

Bob Dole



NEWS

U. S. SENATOR FOR KANSAS

FROM:

SENATE REPUBLICAN LEADER

FOR IMMEDIATE RELEASE
Tuesday, March 1, 1994

Contact: Clarkson Hine
(202) 224-5358

BALANCED BUDGET AMENDMENT

Discipline Needed to Turn Off Government Spending Machine: Support Constitutional Amendment to Protect Future Generations From Crushing Public Debt

People don't always understand the complexities of the federal budget, but they do understand the importance of balancing their own budgets. And they wonder why the federal government can't exercise the discipline millions of American families do every day. The question before us is a simple one -- are we going to impose the discipline needed to turn off the government spending machine, or are we going to live by a different set of rules, where the government doesn't have to balance its budget like everyone else does. No doubt about it, the stakes in this debate are high.

When the budget was released earlier this month, President Bill Clinton all but declared victory against federal deficits. But anyone who took a careful look at the numbers quickly realized that any improvements in the deficit picture are temporary at best.

The Worsening Debt Picture

The Congressional Budget Office forecasts the deficit will soar to \$365 billion dollars by the year 2004. Net interest payments -- that's right, just interest payments -- on government debt will be \$334 billion dollars per year. That is more than this country will spend on all domestic discretionary programs in 1994, including programs for education, childhood immunizations, and AIDS research.

By the year 2004, the debt held by the public will be \$6 trillion dollars -- that's \$6 trillion with a "t". For that much money, we could buy an in-ground concrete swimming pool for every homeowner in the country, pay a 40-hour-a-week minimum wage paycheck for every person in the world, pay a year's tuition to Harvard University for every person under 18 in the United States and send every person over the age of 18 in the United States on a two-week Club Med vacation. We could do all those things and still have \$5 trillion left over.

Consequences of Deficit Spending

Deficit spending is a drag on our economy and a threat to future generations of Americans who haven't even been born yet. Former Senator Paul Tsongas explained at last week's hearings, "a nation spending \$212 billion this year on interest on the debt will be less competitive than if it had invested that same \$212 billion in our industrial base. Translated this means that all across America jobs that could have been are not, and as a direct real-life consequence thousands of American families woke up this morning pained by a joblessness that was caused not by their inadequacy but by the fiscal irresponsibility of their leaders."

Fairness to Future Generations

The penalty for future generations is even higher. According to the President's own FY 1995 budget report, average net taxes for future generations will be a walloping 82 percent of their income -- an 82 percent average tax rate! That compares to a net tax rate of just 23 percent for people born in 1900.

No doubt about it, simple fairness to future generations is the most compelling reason to support a Balanced Budget Amendment. You can say "bill me later" only so long, especially when the bills are going to someone else -- your children, your grandchildren and their children, too.

Elected to Make Tough Calls

For some, supporting the Balanced Budget Amendment may be an easy way to look fiscally responsible without ever having to vote in favor of a tough spending cut. That is not the case for Senate

(more)

Republicans. In 1985, we pushed through a tough budget package that made significant cuts in entitlement spending, only to see those cuts dismantled in the other body. The majority of Senate Republicans have supported a cap on entitlement spending and fought to pay for emergency spending with cuts in other spending programs.

So let no one accuse us of supporting a balanced budget instead of taking action to reduce the deficit. No doubt about it, balancing the budget won't be easy -- but we were elected to make the tough calls, not make the biggest excuses. Senate Republicans have supported tough measures in the past and will support them again when the Balanced Budget Amendment forces Congress and the President to face the music.

Treasury Study

Two weeks ago all our offices received copies of the Administration's nightmare scenarios of what would happen if the Balanced Budget Amendment passed. The New Republic wrote the Treasury's examples "are not an argument against a balanced budget amendment. They are an argument against a balanced budget itself". The bottom line is this Administration is looking for every excuse in the book to spend more money than Americans are willing pay for in tax dollars.

In reality, the burden of balancing the budget will be difficult, but not as difficult as the Administration would like us to believe. First, spending will not be mechanically cut across the board. Congress and the President will, as they have in the past, set priorities and reduce spending in marginal programs. Secondly, the Treasury study exaggerates the depth of the cuts by assuming no action is taken until 1997. The cuts are much more likely to be stretched out over 6 to 7 years resulting in a reasonable "glide path" to a zero deficit.

Social Security Issue

Another red herring being promoted by opponents is the Social Security issue. The biggest threat to Social Security is not the balanced budget, but the federal government's fiscal irresponsibility. As our interest payments mount, Congress will be increasingly tempted to raid the trust funds to make our balance sheets look better. Putting our house in order now will ensure Social Security remains sound for this and future generations.

Fiscal Downturns

The argument that a Balanced Budget Amendment will force us to balance the budget in periods of recession also holds no water. The balanced budget requirement can be waived, if necessary, by a three-fifth's vote in each house. That is a necessary safeguard for an Administration that likes to bypass spending ceilings by calling four year old highway repair projects "emergencies".

Tax Limitation

This Amendment isn't perfect. If I could do one thing to improve this Constitutional amendment, it would be to add a tax limitation provision. This protection would require a three-fifth's vote for tax increases above the rate of economic growth.

I have been a cosponsor of this provision in the past, and would have supported it again if it had been offered during this debate. The consensus among the supporters was that H.J. Res. 41 would have the best chance of passing if no additional changes were made, so Republicans reluctantly agreed not to offer a tax limitation provision.

Effect on States & Local Governments

Another concern -- put forward most notably by Judge Bork -- is that Congress may be tempted to balance the budget by mandating increases in state and local spending or by regulating private industry into doing what the federal government can not. For example, requiring business to pick up the tab for health care spending may not cost the federal government a dime, but it will bankrupt companies around the country and cost many Americans their jobs.

This is a real danger and one that Congress must guard against. But in my view, the dangers of an unbalanced budget greatly outweigh the risk of Congress passing the buck to local governments.

I want to express my appreciation to Senators Simon, Craig, Hatch, and Thurmond who have done everything possible to keep a Constitutional amendment to balance the budget on the front burner in spite of fierce opposition from the Democrat leadership and President Clinton.

Never before has Congress been so close to passing a Balanced Budget Amendment. Two years ago, the Amendment was defeated by

(more)

nine votes in the House. But, I am confident that if the Amendment is approved in the Senate, we can pick up the votes needed to pass the Amendment in the House. This Constitutional amendment is the first step to returning this country to a sound economic footing. Just imagine, if this country had balanced its budget every single year in its history, we would now be facing a budget surplus of \$41 billion instead of a deficit of \$171 billion.

Don't Miss This Opportunity

If we miss this opportunity to do the right thing, we will be like the family that struggles year after year with a growing credit card debt because it can never quite tighten its belt enough to pay off the principle. Instead of investing for the future, the family does little more than meet its monthly minimum credit card payment. The long run results are usually a lower standard of living -- retirement and college education for the children become unobtainable goals.

The Balanced Budget Amendment may not be perfect, but absent political courage, it may be the only way we will ever eliminate the federal deficit. Let's not allow this opportunity to exercise real fiscal responsibility pass us by. I urge my colleagues to join with me in voting for the 28th Amendment to the Constitution.

###