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The Balanced Budget/Tax Limitation Amendment

By DAVID DREIER* and WILLIAM CRAIG STUBBLEBINE**

Introduction

On August 4, 1982, the Senate adopted a proposed constitutional amendment that would have required Congress to adopt a balanced budget each year.1 The House of Representatives on October 1, 1982, rejected a similar measure by a vote of 236 to 187,2 exactly forty-six votes short of the two-thirds majority of those present and voting required to propose a constitutional amendment to the states for ratification.3 Thus ended the prospects for long range fiscal responsibility during the Ninety-seventh Congress.

Some may perceive that the final House vote also ended the long struggle by many members of Congress who, through experience, have come to realize that existing procedures for discretionary control of the budget do not work. History suggests, however, that a renewed effort to restore traditional fiscal "norms" to the current budget process will be part of the Ninety-eighth Congress.4 In fact, House Joint Resolution 243, introduced by Representatives Conable and Jenkins, and Senate Joint Resolution 5, introduced by Senators Thurmond and Hatch, both incorporate provisions similar to those defeated in the last Congress.5 The movement behind the constitutional approach to ensuring fiscal

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3. U.S. CONST. art. V.
responsibility is rooted deeply in traditional, constitutional, and moral principles. It is not, as some have implied, a newly created legislative device orchestrated by a fiscally responsible minority seeking to impose its will on a deficit spending majority.

I. Precis of Balanced Budget Concept

As a Report of the Committee on the Judiciary illustrates in great detail, "no concept is more a part of traditional American fiscal policy than that of the balanced budget." Statements of principle made by prominent figures in American political history reflect fiscal "norms" which were part of the effective constitution through the early part of the twentieth century. This clear national consensus in support of a balanced budget meant there was little need to focus congressional at-

8. Id. at 19.
9. Thomas Jefferson: "I [, however,] place economy among the first and most impor-

Alexander Hamilton: "As the vicissitudes of nations begat a perpetual tendency to the accumulation of debt, there ought to be a perpetual, anxious, and unceasing effort to reduce that which at any time exists, as fast as shall be practicable, consistently with integrity and good faith." (quoting Alexander Hamilton, Report on Manufactures, a communication to the House of Representatives on Dec. 5, 1791), reprinted in P. Studenski & H. Kroos, Financial History of the United States 55 (1952).

John Adams: "[The] consequences arising from the continual accumulation of public debts in other countries ought to admonish us to be careful to prevent their growth in our own." L. Kimmel, supra, at 12 (quoting 1 Messages and Papers of the Presidents 243-

44 (J. Richardson ed. 1897)).

James Madison: "[The duty of Congress is] to liberate the public resources by an honor-
able discharge of the public debts." L. Kimmel, supra, at 17 (quoting 2 Messages and Papers of the Presidents 452-53 (J. Richardson ed. 1897)).

James Monroe: After the elimination of the public debt, the government "would be left at liberty . . . to apply such portions of the revenue as may not be necessary for current expenses to such other objects as may be most conducive to the public security and welfare." L. Kimmel, supra, at 17 (quoting 2 Messages and Papers of the Presidents 823 (J. Richardson ed. 1897)).

John Quincy Adams: Among the maxims of political economy which the "stewards of the public moneys should never suffer without urgent necessity to be transcended is that of keeping the expenditures of the year within the limits of its receipts." L. Kimmel, supra, at 17 (quoting 2 Messages and Papers of the Presidents 924 (J. Richardson ed. 1897)).

Andrew Jackson: Once the budget is balanced and the debt paid off, "our population will be relieved from a considerable portion of its present burthens and will find not only new motives to patriotic affection, but additional means for the display of individual enter-
tention on legislation to mandate a balanced budget. It was not until the mid-thirties that regular discussions on the need to reduce deficits occurred. The first constitutional amendment to require a balanced budget was introduced in 1936 by Congressman Harold Knutson of Minnesota. This measure would have established a per capita limitation on the federal public debt during peacetime. Congress could have created deficits, but only to the extent that the per capita ceiling was not surpassed.

Following World War II, in 1947, Senator Tydings of Maryland and Senator Bridges of New Hampshire introduced Senate Joint Resolution 61, which was reported out by the Committee on Appropriations but received no further action. In 1949, Senator McClellan introduced Senate Joint Resolution 131, which was approved unanimously. This resolution would have required the President to submit an alternative balanced budget for the 1951 fiscal year. However, this resolution did not survive conference.

Numerous proposals were introduced during the early 1950's. In fact, since the Eighty-fourth Congress, an average of four amendments to the Constitution to require a balanced federal budget has been proposed during each Congress. In addition, numerous statutory proposals...
als were introduced and considered during this period.\textsuperscript{17}

Although the 1960's saw very few proposals to amend the Constitution, new initiatives emerged with the 1970's. In 1973, Representative Jack Kemp introduced House Joint Resolution 816, which would have limited federal expenditures and receipts to a percentage of the previous year's national income.\textsuperscript{18} In 1979, Representatives Barber Conable and Ed Jenkins introduced House Joint Resolution 395, which would have limited the growth of federal outlays to the growth in gross national product.\textsuperscript{19} On the Senate side, John Heinz and Richard Stone introduced a measure similar to the two House Joint Resolutions, but their joint resolution died in subcommittee.\textsuperscript{20}

These examples illustrate the nascent concern over the absence of fiscal prudence in the last thirty years. Since 1950, the budget has been balanced only five times; the entire decade of the seventies did not see a single balanced budget.\textsuperscript{21} Over this same period, federal outlays increased from fifteen percent to twenty-three percent of gross national product.\textsuperscript{22} Not coincidentally, the end of this period found the federal government engaged in some of the deepest and most volatile economic difficulties in the history of this nation.\textsuperscript{23} As a consequence, the proposed amendment to the United States Constitution, which speaks to both the concern with deficits and the increasingly burdensome level of spending, is now receiving the attention it deserves from the body politic, including scholars and the media.\textsuperscript{24}

The more closely the proposed amendment is examined, the more respect it generates. It is the result of a long, thoughtful, and thoroughly scholarly process; it approaches, and perhaps achieves, a perfect balance between the ideal and the real. A careful examination of the amendment reveals that it would reestablish the fiscal norms lost in the evolution of modern budgetary decisionmaking.\textsuperscript{25} It would allow for

\textsuperscript{21} U.S. OFFICE OF MANAGEMENT & BUDGET, UNITED STATES BUDGET IN BRIEF: FISCAL YEAR 1982, at 76.
\textsuperscript{22} S. Rep. No. 151, supra note 7, at 36.
\textsuperscript{23} Id. at 38-41.
\textsuperscript{24} See, e.g., Constitutional Amendment to Balance the Budget: Hearings on S.J. Res. 126 Before the Senate Comm. on the Judiciary, 96th Cong., 2d Sess. 18 (1980).
\textsuperscript{25} Id. at 3-4.
flexibility in case of national emergency and, most importantly, would provide the parameters within which future budgetary decisions would be made. A closer look at the amendment reveals an important link to the original intent of the Framers.

II. Reestablishing Fiscal Norms

The amendment would effectively reintroduce four fiscal norms into the Constitution. First, planned (budgeted) federal outlays should be no greater than planned federal receipts; that is, the Congress should not plan a deficit. Second, planned receipts should not grow more rapidly than the underlying general economy; that is, the burden of federal taxation should not grow from year to year. Third, actual federal outlays should be no greater than planned outlays. Fourth, implicit in the first three, actual federal outlays should not grow more rapidly than the underlying general economy; that is, the burden of federal spending should not grow from year to year.26

While reintroducing the fiscal norms that have been the sine qua non of fiscal responsibility, the proposed amendment nevertheless would provide Congress with flexibility to accommodate change. Planned federal receipts could be allowed to grow more rapidly than the economy, but only if an absolute majority in Congress agreed each year on the requisite tax law. Congress could plan a deficit, but only if three-fifths of the membership of each House agreed each year that circumstances warranted violation of the fiscal norm. The burden of federal spending could grow more rapidly than the general economy, but only if a congressional consensus annually existed either to violate the constitutional norm of balance between taxing and spending or to violate the constitutional norm of limited taxation.

The higher voting requirements and the necessity of reexamining the spending, taxing, and deficit issues each year mean that a continuing consensus in Congress would have to be maintained to violate the constitutional norms over time.27 Whenever that consensus broke down, the norms in the proposed constitutional amendment automatically would bind Congress. Since violation of these norms would require members of Congress to "take a stand," a consensus also would have to be maintained in the larger body politic.

Contrast this proposal with present constitutional law and congressional practice. Laws providing for increasingly burdensome taxing,

spending, and deficits are adopted "in perpetuity." To halt the growth of government, a consensus must emerge pressuring the Congress to enact new law. The difficulties inherent in reasserting fiscal responsibility are illustrated dramatically by the current budgetary turmoil in Congress.

III. Critics of the Proposed Constitutional Amendment

Critics of the proposed amendment may be classified into one or more of three camps.\(^28\) In the first are those who applaud the expansion of the federal sector over the last fifty years, including those who seek to transform America into a socialist state.\(^29\) This expansion clearly is contrary to wishes of the vast majority of Americans as expressed in elections and survey polls.\(^30\)

In the second camp are those who, while decrying this expansion of government, oppose any amendment which does not dictate a retrenchment of federal taxing and spending and an end to inflation-producing deficits.\(^31\) These critics fail to appreciate that the Constitution establishes decisionmaking processes, and not results. They also should note that the proposed amendment is compatible with the emergence of a new consensus for a smaller federal sector; each fiscally conservative Congress would establish a smaller federal share of the economy that would persist unless and until an extraordinary consensus appeared to approve a larger share. Furthermore, the amendment was drafted so as to provide Congress with an incentive to end inflation through the simple expedient of linking the current fiscal year statement to the growth of national income in the prior calendar year. Under the amendment,


\(^{29}\) Michael Harrington has been a prominent advocate of the Socialist cause. See generally M. Harrington, Socialism (1972).


inflation in the prior year would mean less real federal taxing and spending during the succeeding fiscal year.

The amendment eschews mandating equality between the revenues actually received by the federal treasury and statement receipts. Such a mandate would present the Congress and the Administration with an impossible task. Under the proposed amendment, Congress can guarantee that actual spending does not exceed planned spending; Congress cannot guarantee that actual revenues will be equal to planned revenues.

In the third camp are those who, while faulting the present fiscal regime, believe either that amending the Constitution to promote fiscal responsibility is inappropriate or that the proposed amendment is inappropriate.32 Such opposition comes in seven forms. One comes from those who believe that the only response to the present situation is election of "responsible" representatives.33 These opponents fail to appreciate that the Congress is now, and has been, populated largely by well intentioned, responsible individuals, many of whom have come to understand that they are caught up in a process which leads them to join in approving higher taxes, higher spending, and larger deficits. The history of fiscal irresponsibility is, in large part, the consequence of a defective institutional setting, which the proposed amendment would correct.

A second form of opposition comes from those who believe that the amendment represents an unwarranted intrusion into the fiscal powers of Congress.34 They forget that the fundamental purpose of a constitution is to restrain legislative majorities and that the Constitution, both in its original and in its present casting, contains various "fiscal" provisions.35 These critics also may fail to appreciate that the

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32. See, e.g., Tribe, Issues Raised by Requesting Congress to Call a Constitutional Convention to Propose a Balanced Budget Amendment, 10 PAC. L.J. 1627 (1979).


35. For example, U.S. CONST. art. I, § 8 states that: "The Congress shall have the Power to lay and collect Taxes, Duties, Impost and Excises, to pay the Debts . . . of the United States; . . . To borrow money on the credit of the United States; . . . To coin Money, regulate the value thereof, and of foreign Coin; . . ."

Section 9 prohibits money from being drawn from the Treasury without appropriations made by law. Id. at § 9.
amendment would be conducive to orderly and constructive conduct of
the nation's fiscal responsibilities.

A third form comes from those who would rely on statutory re-
form of the budget process, especially reform of the 1974 Budget
Act. This opposition fails to reckon with the rule that what one Con-
gress can enact into law, a subsequent Congress can repeal, either ex-
plitically or implicitly. The Ninetieth Congress adopted legislation
requiring a balanced budget which subsequent Congresses repealed
"by implication" each time they adopted unbalanced budgets. Statutes
and "rules of Congress" cannot cure fundamental defects in the Consti-
tution. Moreover, the amendment would motivate Congress to adopt
the changes in its practices that its critics believe would be desireable.

Those who take issue with specific aspects of the proposed amend-
ment compose a fourth form of opposition. They claim that certain
terms used in the amendment—such as "receipts," "outlays," and "na-
tional income"—are so lacking in clarity that the Congress would ride
roughshod over their intended application. Yet, as part of the control-
"legislative history," the detailed interpretation by the Senate Judi-
ciary Committee makes clear that the amendment permits considerable
latitude in application while effectively promoting fiscal responsibil-
ity. These opponents also fail to appreciate that, by their standard of
clarity, each and every provision of the Constitution drafted by the
Founding Fathers would be rejected, including the entire Bill of
Rights. Of necessity, constitutions are mere collections of words until
application gives them life. By implication, it appears that these oppo-
ents do not believe that members of Congress respond constructively

36. See, e.g., Constitutional Amendments Seeking to Balance the Budget and Limit Fed-
eral Spending: Hearings Before the House Subcomm. on Monopolies & Commercial Law of
the Comm. on the Judiciary, 97th Cong., 1st & 2d Sess. 299 (1981-82) (statement of Laurence
37. Congressional Budget and Impoundment Control Act of 1974, Pub. L. No. 93-3444,
38. See J.G. SUTHERLAND, STATUTES AND STATUTORY CONSTRUCTION §§ 34-36 (2d
ed. 1975).
39. Pub. L. No. 95-435, 92 Stat. 1051 (1978) contained an amendment to an Interna-
tional Monetary Fund loan program authorization measure requiring that, beginning in fis-
cal year 1981, total budget outlays of the federal government "shall not" exceed its receipts.
40. See, e.g., Economists' Open Letter, supra note 33; Wildawsky, Does Federal Spend-
ing Constitute a "Discovered Fault" in the Constitution?, reprinted in 128 CONG. REC. S8017-
23 (1982).
41. S. REP. NO. 151, supra note 7, at 43-60.
to their constitutional obligations. Yet, were this the case, the Constitution long ago would have become a dead letter.

Opposition also comes from those who argue that the amendment would entice Congress to respond perversely. These critics argue, for example, that restraining the growth of federal taxing and spending could pressure the Congress to rely more heavily on regulation of the private sector. Such regulation inevitably reduces the real growth of the economy. Under the amendment, however, slower real growth would be translated into slower real federal spending. Thus, a Congress seeking a steady flow of revenues would be unlikely to unduly hamper private sector growth.

A sixth form comes from those who believe that the amendment is impractical, either on economic or administrative grounds. These opponents fail to appreciate that the amendment would accommodate, but not require, countercyclical fiscal policy. They also fail to appreciate that states such as California have administered the stricter balanced budget provisions of their constitutions meaningfully and constructively. As implausible as it may be to the Washington establishment, federal compliance would be no more onerous.

Finally, opposition comes from those who believe that some other amendment would be more effective—such as one giving the President an “item veto.” However, there is no evidence that the item veto restrains either deficit spending or total government spending. Until Proposition 13, state spending in California grew at a rapid rate in spite


46. CAL. CONST. art. IV, § 12 provides that: “(a) Within the first 10 days of each calendar year, the Governor shall submit to the Legislature, with an explanatory message, a budget for the ensuing fiscal year containing itemized statements for recommended state expenditures and estimated state revenues. If recommended expenditures exceed estimated revenues, the Governor shall recommend the sources from which the additional revenues should be provided.”

of a constitutional provision giving the Governor an item veto. Ronald Reagan's experiences as Governor of California led him to initiate the first constitutional tax/spending limit movement. His experiences as President are leading him to support this amendment.

**Conclusion: Time for Constitutional Repair**

Justification for the amendment lies in the congressional fiscal irresponsibility that has come to burden this nation at least since the end of World War II. The history of an increasingly onerous tax burden, budgets evermore in deficit, inflation and high interest rates, declining rates of saving and investment, and declining rates of real economic growth is too well known to bear detailing here. Against this history, the American people have two choices: to permit, with occasional interruption, continuation of the deterioration of the last forty years or to begin repair of the constitutional defects which have become manifest. The balanced budget amendment would be a reasonable and constructive response.

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49. *Id.* at 60.