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THE WHITE HOUSE
WASHINGTON

Budget Resolution
Endorsements

also make copies of each of these endorsements + then file in the correct areas

To Morton

THE WHITE HOUSE
WASHINGTON

TO: Diana

FROM:

DATE: 4/27

The attached is for your:

Information	Review & Comment
Direct Response	Appropriate Action
EHD Draft Letter	Signature
File	Other

Comments: Be sure we add to our endorsement list.

PRO FAMILY COALITION

Box 1633 Huntington Beach, CA 92647 (714) 846-7236

FAMILIES ARE FOREVER

April 21, 1981

Elizabeth Dole
White House
Washington, D.C. 20500

Dear Mrs. Dole;

We at Pro Family Coalition endorse President Reagan's economic program, with his across-the-board tax cuts, feeling that it would be beneficial to the families of America.

Sincerely,

Doris Enderle

Doris Enderle
President

ROUNDTABLE ISSUES AND ANSWERS E
1500 WILSON BLVD
ARLINGTON VA 22209

western union Mailgram

UNITED STATES POSTAL SERVICE U.S.MAIL

4-0343018111 04/21/81 ICS IPMMTZZ CSP WSHB
7035253795 MGM TDMT ARLINGTON VA 36 04-21 0237P EST

ELIZABETH DOLE
OFFICE OF WHITE HOUSE LIASON
THE WHITE HOUSE 1600 PENNSYLVANIA AVE
WASHINGTON DC 20500

THIS IS TO ENDORSE WITHOUT RESERVATION THE PRESIDENTS TAX CUT AND
ECONOMIC PROGRAM.
EDWARD MCATEER, PRESIDENT ROUNDTABLE ISSUES AND ANSWERS

14:37 EST

MGMCOMP MGM

APR 23 REC'D

D CRAIG YOUNG
3335 WEST BROOKSIDE
PEORIA IL 61615

western union Mailgram

UNITED STATES POSTAL SERVICE U.S.MAIL

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3096825157 MGM TDBN PEORIA IL 79 04-22 0442P EST

ELIZABETH DOLE
WHITE HOUSE
WASHINGTON DC 20500

THIS IS TO EXPRESS THE FULL SUPPORT OF ILLINOIS CITIZENS FOR FAMILY LIFE FOR PRESIDENT REAGAN'S BUDGET CUTS AND TAX CUTS ILLINOIS CITIZENS FOR FAMILY LIFE IS A STATE WIDE ORGANIZATION THAT WORKS WITH GOVERNMENT IN AN EFFORT TO PROTECT AND PRESERVE FAMILY UNITS IN THEIR ENTIRITY PRESIDENT REAGAN'S ECONOMIC PLAN WILL CERTAINLY HELP FAMILIES HAVE MORE CONTROL OVER THEIR OWN RESOURCES

SINCERELY
CLAUDIA YOUNG STATE RESIDENT ILLINOIS CITIZENS FOR FAMILY LIFE

16:42 EST

MGMCOMP MGM

APR 23 REC'D

5241 (R1/78)

DAVID HAUSKINS
1460 VAN AUKEN SOUTHEAST
GRAND RAPIDS MI 49508

western union Mailgram

UNITED STATES POSTAL SERVICE U.S. MAIL

4-0048968112 04/22/81 ICS IPMBNGZ CSP WSHB
6164521642 MGM TDBN GRAND RAPIDS MI 49 04-22 0907A EST

HONORABLE ELIZABETH DOLE
WHITE HOUSE
WASHINGTON DC 20500

I AM TOTALLY OPPOSED TO LEGAL SERVICES AND SUPPORT PRESIDENT REAGAN'S PLAN TO CUT OFF ALL FUNDING, PLEASE LEND YOUR SUPPORT TO THIS EFFORT AND RELAY THIS MESSAGE TO PRESIDENT REAGAN.

DAVID HAUSKINS
1460 VAN AUKEN SOUTHEAST
GRAND RAPIDS MI 49508

09:11 EST

MGMCOMP MGM

APR 23 RECD

UNITED FAMILIES OF AMERICA
374 MAPLE AVE EAST
VIENNA VA 22180

western union Mailgram

UNITED STATES POSTAL SERVICE
U.S.MAIL

4-0400508111 04/21/81 ICS IPMMTZZ CSP WSHB
2023437214 MGM TDMT WASHINGTON DC 46 04-21 0335P EST

MRS ELIZABETH DOLE
WHITE HOUSE
WASHINGTON DC 20500

UNITED FAMILIES OF AMERICA STRONGLY SUPPORTS PRESIDENT REAGANS ECONOMIC PROGRAM INCLUDING BOTH BUDGET CUTS AND ACROSS THE BOARD TAX CUTS PLEASE STAND FIRM AND DO NOT HESITATE TO VETO AND UN-ACCEPTABLE CONGREGATIONAL PACKAGE

CLIFFORD I CUMMINGS PRESIDENT UFA

15:36 EST

MGMCOMP MGM

APR 23 REC'D

TO REPLY BY MAILGRAM, SEE REVERSE SIDE FOR WESTERN UNION'S TOLL - FREE PHONE NUMBERS

MICKEY EDWARDS MEMBER OF CONGRES
316 PENNSYLVANIA AVE SOUTHEAST
WASHINGTON DC 20003

western union Mailgram

UNITED STATES POSTAL SERVICE U.S.MAIL

4-0530038111 04/21/81 ICS IPMMTZZ CSP WSHB
2025466555 MGM TDMT WASHINGTON DC 75 04-21 0548P EST

MRS ELIZABETH DOLE, ASSISTANT TO PRESIDENT
PUBLIC LIAISON
WHITE HOUSE
WASHINGTON DC 20500

DEAR MRS DOLE, PLEASE ADD THE AMERICAN CONSERVATIVE UNION, ITS BOARD OF DIRECTORS, AND ITS OVER 300,000 MEMBERS AND SUPPORTERS TO LIST OF THOSE SUPPORTING PRESIDENT REAGAN'S ECONOMIC PACKAGE. WE BELIEVE IT IS THE ONLY AND BEST HOPE FOR A NEW ECONOMIC BEGINNING IN AMERICA.

SINCERELY
MICKEY EDWARDS MEMBER OF CONGRESS CHAIRMAN AMERICAN CONSERVATIVE UNION
316 PENNSYLVANIA AVE SOUTHEAST
WASHINGTON DC 20003

17:48 EST

MGMCOMP MGM

APR 23 REC'D

TO REPLY BY MAILGRAM, SEE REVERSE SIDE FOR WESTERN UNION'S TOLL - FREE PHONE NUMBERS

APR 23 REC'D

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00621 04-22 0531P EST

PMS WHITE HOUSE DC

1-022254A112 04/22/81

TLX ARMCO MDWN CIN

009 NL MIDDLETOWN OHIO APRIL 22 1981

PMS ELIZABETH DOLE

ASSISTANT TO THE PRESIDENT FOR PUBLIC LIAISON

THE WHITE HOUSE

1600 PENNSYLVANIA AVENUE, N.W.

WASHINGTON, D.C.

WE TOTALLY ENDORSE THE PRESIDENT'S PROGRAM FOR ECONOMIC RENEWAL.

IT IS CRITICAL THAT WE PASS INTO LAW ALL OF THE SPENDING AND TAX REDUCTIONS AS RECOMMENDED BY THE PRESIDENT. WE ALSO SUPPORT THE PRESIDENT'S INITIATIVES ON REGULATORY REFORM. WE ARE ANXIOUS TO HELP MOVE THIS PACKAGE THROUGH CONGRESS AS SOON AS POSSIBLE.

C. WILLIAM VERITY, JR.
CHAIRMAN - ARMCO INC.
CHAIRMAN - U. S. CHAMBER OF COMMERCE

455P JB

1734 EST

THE WHITE HOUSE

WASHINGTON

May 27, 1982

MEMORANDUM FOR DIANA LOZANO

FROM: MORTON C. BLACKWELL MB

SUBJECT: List for Thanks on Budget Resolution

As I have repeatedly said, conservative movement activists range from apathy to opposition on the issue of an Administration \$100,000,000,000 deficit budget resolution. If we are handing out thanks for support at this time, I suggest that we thank the people who have recently expressed in public and in private that they are actively praying in behalf of the President. That list includes:

Dr. Bill Bright
Campus Crusade for Christ
Arrowhead Springs
San Bernardino, CA 92414

Dr. Jerry Falwell
Old Time Gospel Hour
Thomas Road Baptist Church
Lynchburg, VA 34514

Mr. John Beckett
Intercessors for America
P. O. Box D
Elyria, Ohio 44305

Mr. T. Cullen Davis (Karen)
Christian Women's National Concerns
Box 1224
Fort Worth, TX 75202

Rev. Ray Bringham
Prayer Summit
Evangel Tabernacle
Drawer B
Louisville, Kentucky 40219

The veterans and Indians decided to sit out this fight.

EHD
Red
Jack
Diana
Wayne V
Bob B
Thelma D

Morton B
Wendy B
Virginia K
Henry Z
Bill T
D-Budget File

Document No. ____________

WHITE HOUSE STAFFING MEMORANDUM

DATE: 5/24/82 ACTION/CONCURRENCE/COMMENT DUE BY: --

SUBJECT: REVISED FACT SHEET RE BUDGET

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☑	GERGEN	☐	☑
MEESE	☐	☑	HARPER	☐	☑
BAKER	☐	☑	JAMES	☐	☑
DEAVER	☐	☑	JENKINS	☐	☑
STOCKMAN	☐	☑	MURPHY	☐	☑
CLARK	☐	☑	ROLLINS	☐	☑
DARMAN	☐P	☑SS	WILLIAMSON	☐	☑
DOLE	☐	☑	WEIDENBAUM	☐	☑
DUBERSTEIN	☐	☑	BRADY/SPEAKES	☐	☑
FIELDING	☐	☑	ROGERS	☐	☐
FULLER	☐	☑	____________	☐	☐

Remarks:

These are revised fact sheets prepared by OMB on the Bipartisan Recovery Budget we are supporting in the House.

Richard G. Darman
Assistant to the President
(x2702)

Response:

last. passed by a majority will contact
Latta Aspin

May 24, 1982

Summary of Bipartisan Package

FY 83 Impact:

- $76 billion deficit reduction package -- cuts deficit to $103 billion.
- $56 billion in spending cuts and debt services savings -- 74 percent of total package.
- Balanced distribution of spending cuts among all major budget components:

Non-defense discretionary...........	$7.0 billion
Targeted entitlements...............	6.9 billion
Defense*............................	7.5 billion
Federal pay and pension caps and user fees........................	7.4 billion

- Permits addbacks to Administration budget for key domestic education and social programs but still achieves $14 billion in discretionary and entitlements savings or 67 percent of the President's proposed savings in these categories.
- Achieves defense economies of $10 billion in pay and programs, but still permits 7 percent real growth rate to carry forward defense rebuilding program.
- Assumes no change in third year of individual rate cuts or in basic business depreciation reforms designed to spur investment and new jobs.

Three-year Impact (FY 83-85)

- Puts deficit on a steady downward glide path, dropping to about 1 percent of GNP by FY 85.

1983	1984	1985
103	80	52

- Three-year deficit reduction package totals $388 billion -- with $293 billion or 76 percent accounted for by spending cuts and debt service savings.

---

* Includes rejection of $2.2 billion CBO re-estimate of President's budget

- Provides $75 billion in targeted entitlement and discretionary program savings -- 75 percent of the President's original request.

- Reduces cost of Federal pay and retirement COLA's by $31 billion over three years.

- Ensures net tax reduction of $312 billion over FY 83-85 compared to pre-1981 tax cut.

- Reduces government spending as a share of GNP from 24 percent in 1985 under a "do nothing" policy (CBO baseline) to about 21 percent with Bipartisan package.

Bipartisan Package Compared to "Coalition" Resolution

Coalition Has Excessive Tax Increase

- $135 billion over three years compared to revenue target of $95 billion* in Bipartisan package.

- Coalition tax increase is nearly three times greater than President's February Budget.

- Cancels 33 percent of three year tax reduction ($407 billion) voted by Congress last year.

- Results in $247 billion total tax increase over FY 83-85 when added to scheduled Social Security tax rises.

- Coalition revenue target can not be achieved without repeal of third year rate cut and major scale-back of business tax incentives for investment, productivity and jobs.

Eliminates Most of Essential National Security Buildup

- Coalition package includes $52 billion in defense program savings and $15 billion in pay and retirement savings.

- This $66 billion total DOD cut eliminates 74 percent of the Administration's increase over the last Carter defense budget.

- Coalition defense outlay target would require at least $100 billion in budget authority cuts over three years -- resulting in major damage to strategic modernization, readiness, and upgrading of conventional land, air and naval forces.

- Coalition defense program cut is $23 billion larger or 196 percent of Bipartisan package defense program savings.

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* Only $20 billion in FY 83 is binding under Bipartisan package. If economic and budget conditions improve, outyear revenue targets could be lowered.

Minimal Domestic Spending Cuts

- Coalition provides three-year savings of $48 billion in discretionary spending and targeted entitlements.

- This represents only about 47 percent of the President's February Budget savings and falls far short of $75 billion in Bipartisan package.

- Coalition three year entitlements savings of $16 billion amount to only 1.4 percent of current law (automatic) entitlement spending baseline of $1.2 trillion.

Old Priorities

- The Coalition package represents a relapse to the failed fiscal policies of the 1970's: Excessive tax increases, inadequate defense funding and over-spending for domestic programs.

- Coalition tax increases and defense cuts total $201 billion or 47 percent of deficit reduction package.

- By contrast, the Bipartisan package contains only $139 billion in defense savinsg and revenue increases, or 36 percent of deficit reduction package.

Superiority of Bipartisan Package

- Unlike the Coalition plan, the Bipartisan package provides a balanced approach to reducing the deficit that is consistent with the President's basic priorities:

  - Bipartisan package outlay savings total $293 billion or 75 percent of total deficit reduction package.

  - Bipartisan package preserves 87 percent ($312 billion) of net three-year tax cut contained in President's February Budget.

  - Bipartisan package entitlement savings total $39 billion, more than double the Coalition package.

POLICY CHANGES: BIPARTISAN RECOVERY BUDGET

		1983	1984	1985	Totals 1983-85 BRB	President's Budget 4/	Coalition
1)	Baseline Deficit..........	182.0	216.0	232.5	630.5	630.5	630.5
	Adjustments for supplementals not in baseline and actual COLA.........	-0.5	-0.7	-0.4	-1.6		-1.6
	Other adjustment1/.....	-2.6	-2.0	-1.7	-6.3		-0.2
2)	Adjusted Baseline.........	178.9	213.3	230.4	622.6		628.7
	Deficit Reduction Measures:						
3)	Management...............	12.7	16.0	14.9	43.6	33.9	43.5
4)	User Fees2/...............	1.9	2.4	3.1	7.4	9.0	6.0
5)	Federal Pay3/.............	5.0	8.9	12.1	26.0	10.2	23.0
6)	COLA's....................	0.5	1.7	3.0	5.2	4.7	---
7)	Non-defense Discretionary.	7.0	12.8	21.4	41.2	53.3	32.4
8)	Targeted Entitlements.....	6.9	11.3	15.7	33.9	48.5	15.6
9)	Defense (excluding pay/ retirement)..............	5.3	7.0	10.0	22.3	1.2	45.7
10)	Rejection of CBO defense reestimates (excluding pay/retirement)..........	2.2	1.9	1.7	5.8		5.8
11)	Other outlay changes 4/...	2.1	2.1	2.0	6.2	1.9	-0.2
12)	Revenue...................	20.0	35.0	40.0	95.0	45.2	134.8
13)	interest rates5/..........	8.3	19.6	28.1	56.0	---	55.1

AbP203:96
May 23, 1982

POLICY CHANGES: BIPARTISAN RECOVERY BUDGET (continued)

	1983	1984	1985	Totals 1983-85: BRB	Totals 1983-85: President's Budget 4/	Totals 1983-85: Coalition
14) Debt Service6/............	4.4	14.9	26.2	45.5	45.6	55.2
15) Credit Budget............	---	---	---	---	7/	7.0
16) Total Deficit Reduction...	76.3	133.6	178.2	388.1	260.5	423.9
17) Remaining Deficit.........	102.6	79.7	52.2	234.5	370.0	204.8

1/ Includes $0.2 billion lower CBO baseline in 1983 for BRB and Coalition and adjustments for lower 1982 deficit for BRB in 1983-1985.
2/ Outlays and receipts.
3/ Cap at 4% and assume 20% absorption. Additional 30% absorption for BRB.
4/ CBO estimates. The $260.5 billion total for the President's Budget includes $7.0 billion of savings for certain social services programs, employer share employee retirement, and several mandatory programs that are not shown on the table. All alternatives include savings bond proposal.
5/ For BRB, includes effect of raising interest rates charged in certain Federal credit programs.
6/ Debt service savings for the President's budget are estimated by CBO using CBO pre-policy interest rates. Debt service savings for Congressional alternatives are estimated using post-policy rates, which are 2 1/2 percentage points lower.
7/ President's Budget has $1.8 billion in credit budget outlay savings for 1983. Figures for 1984 and 1985 are unavailable.

AbP203:96
May 23, 1982

POLICY CHANGES: COALITION

		1983	1984	1985	Totals 1983-85: Coalition	Totals 1983-85: Budget 4/	Totals 1983-85: Senate Passed
1)	Baseline Deficit..........	182.0	216.0	232.5	630.5	630.5	630.5
	Adjustments for actual COLA and supplementals not in baseline........	-0.5	-0.7	-0.4	-1.6		
	Other adjustment........	-0.2 1/	--	---	-0.2		
2)	Adjusted Baseline.........	181.3	215.3	232.1	628.7		
Deficit Reduction Measures:							
3)	Management................	12.9	16.0	14.6	43.5	33.9	33.1
4)	User Fees2/..............	2.0	2.0	2.0	6.0	9.0	6.0
5)	Federal Pay3/............	4.0	8.0	11.0	23.0	10.2	27.3
6)	COLA's....................	---	---	---	---	4.7	15.0
7)	Non-defense Discretionary.	4.6	10.6	17.2	32.4	53.3	26.2
8)	Targeted Entitlements.....	3.2	5.2	7.2	15.6	48.5	24.4
9)	Defense (excluding pay/ retirement)..............	9.4	14.3	22.0	45.7	1.2	22.0
10)	Rejection of CBO defense reestimates (excluding pay/retirement)..........	2.2	1.9	1.7	5.8		
11)	Other outlay changes......	1.1	-0.3	-1.0	-0.2	1.9 4/	---
12)	Revenue...................	29.8	46.0	59.0	134.8	45.2	102.3
13)	Interest rates............	8.0	19.1	28.0	55.1	---	54.9

AbP171:96
May 23, 1982

POLICY CHANGES: COALITION (continued)

	1983	1984	1985	Totals 1983-85: Coalition	Totals 1983-85: President's Budget 4/	Totals 1983-85: Senate Passed
14) Debt Service..............	6.9	17.8	30.5	55.2	45.6 5/	46.3 5/
15) Credit Budget.............	2.1	2.5	2.4	7.0	6/	---
16) Total Deficit Reduction...	86.2	143.1	194.6	423.9	260.5	357.5
17) Remaining Deficit.........	95.1	72.2	37.5	204.8	370.0	273.0

1/ Differs from official baseline deficit of $182.0 for unknown reason.
2/ Outlays and receipts.
3/ Cap at 4% and assume 20% absorption.
4/ CBO estimates. The $260.5 billion total includes $7.0 billion of savings for certain social services programs, employer share employee retirement, and several mandatory programs that are not shown on the table.
5/ Debt service savings for the President's budget are estimated by CBO using CBO pre-policy interest rates. Debt service savings for Congressional alternatives are estimated using post-policy rates, which are 2 1/2 percentage points lower.
6/ President's Budget has $1.8 billion in credit budget outlay savings for 1983. Figures for 1984 and 1985 are unavailable.

AbP171:96
May 23, 1982

File Balanced Budget, Tax Limitation

THE WHITE HOUSE
WASHINGTON

4/29/82

TO: Dick Darman

FROM: Ken Duberstein

As we discussed, you may want to circulate this background fact sheet/status report on the Balanced Budget Constitutional Amendment to our legislative strategy group (expanded).

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

April 28, 1982

BALANCED BUDGET CONSTITUTIONAL AMENDMENT

S.J. Res 58 now has 53 co-sponsors (39 Republicans and 14 Democrats). The principal sponsors are Thurmond and Hatch.

H.J. Res 350, as of Wednesday, April 28, has 201 co-sponsors (147 Republicans and 54 Democrats). The principal sponsors are Conable (R-NY) and Jenkins (D-GA).

S.J. Res 58 and H.J. Res 350 are identical.

To pass, 2/3 of those present in the Senate and House must vote "aye."

32 states have endorsed a call for a Constitutional Convention. 34 are required for a Convention. 38 states required to ratify under this approach, which is the same ratification process required under the legislative approach.

Since 1960, there has been only one balanced budget.

What S.J. Res 58 and H. J. Res 350 do:

SECTION 1: Prior to the beginning of each fiscal year, Congress must adopt a statement of income (receipts or taxes) and expenses (outlays) for the upcoming fiscal year which provides that income cannot exceed expenses. The Congress and the President are charged with ensuring this is adhered to. If the Congress wants to amend this during the year, both the Senate and House must concur and 3/5 of the whole number must support such a waiver. 261 hard votes in the House and 61 hard votes in the Senate.

SECTION 2: Provides that taxes cannot increase any faster than national income. In other words, the budget can't be balanced simply by raising taxes disproportionately. This can be amended by Congress if a simple majority of the whole number of both the Senate and House (218 Hard votes in the House and 51 hard votes in the Senate).

SECTION 3: Provides that Congress may waive the budget balancing provisions for any fiscal year in which a declaration of war is in effect.

SECTION 4: Provides that Congress may not require that the states engage in additional activities without compensation equal to the additional costs. In other words, the states are protected from the Feds shifting expensive programs to them without providing financing to support such programs.

SECTION 5: Total receipts shall include all receipts of the United States except those derived from borrowing and total outlays shall include all outlays of the United States except those for repayment of debt principal.

SECTION 6: This article shall take effect for the second fiscal year beginning after its ratification.

On May 19, 1981, the Senate Judiciary Committee reported S.J. Res. 58 favorably 11-5. It is now ready for Senate Floor debate.

In the House, Chairman Rodino of the House Judiciary Committee, is purposely delaying committee action.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

May 20, 1982

Dear Editor,

I believe you will find interesting Dave Stockman's recent testimony on the proposed balanced budget constitutional amendment.

Sincerely,

Edwin L. Dale Jr.

Edwin L. Dale, Jr.
Assistant to the Director
for Public Affairs

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

FOR RELEASE ON DELIVERY
Expected at 9:30 a.m.
Wednesday, May 19, 1982

Remarks of David A. Stockman
Director of the Office of Management and Budget
before the
House Subcommittee on Monopolies and Commercial Law
Committee on the Judiciary

Mr. Chairman, I am here today to express the President's and the Administration's support for H.J. Res. 350, the balanced budget/tax limitation amendment to the Constitution.

Amending the Constitution of the United States of America is a serious matter, and we have arrived at our position only after extensive consideration of the underlying issues and the consequences such an amendment would have.

During the time when it appeared possible that a balanced budget could be achieved by the Congress under the leadership of a President firmly committed to reducing spending, there was little forward motion on the balanced budget/tax limitation amendment. But in recent months, when a balanced budget has become a more distant goal and increased taxes are being presented more and more often as a way to reduce deficits, the interest in the amendment has been rekindled, both in the Congress and in the country as a whole.

The truth of the matter is that in spite of continual efforts to limit spending, the Federal budget is out of control. This is not the consequence of the Administration's tax policies or its defense policies. Administration policies restore tax burdens and defense spending to levels measured against GNP that prevailed during the long period of national productivity and national defense strength from 1946 to 1973.

The tax policies in the FY 1983 budget hold the government's claim on income to about 19 percent of GNP -- slightly above the level of the post-war period. Similarly, the defense share of GNP will stabilize -- even after the full effects of the build-up are felt -- at slightly over 7 percent of GNP. This is lower than the share during the 1946-73 period.

	Historic Level 1946-73	Long-Run Reagan Policy
Tax Share of GNP.........	18.1	18.6
Defense Share of GNP.....	8.9	7.3

In fact, the driving force behind the present fiscal disequilibrium is non-defense spending, which grew steadily during the 1950s and 1960s, explosively during the 1970s, and still carries forward enormous residual momentum despite our efforts to reduce its growth.

Non-Defense Spending as a Share of GNP

Period	Percent
1946-54....................	8.5%
1955-64....................	9.3
1965-76....................	13.0
1977-81....................	16.7
1982-83....................	16.7
1984-85 (baseline).........	17.4

As can be seen from the above, non-defense spending growth accelerated rapidly during the past decade. Outstripping the growth of both inflation and real output by a wide margin, its real claim on GNP grew by 4.4 percentage points from 1971 to 1981.

This rapid growth occured in almost all categories of non-defense spending.

Discretionary spending for education, employment and training, social services, law enforcement, community development, and the like grew from $44 billion in 1970 to $148 billion in 1981. This represented an 11.3 percent annual rate of growth, compared to after-tax income growth of 10.2 percent.

The medical and means-tested entitlements grew even more explosively, rising from $17 billion to $91 billion in less than a decade. This amounted to a real growth of 9 percent a year, compared to real national income growth of 3 percent.

Finally, all non-defense entitlement spending, including Federal pensions and social security, simply sky-rocketed out of control. In 11 years, annual outlays increased by the staggering sum of one quarter of a trillion dollars.

Explosion of Non-Defense Spending Growth

During 1970s (in billions)

Budget Component	1970	1981	Growth Rate Nominal	Growth Rate Real
Discretionary..............	$44	$148	11.3%	3.3%
Medical and Means-tested Entitlements............	17	91	16.2	8.8
All Non-defense Entitlements	60	292	15.2	7.8

Were this a temporary aberration, it might be concluded that the passage of time, the emergence of more responsible fiscal attitudes and a better political climate could cure the problem. But a look at future budget projections and current spending control proposals pending in the Congress indicates that a more powerful and reliable fiscal control mechanism is needed.

Under current law, the Congressional Budget Office estimates that non-defense entitlements will cost $359 billion in fiscal 1983, and $1.2 trillion over the next three years. That huge sum embodies the essence of the fiscal problem and deficit crisis now upon us. Yet in the face of triple digit deficits and non-defense entitlement spending reaching 1/2 trillion a year in fiscal 1987, the House Budget Committee last week proposed a three-year budget that reduces these massive prospective expenditures by a paltry 1.3 percent.

Non-Defense Entitlement Spending
(Outlays in Billions of Dollars)

	1983	1984	1985	Total 1983-85
Baseline, Non-defense Entitlement Costs......	359	387	424	1,169
Proposed Net Savings, House Budget Committee.	2	5	8	15
Savings as a Percentage of Baseline...........	0.7%	1.3%	1.8%	1.3%

The implications of these figures are clear. The future will bring either continued intolerable high deficits, or massive tax increases on already over-burdened taxpayers, unless something is done.

There is, of course, no substitute for responsible fiscal decision-making. But trends of the last decade and attitudes prevalent in the current Congress make it clear that the budget process itself is badly out of balance and contains a strong inherent bias toward excessive taxing and spending and chronic deficits.

This was not always the case. For many years balancing the budget was considered part of our "unwritten constitution." Excessive public debt was considered dangerous. When deficits were incurred as a result of foreign conflicts or brief recessions, efforts were made to repay them expeditiously. The Civil War, during which the national government incurred enormous debts, was followed by 28 years of surpluses. Ten years of surplus budgets followed the deficit spending of World War I. The fiscal norm during peacetime was clearly a balanced budget.

The deficits of the Great Depression were followed by deficits of World War II, and in subsequent years the view that deficit spending could be used as a tool of economic policy first competed with and finally swamped the earlier commitment to the norm of balanced budgets. The budget has been in deficit in 26 of the 31 years since 1950.

In addition to using the Federal budget as a tool of economic policy, the government became increasingly involved in social welfare, and the Federal government funded programs that in health, education, and a variety of welfare services that would have been considered fundamentally inappropriate in earlier years.

The fiscal norm of a balanced budget, once an unwritten part of our Constitution, no longer operates to restrain Federal spending. Federal spending has risen to 23 percent of GNP from 3 percent in 1930, and taxes are over 21 percent of GNP.

The extraordinary expansion in the scope of activities considered appropriate for Federal intervention has increased enormously the number of people who benefit from Federal largesse, whether the programs are broad-based or specific to particular constituencies. There is thus an inherent and potentially increasing bias in the political process toward spending to satisfy the multiplicity of fiscal constituencies, and no counter-weight in this process that restrains overall spending.

The inherent bias of the budget process is apparent in the continual deferral of decisions on automatic entitlement spending resulting from a seeming unwillingness to restrain transfer payments. The simple mathematics of the electoral process is at work here. The number of transfer payment beneficiaries has been growing relative to the number of taxpayers. The ratio of people privately employed to transfer payment recipients was over 5 to 1 in 1950, but by 1983 this ratio will have declined to only 1.3.

	Number of People Privately Employed	Number of Transfer Payment Recipients	Ratio
1950..........	52.9	10.4	5.1
1965..........	61.0	30.8	2.0
1983..........	83.1	62.5	1.3

The inherent bias of the budget process is also apparent in the asymmetry between powerful special interest groups and the general taxpayer. The voices of special interest groups are loud and clear, but the effect of each program, taken individually, on the taxpayer is miniscule. This encourages members of Congress to satisfy these special interests at the expense of the general taxpayer. These pressures are brought to bear on members of Congress by voters who in most cases are taxpayers themselves. As taxpayers, they would often be willing to support fiscal responsibility with respect to all Federal spending, including that of specific personal benefit. But this is not the choice they have. There is no effective way to vote for overall fiscal constraint. Their best choice is to support their own interests, while doing little to oppose the spending that benefits other special interest groups, since only in the aggregate does the multiplicity of spending programs affect the individual taxpayer. For example:

- o Dairy subsidies are $7,000 per dairy producer; but the individual taxpayer pays only about $18 a year for dairy subsidies.
- o In 1980 the Federal subsidy per Amtrak passenger exceeded the cost of an economy airline ticket on five routes, and yet the Congress is firmly unwilling to close down any Amtrak train; Federal subsidies for Amtrak cost abut $8 per taxpayer that year, and so the program continues.

- The annual subsidy for families in newly constructed Section 8 subsidized housing is in some cases as high as $17,000 a year, but Congressional interest in continuing this extraordinarily expensive method of providing housing subsidies continues, fueled not so much by those who would receive the subsidies but by the contractors who would construct the housing. Subsidized housing outlays averaged over $1,800 per subsidized household in 1981, but only $52 per taxpayer in the United States.
- Higher gasoline taxes and higher spending for highways is supported primarily by highway construction interests.
- Operating subsidies for the U. S. Merchant Marine are $60,000 per merchant billet, costing $4 per taxpayer.
- The FAA provided services to general aviation amounting to over $3,600 per general aviation aircraft in excess of user fees paid by general aviation, but the cost per taxpayer is only $6.

In conclusion, there is clearly a fundamental systematic bias in our political system in favor of tax spenders versus taxpayers. This bias is enouraged by the fact that it has been unnecessary for the Congress to make evident the consequence of its aggregate spending decisions by voting for tax increases. Tax increases have occurred automatically as a consequence of the progressive tax structure and inflation. The tax burden has increased from 18.6 percent in 1960 to 21 percent in 1981, but since 1960 the Congress has voted individual income tax reductions seven times, while voting a tax increase, in the form of a temporary income tax surcharge to finance the Vietnam war, on only one occasion. Deficit spending and bracket creep have enabled the Congress to avoid politically difficult votes on individual programs, gaining political capital with one interest group without having to pare spending for another group. The voice of the general taxpayer is seldom heard.

The spending bias now inherent in the political process cannot be overcome by statute. That approach has been tried, and it has quite obviously failed. To take just one example: the Byrd-Grassley Amendment required a balanced budget for fiscal 1981, but was without consequence. The problem is, of course, that any such statute can be overridden by a subsequent majority vote.

At this point in our history, Constitutional fiscal norms are clearly needed to restore equilibrium in the budget process. The attempt to draft a Constitutional Amendment for this purpose has a long history, culminating in the resolution now before this Committee -- H.J. Res. 350. The purpose of this proposed amendment is not to write economic policy into the Constitution by requiring any particular levels of taxation or spending, but rather to make the budget process more responsive and democratic, more neutral, by eliminating the structural bias toward increased levels of spending that are now built into the political system.

1) <u>A Constitutional Amendment, if it is to restore balance, must restrain both deficits and tax growth.</u> Balancing the budget in itself is not enough. It would not restrain the political pressure for higher spending and could lead to continual increases in the share of the nation's output consumed by the Federal government.

H.J. Res. 350 does restrain both deficits and tax growth. It limits growth in taxes by requiring that the increase in taxes in any given fiscal year be no greater than the prior calendar year's growth in national income. It thus ends automatic increases in the tax burden. In the absence of legislation cutting tax rates, taxpayers have experienced annual increases in tax burdens without explicit action by the Congress to raise taxes. Under H.J. Res. 350, this could no longer occur. The budget could not be balanced at whatever level of spending the Congress happened to support simply by increasing the tax burden.

H.J. Res. 350 restrains deficits by a combination of two of its provisions. First, Congress must plan a balanced budget: planned outlays must be no greater than planned receipts. This is the fiscal norm of a balanced budget.

Second, H.J. Res. 350 requires that actual outlays not exceed planned outlays. This is an absolute requirement of the proposed amendment. The fiscal norms of a balanced budget and of tax increases limited to the growth in national income can be overcome by other provisions of the amendment, but this norm cannot.

Acting together, these two provisions of the amendment will restrain deficits. Although actual receipts can be lower than planned, creating a deficit for the fiscal year, the lower receipts will constrain outlay growth in a subsequent fiscal year, preventing a continuation of spending growth that outstrips the growth in national income. Thus both tax growth and outlay growth are tied to the increase in national income, effectively restraining deficit spending.

2) A Constitutional Amendment must also be flexible. H.J. Res. 350 does provide flexibility. It allows the Congress to vote to accept a deficit if three-fifths of the full membership of both Houses feel such a deficit is necessary; and it allows an ordinary majority of the full membership plus the President to approve an increase in taxes in excess of the rate of increase in the prior year's national income.

Occasions may arise when the Congress considers deficit financing of expenditures necessary -- in time of prolonged recession, for example, or under threat of war. For such reasons, or any others that the Congress may consider appropriate, an unbalanced budget statement can be adopted. It must, however, be adopted explicitly, by a vote on that subject alone; and the requirement that actual outlays not exceed statement outlays would continue to hold. The amount of the planned deficit would thus be explicit, and individual members of Congress would be made accountable for the decision to undertake expenditures requiring deficit financing.

Similarly, the Congress can, by an explicit decision in a vote solely on that subject, increase the Federal share of the Gross National Product taken in taxes. The requirement is not a great deal more strenuous than is now imposed for votes on tax measures -- the only difference is that a majority of the full membership rather than those present is required. Like other tax bills, the resulting legislation would be subject to Presidential veto.

Thus, the fiscal norm limiting tax increases to the growth in national income is relatively easy to overcome; H.J. Res. 350 would not enshrine in the Constitution any specific ratio of taxes to national income. It would merely make the decision to increase the Federal tax burden an explicit one for which each member of Congress would stand accountable.

Furthermore, H.J. Res. 350 provides flexibility with respect to economic expansions and contractions. It does not require that actual receipts equal planned receipts, and thus there is no implication that the Congress would be required to raise tax rates to deal with declining receipts in a recession, nor must higher-than-expected receipts be returned to the taxpayers; an actual surplus may occur.

Also, the growth of actual outlays in a given fiscal year is linked, through the three requirements of the amendment, to growth in national income in the calendar year prior to the fiscal year. The average length of the business cycle in peacetime -- from peak to peak or trough to trough -- has been, over a long period of time, about 46 or 47 months. The 21-month lag in the proposed amendment between national income growth and outlay growth is about half this average length.

Outlays in years of recession would thus be increasing in accordance with rates of growth in the previous expansion; and during expansions, growth in outlays would be limited to the growth in national income during the previous downturn, providing a counter-cyclical fiscal policy that would tend to moderate the business cycle.

H.J. Res. 350 does not require that actual outlays be no greater than actual receipts, not does it require actual receipts to be equal to receipts expected when the Congress adopted its budget statement. Revenues are permitted to fall, and recession-induced deficits can occur. A one-point increase in the rate of unemployment increases the deficit by about $28 billion, but only $7 billion of this is an increase in outlays. Most of it -- $21 billion -- is a decline in tax revenues.

H.J. Res. 350 also provides for deficits in wartime, permitting the Congress to waive its requirements for any year in which a declaration of war is in effect. A wide variety of events, not necessarily entailing a declaration of war may, however, pose threats to national security. The Administration would, therefore, encourage the Congress to amend H.J. Res 350 to allow a broader range of events -- unforeseen events posing an imminent threat to national security -- to qualify for a waiver. The Administration would be pleased to work with the sponsors of the amendment on language to ensure flexibility to help meet an increase in outlays in a given year due to unforseeable events that are imminent threats to the national security.

3) <u>Finally, Constitutional fiscal norms must be enforceable</u>. H.J. Res. 350 accomplishes this by enforcing outlays, requiring that actual outlays not exceed statement outlays. Outlays are under far greater control of the Congress than receipts. The proposed amendment places no requirements on actual receipts; they need not equal or exceed statement receipts. Nor does it require an equivalence between outlays and receipts in a given fiscal year. The amendment is silent on how this fiscal norm is to be achieved, except to say that "The Congress and the President shall ensure that actual outlays do not exceed the outlays set forth in such statement." The legislative history of S.J. Res. 58, the Senate counterpart of H.J. Res. 350, notes that this clause is intended to impose a mandate on the President and the Congress to monitor the flow of actual outlays and to take such steps as are necessary to prevent actual outlays from exceeding statement outlays.

It is sometimes argued that meeting the outlay norm of the amendment would be extremely difficult because a major portion -- over 75 percent -- of the budget is uncontrollable. This is not the case. The only truly uncontrollable item in the Federal Budget is interest on the national debt -- about 12 percent of outlays in the current fiscal year.

All other spending <u>is</u> controllable by Congress. Last year Congress demonstrated that it is possible to control "relatively uncontrollable" spending when it cut entitlements by nearly $40 billion over fiscal 1983-85. This is a small start, but it is a start.

At the present time, 77 percent of 1983 budget outlays are classified as "relatively uncontrollable" under current law -- 47 percent for payments to individuals and 17 percent for prior year contracts and obligations, in addition to 13 percent for net interest. This is up from 69 percent in 1973 and 59 percent in 1967. The budget did not get into this supposedly uncontrollable condition by accident, and it does not have to remain in this condition. The imbalance between current law outlays and receipts, in which so-called "relatively uncontrollable" outlays are clearly involved, extends into future years. This imbalance can and should be corrected by the Congress. The Constitutional norms of H.J. Res. 350 would force this issue to be addressed on a regular basis, and encourage the problems of future years to be considered in the current budget process.

Outlays in a given fiscal year may, of course, be greater than expected as a result of unforeseen economic events. It is argued that enforcement of the requirement that actual outlays not exceed statement outlays could therefore lead to drastic and perhaps even draconian measures to reduce outlays within a given fiscal year.

There is a solution to this problem, which is simply to budget for it -- to establish a reserve or contingency fund to cover outlays that exceed their expected level. The increase in actual 1980 and 1981 outlays resulting from economic changes was about 5 percent of total outlays each year. Thus, a reserve of 5 to 8 percent of outlays should be a reasonable amount.

Finally, there is concern that placing fiscal norms in the Constitution will invite their circumvention by a variety of novel devices, and thus the amendment would fail to accomplish its purpose. H.J. Res. 350 prevents, however, evasion of its discipline by a definition of outlays that includes off-budget outlays such as those of the Federal Financing Bank. It leaves unresolved -- as it should -- treatment of a number of other budgetary concepts. The Administration would therefore recommend that a Bipartisan Budget Concepts Commission be established, in the event the amendment is ratified, to define budget concepts and recommend machinery for achieving the fiscal norms established by the amendment.

While concepts need to be defined and machinery put into place, evasion of the amendment is actually less likely than the skills of creative budgeteers would lead one to believe. Ratification of the amendment would be a strong expression on the part of the voters for the fiscal norms it embodies, and thus the amendment should actually help to restrain creative budgeting rather than encourage it, so long as the public is willing to hold their representatives responsible for enforcing the Constitution.

In conclusion, H.J. Res. 350 would restore to the budget process the balance so badly needed between tax spenders and taxpayers and require the fiscal discipline that has been absent from our policies over the last several decades. It would thus end the seemingly automatic process of ever-growing expansion of the Federal sector, increasing Federal tax burdens, and chronic deficits. The arguments made in opposition to the proposed amendment are, on the whole, simply excuses for the status quo -- for a continuation of the political bias in favor of spending and its consequent fiscal irresponsibility.

In its 1982 Budget revision, the Reagan Administration proposed to reduce receipts to 19.5 percent of GNP by 1986. In part because of our success in reducing inflation, receipts under current law are estimated to be as low as 18.5 percent of GNP by 1986. The additional revenue measures of the 1983 Budget would raise this to an estimated 18.9 percent. The Administration's proposals represent in concrete form the basic convictions of the President that the Federal government is too large, and both taxes and spending should be reduced.

The balanced budget/tax limitation amendment is a less strong statement of fiscal norms than that implicit in the proposals of this Administration. It does not claim that any percentage of GNP or national income is the right amount for the Federal government to take in taxes and spend. It merely requires that if that percentage is increased, a majority of the full membership of both Houses of Congress must vote explicitly to do so. And it does not require that the budget in fact be balanced. It merely requires that -- except in extraordinary circumstances -- the Congress plan to spend no more than it takes in, and then that it ensure, with the President, that actual spending does not exceed planned spending.

The amendment does not tell the President and the Congress how to achieve these norms, but only requires that they do so. Surely this is not too much to ask.

I would be pleased to answer any questions you may have.