municipal Employees (AFSCME)

For the Hearing on
Whether the Constitution Should be Amended to Address the Federal Deficit?

Before the
Subcommittee on the Constitution
Committee on the Judiciary
U.S. House of Representatives
May 13, 2011

Mr. Chairman and members of the Subcommittee, on behalf of the 1.6 million members of the American Federation of State, County and Municipal Employees (AFSCME), please include the following statement for the record on the hearing held May 13, 2011 on *Whether the Constitution Should be Amended to Address the Federal Deficit?*

AFSCME strongly opposes amending the U.S. Constitution for the purpose of requiring a balanced budget. We think it is unwise and impractical, and it would lead to economic disaster. Americans continue to endure the lingering effects of the worst economy and jobs crisis since the Great Depression. While the recession officially ended in 2009, millions of Americans remain out of work and continue to struggle to provide for their families. Medicaid, unemployment insurance, food stamps and other safety net programs are helping to ensure that this temporary economic setback does not leave families in hopeless straits and without the means for survival. However, if a Balanced Budget Amendment had been added to the Constitution, these programs would likely have not been available to many of the people who needed assistance and received it. Requiring a balanced budget every year, regardless of the state of the economy, is a draconian and unwise proposal, which would lead to economic ruin.

It is essential to consider carefully the impact of balanced budget amendment proposals and the problems they intend to fix. First of all, the weak economy and jobs crisis is not a result of so-called rampant government spending or deficit spending. Irresponsible lending and Wall Street misdeeds have seriously weakened the economy and devastated the housing market. Looking carefully at what caused the recent rise in the deficit, it is clear the biggest factors have been the failure to pay for the tax cuts enacted in 2001 and 2003, in addition to the wars in Iraq and Afghanistan.

While spending hasn't been the cause of the growth in the deficit, we know some spending reductions will be required to reduce the deficit. However, spending cuts must be targeted and, as noted by the report of the National Commission on Fiscal Responsibility and Reform, so as not to "disrupt the fragile economy." In addition, "budget cuts should start gradually so that they don't interfere with the ongoing economic recovery."

Amending the U.S. Constitution to require a balanced federal budget would put the U.S. economy in a straightjacket. We note that the multiple versions of balanced budget amendments introduced share a common formula, requiring that outlays not exceed total receipts for any single fiscal year, setting a spending-to-gross domestic product (GDP) ratio to limit federal spending, and establishing a super-majority threshold to either raise taxes or waive the rules. Each of these provisions is deeply flawed and would have devastating consequences for the following reasons:

1. **It is not the answer to deficit reduction, and is in fact more likely to damage the economy than to improve it.**
2. **It would eviscerate education, health programs, homeland security, labor enforcement, transportation and many other critical programs.**
3. **It would unfairly require a supermajority to raise taxes.**
4. **It would hurt vulnerable populations the most.**
5. **It would inaugurate an era of judicial budget making.**

1. A Balanced Budget Amendment Is More Likely To Damage The Economy Than To Improve It

The prudent fiscal path forward must be driven by the goals of creating jobs and strengthening our nation's economy rather than imposing indiscriminate levels of cuts. A balanced budget amendment, however, would require large spending cuts during economic downturns, precisely the opposite of what is needed to stabilize the economy and avert or emerge from recessions.

The federal government's economic responsibilities in a cyclical economy make any attempt to inflexibly limit federal revenue or balance the budget senseless and impractical. A balanced budget amendment would cripple the ability of the federal government to function and paralyze fragile state and local economies which rely on federal investments. One-third of non-security discretionary spending grants are in the form of aid to state and local governments, and cutting off these resources could cause state and local governments to spiral further downward.

2. A Balanced Budget Amendment Would Eviscerate Education, Health Programs, Homeland Security, Labor Enforcement, Transportation And Many Other Critical Programs

The worst recession since the Great Depression has resulted in this next fiscal year being one of the most difficult budget years on record for the states, with 44 states and the District of Columbia projecting budget shortfalls totaling $125 billion. Severe budget cuts required by a balanced budget amendment would be severe and far-reaching. These deep cuts would restrict investments in critical state and local government programs that support jobs and vital public services, including health care, education, transportation and social services that are critical investments and essential to working families. Deep cuts would also cost millions of jobs and harm our national security. The report of the National Commission on Fiscal Responsibility and Reform notes, "...we must invest in education, infrastructure, and high-value research and development to help our economy grow, keep us globally competitive, and make it easier for businesses to create jobs."

States have already slashed budgets and reduced services to address budget shortfalls and helpful Recovery Act assistance has all but run out. Instead of balancing the budget on the backs of middle-class families and the most vulnerable Americans, we should focus cuts on wasteful spending and make sure that the wealthiest in our society are paying their fair share.

3. A Balanced Budget Amendment Would Unfairly Require A Supermajority To Raise Taxes

The balanced budget amendment sets unrealistically high thresholds to waive the congressional requirements to raise taxes when needed. Even if a majority of the House and Senate believe that it is in the national interest to waive the balanced budget requirement in order to deal with an economic downturn or some other emergency, a minority in either chamber could override the majority's will. The current difficulties in achieving cloture in the Senate and the overall impasse created by partisanship regarding annual budget and appropriations remind us every day that supermajorities are nearly impossible to achieve even when they are urgently needed. The supermajority required to raise taxes

Statement of
Craig Jennings, Director of Federal Fiscal Policy
OMB Watch

House Committee on the Judiciary
Subcommittee on the Constitution
On
Whether the Constitution Should be Amended to Address the Federal Deficit?

May 18, 2011

Chairman Franks, Ranking Member Nadler, members of the Committee:

On behalf of OMB Watch, an independent, nonpartisan watchdog organization, I respectfully submit this written testimony for the record of the May 13, 2011, hearing, "Whether the Constitution Should be Amended to Address the Federal Deficit?"

OMB Watch was founded in 1983 and has spent more than twenty-five years advocating for government accountability, transparency and access to government information, and citizen participation in governmental processes. OMB Watch works to ensure sound and equitable budgetary processes and policies, and this hearing speaks directly to this issue.

Enacting a balanced budget amendment (BBA) would not only severely restrict a fundamental duty of Congress to maintain control of the nation's finances, but it would hinder the government's capacity to combat economic downturns; convert significant amounts of federal spending into special interest tax breaks; inject the judiciary into the budget making process; and present myriad unintended consequences.

A strong majority of economists believe that the government plays an important role in moderating the ups and downs of the business cycle, primarily through increasing aggregate demand; that is, putting enough purchasing power into the economy to get businesses to hire workers to meet the new demand. Federal spending also plays another key role: it helps cushion the blow of a faltering economy through "automatic stabilizers." Automatic stabilizers are features of the federal budget that are designed to automatically adjust in real time to negative economic shocks. Examples include programs like unemployment insurance and food stamps, which do not have set enrollment levels and thus see higher usage when the economy dips. Similarly, various tax provisions, such as the Earned Income Tax Credit, function in the same countercyclical way, but through the tax code.

Automatic stabilizers not only translate into benefits for those hardest hit by recessions, they also have an effect on the greater economy. Thanks to an economic phenomenon known as the multiplier effect, each dollar spent on these programs, either through lower taxes or more

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Washington, DC 20009

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fax: 202-234.8584

email: ombwatch@ombwatch.org
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benefits, rebounds throughout the nation's economy, greatly increasing the dollar's impact. One study found that the automatic stabilizers in the tax code "offset perhaps as much as eight percent of initial shocks to GDP [Gross Domestic Product]."[1]

However, this spending, which Congress does not specifically offset, automatically increases the deficit. While automatic stabilizers adjust as the economy starts faltering, it would be difficult for legislators to act as fast if a balanced budget amendment required lower spending or higher taxes to offset the stabilizers. More importantly, though, offsetting the cost of the automatic stabilizers defeats their whole purpose: they pump money into the economy just when it needs it. By raising taxes or cutting spending, the government would be giving out money with one hand while taking it back with the other, reducing the stabilizers' effectiveness.

Many of the BBAs currently before Congress come with other provisions that would hamper the federal government's operations. The most drastic of the proposals is House Joint Resolution 1, which, in addition to requiring a balanced budget every year, would also set a limit on spending levels, cap the debt ceiling, and require a super-majority vote for increasing revenues. None of these provisions are necessary for balancing the budget, but they would make it difficult for the government to react to changing fiscal situations. In short, a BBA would trade fiscal responsibility for a one-size-fits-all approach to a constantly changing economy.

A BBA with super-majority approval required to increase federal outlays would also encourage lawmakers to build more deductions and special-interest loopholes into an already complex tax code. With new spending requiring super-majorities under a BBA, Congress would likely turn to tax expenditures, as such reductions in revenue would require only simple majority votes for passage. However, spending through tax breaks is significantly harder to track than direct outlays and would hamper spending transparency and accountability.

The BBA proposals under consideration are silent in many critical aspects, raising a host of questions about enforcement and other issues as simple as defining what constitutes a "balanced" budget. A BBA would have to rely on estimates and economic forecasts to set revenue and spending limits, yet none of the proposed amendments stipulate a referee that determines if a budget is in balance. Politicians could take advantage of this and create several versions of estimates, each suiting their own political agenda. Regardless, even the current budget referee, the Congressional Budget Office (CBO), is consistently off by hundreds of billions of dollars in its projections, calling into question whether a proposed budget is "balanced."

BBAs face other practical problems, as well. First, it is difficult to predict revenue and outlays accurately for the coming fiscal year, again thanks to budget items like automatic stabilizers that rise and fall with economic fortunes. Looking at the federal budget estimates from 1983 to 2005, the Tax Policy Center noted that "the average absolute error in the five-year revenue projection of the Congressional Budget Office (CBO) caused by changes in the economic and technical assumptions was 1.6 percent of GDP,"[2] which would be $235 billion at the 2010 level of GDP. With errors of this magnitude (about equal to the combined

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[1] "The Significance of Federal Taxes as Automatic Stabilizers," Alan J. Auerbach, April, 2000, http://www.econ.berkeley.edu/~auerbach/ftp/jpe.pdf.
[2] "Taxes and the Budget: How accurate are short-run and long-run budget scenarios?," Tax Policy Center, http://www.taxpolicycenter.org/briefing-book/background/taxes-budget/accuracy.cfm.

budgets of the departments of Education, Energy, Homeland Security, Interior, Justice, and State in FY 2010.), Congress could unintentionally violate the amendment after the fact, such as when a year's unexpectedly low revenues do not cover unforeseen costs.

Furthermore, without specific language on enforcing the substance of the amendment, the BBA would likely create a quagmire of constitutional ambiguity. If Congress ignores the amendment, it would likely be up to the courts to enforce it, markedly increasing the courts' role in the budget process. However, It isn't clear if anyone has standing to sue the government to enforce a BBA, as no one is harmed, while constitutional challenges to bills would take years, tying up the judicial system. Nor is it clear that the judiciary has the authority or the desire to override Congress on the political question of federal spending.

Another potential problem with a BBA is that it would have many unintended consequences. Many seemingly non-budget-related bills may be subject to requirements set out by a BBA, frustrating areas of lawmaking outside of budget making. Testifying before Congress in 1995, Assistant Attorney General Walter Dellinger pointed out that any bill that improved tax enforcement or authorized fines or forfeitures could be considered revenue raisers and would fall under a BBA's super-majority requirement.[3] Because a BBA cannot possibly take into account these unforeseen situations, hundreds of bills a year, dealing with everything from regulations to National Parks, might fall under the amendment or end up in court.

Accordingly, OMB Watch strongly opposes a constitutional amendment to balance the federal budget.

For documents and additional commentary, see http://www.ombwatch.org/BBA.

[3] "Statement Before the Joint Economic Committee, United States Congress," Walter Dellinger, Jan. 23, 1995, http://www.justice.gov/olc/jtecon.95.8.htm

Americans for a Balanced Budget Amendment (a 501c4 national organization) believes that an amendment to the U.S. Constitution is probably the only way that we can get our elected leaders in Washington D.C. to rein in unsustainable deficit spending. With the U.S. debt exceeding 14 trillion dollars, and with deficit spending of well over one trillion dollars annually to be spent if no action is taken, and with a consensus lacking among our leaders on how to solve this problem, it should be obvious to all that a Constitutional amendment is required to motivate our leaders to get our country's finances in order. For these reasons, our organization urges Congress to swiftly enact a balanced budget amendment to the U.S. Constitution.

We strongly support an amendment which allows for deficit spending for large scale wars, serious threats to national security, or other national emergencies but only if a super-majority of Congress votes to suspend the balanced budget mandate for these reasons. We would urge that the amendment be written in such a way that any outlays greater than receipts be limited only to the costs associated with addressing the needs of the military action or national emergency should Congress ever vote to suspend the mandate to balance the budget. Since there is potential for Congress to evade the balanced budget mandate of this amendment, we strongly urge Congress to pass an amendment which requires a roll-call vote every 12 months and confines the deficit spending to 12 months maximum if deficit spending is to be allowed for wars, threats to national security, or other national emergencies.

Americans for a Balanced Budget Amendment
Alan Parks, President
www.balanceourbudget.com
alanparksABBA@gmail.com
(512)557-2790

LET FREEDOM RING

PROMOTING CONSTITUTIONAL GOVERNMENT, ECONOMIC FREEDOM & TRADITIONAL VALUES

May 20, 2011

The Honorable Trent Franks
Chairman of the Subcommittee on the Constitution
United States House of Representatives
2435 Rayburn House Office Building
Independence Avenue & S. Capitol St., SW
Washington, DC 20515

Dear Chairman Franks: Trent

Thank you for inviting comment on Congressman Robert Goodlatte's H.J. Res 1, a Balanced Budget Amendment.

Americans are focused on our nation's overspending problem as never before, and the timing is right for reconsideration of a Balanced Budget Amendment. It must go beyond earlier Balanced Budget Amendment efforts, however.

In order for such an amendment to be both effective and flexible enough to allow for wars and other emergencies, it must include the elements of a spending cap based on GDP and a super-majority Congressional vote for exceeding the cap.

Congressman Goodlatte's text does include those elements, and we heartily endorse it.

Sincerely,

Colin A. Hanna
President

Let Freedom Ring, Inc.
603 Fairway Drive
West Chester, PA 19382
Phone 610-793-1800
Fax 610-793-1415

www.letfreedomringusa.com

The 60 Plus Association

515 King Street • Suite 315 • Alexandria, VA 22314
Phone 703.807.2070 • Fax 703.807.2073 • www.60Plus.org

Kill the Death Tax. Protect Social Security. Energy Security.

James L. Martin	*Amy N. Frederick*	*Rep. Roger Zion (R-IN, 1967-75)*	*Pat Boone*
Chairman	*President*	*Honorary Chairman*	*National Spokesman*

May 19, 2011

Re: Committee on the Judiciary's Subcommittee Hearing on: Whether the Constitution Should be Amended to Address the Federal Deficit?

Dear Chairman Franks:

On May 13, 2001, your Subcommittee heard testimony of some of the nation's leading Constitutional and Economic experts on taxation and budget. They have outlined both the need for, and the process by which, a Constitutional amendment is enacted.

On behalf of over seven and a half million senior citizen activists, the 60 Plus Association echoes their request to set in motion steps to adopt an amendment to the Constitution of the United States for a national balanced budget. We commend you, Chairman Franks, and the members of your subcommittee, for your commitment to America and her seniors, and for convening this important hearing focusing on the need to make reforms that will return our country to fiscal health. We also commend Congressman Robert Goodlatte (R-VA) for introducing H. J. Res 1: A Balanced Budget Amendment.

As Chairman of 60 Plus, I spent months on the road last year, journeying across the nation to meet with taxpayers, families, small business owners and various civic and policy organizations. As we visited almost every state we held town halls and rallies, listening to the concerns of seniors and soon-to-be seniors. Here's what they told us:

- Americans are deeply concerned about the massive consequences of this rampant government spending spree.
- They are worried that the deficit has grown to be the largest since World War II, and fear this federal debt harms their children and compromises their grandchildren's future.
- They want significant cuts in the national debt.
- And, they want to see Congress balance the nation's budget. They have overwhelmingly told me that current budget policy cripples our economic stability and that the biggest threat to national security lies in our debt.

They and their families have had to tighten their belts, and they want the government to do the same. They have said is not sound financial policy to open up a new credit card when the current one is maxed out. Seniors, and indeed most Americans, don't want to see a budget balanced by increasing taxes or by taking out more loans. They want significant cuts, and they want them now.

They want Congress to take the courageous and difficult step to restore the fiscal stability of the United States by balancing the nation's budget. We need a Balanced Budget Amendment. We need to get the process rolling now. And we can't afford to wait.

Sincerely,

James L. Martin
Chairman
The 60 Plus Association
515 King Street Suite 315
Alexandria VA 22314
703.807.2070
jmartin@60plus.org

The 60 Plus Association is a 19-year-old nonpartisan organization working for death tax repeal, saving Social Security, affordable prescription drugs, lowering energy costs and other issues featuring a less government, less taxes approach as well as a strict adherence to the Constitution. 60 Plus calls on support from over 7 million activists. 60 Plus publishes a newsletter, SENIOR VOICE, and a Scorecard, bestowing awards on lawmakers of both parties who vote "pro-senior." 60 Plus has been called, "an increasingly influential senior citizen's group" and since 1992 "the conservative alternative to the AARP."

BBA Pass the BALANCED BUDGET Amendment

8700 E. Pinnacle Peak Road
Suite 222
Scottsdale, Arizona 85255
(480) 226-4644
info@PassTheBBA.com

May 11, 2011

The Honorable Trent Franks (R-AZ)
Chairman, Subcommittee on the Constitution
Committee on the Judiciary
U.S. House of Representatives
2138 Rayburn House Office Building
Washington, DC 20515

Chairman Franks, Ranking Member Nadler, and Members of the Subcommittee,:

On behalf of Pass the Balanced Budget Amendment, I want to thank you for the opportunity to provide testimony on the urgency of balancing our nation's federal budget.

Headquartered in Phoenix, Arizona, Pass the Balanced Budget Amendment (Pass the BBA) has emerged as the leading advocate for a federal Balanced Budget Amendment. As the State Chairman of Pass the BBA Georgia, I come to you today representing our network of supporters and our National Co-Chairman the Hon. Ken Blackwell and Hon. Ken Buck.

Today, I want to take a moment to describe the risks posed to Americans, and the ways in which together, we can work to protect the American Dream and restore fiscal accountability to Washington.

It is no secret that Washington is broke. Our federal debt now exceeds $14 trillion and continues to rise with no end in sight. The average family now owes more than $250,000 in federal debt—more than most of their mortgages.

As Americans have been forced to make difficult financial decisions, Washington has continued to spend, pushing our nation's debt to dangerous levels and putting our nation's future at risk.

As a small business owner, I have had an opportunity to experience first-hand the challenge of keeping the lights on and paying employees. I know how to balance a budget and run an efficient organization that meets the goals and objectives of my clients and stakeholders. It is time for Washington to learn this common sense lesson. It is time to eliminate unnecessary spending, increase efficiency and meet the challenge that American businesses are meeting everyday.

According to a White House report released earlier this year, our country is on track to face a destabilizing financial crisis in less than two years.

Last year, the International Monetary Fund issued notice to the United States that the aggregate debt of state and federal governments would exceed 100 percent of the GDP in 2015.

Ladies and gentlemen, our nation's financial crisis is real and it's here now.

Consider the consequences of not taking action: a weaker dollar, runaway inflation and the death of the American Dream.

Mr. Chairman, I am sure you can agree that the American Dream is not worth risking on reckless spending. It is time to stop gambling our nation's future and to pass a federal Balanced Budget Amendment.

This hearing and the urgency to pass a balanced budget amendment by October 1, 2011 are critical to protecting American against looming fiscal destabilization.

Repsectfully submitted,

Geoff Duncan
Chairman
Pass the Balanced Budget Amendment, Georgia