

SCOMM

#27:2

Chairman
Rep. Brian Rogers

INTERIM COMMITTEE
ON
THE CONSTITUTIONAL CONVENTION

Members
Sen. Hohman
Sen. Mulcahy
Sen. Sackett
Sen. Ziegler
Rep. Gardiner
Rep. Hayes

Pouch Y, Rm. 107
Capitol Bldg.
Juneau, Alaska
99811
(907) 465-3743

Staff
Guy Van Doren
Admin. Asst.

December 15, 1980

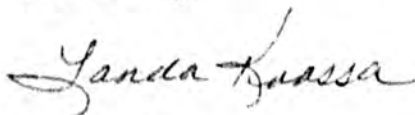
To All Members Of The
Constitutional Convention Committee

Enclosed are copies of the minutes of the December 9, 1980
meeting of the Joint Interim Committee on Constitutional
Convention.

The next meeting of the Constitutional Convention Committee
will be on January 10, 1981, at 10:00 a.m. The meeting will
be held in the Beltz Committee Room in the Capitol Building in
Juneau.

Hopefully a complete transcription of the outside meetings
will be in the mail prior to the meeting. If not, they will
be available at the meeting.

Sincerely,



Landa Krossa,
Secretary

JOINT INTERIM COMMITTEE ON
CONSTITUTIONAL CONVENTION

Meeting Minutes
December 9, 1980

The December 9, 1980 meeting of the Joint Interim Committee on Constitutional Convention was called to order at 3:11 p.m. in the Beltz Committee Room located in the Capitol Building in Juneau, Alaska, by Representative Brian Rogers, Chairman.

Present at the meeting were: Representatives Brian Rogers, Joe Hayes and Terry Gardiner, and Senator Ziegler.

Excused from the meeting were: Senators Bob Mulcahy, George Hohman and John Sackett.

Representative Rogers noted that a quorum was present.

Mr. Guy A. Van Doren, Administrative Assistant to the Committee, gave a verbal report of his research efforts in New York, Houston, Virginia and Washington, D. C., and gave a trip log of the same.

Mr. Van Doren gave a verbal report regarding his meeting with various persons involved in the calling of a national constitutional convention. Persons interviewed were representatives from the American Bar Association, the National Taxpayers Association, and staff of the Senate Subcommittee on the constitution. This is a subcommittee of the Senate Judiciary Committee. The main topics of the interviews was the question of whether or not a constitutional convention could be limited or if it had to be unlimited. Most people thought the question would have to be settled by the courts.

Mr. Van Doren stated that all of the experts had stated one of the important things the committee should investigate was the writing of a "Citizen's Guide to the Alaska Constitution". The committee decided without objection that requests for proposals should be advertised for a person or persons to write a "Citizen's Guide to the Alaska Constitution". Proposals are to be received by January 9, 1981.

The committee discussed the creation of a brochure describing the constitution and what is a constitutional convention. Staff was directed to continue work on the written section of the brochure and to publish requests for proposals on the illustrated section of the brochure to be received by January 9, 1981.

Mr. Van Doren made recommendations to the committee regarding availability of recognized experts for committee work. Mr. Van Doren will summarize in written form the qualifications and recommendations of each of the recognized experts.

Chairman Rogers stated that he had received a contract from the University of Alaska for the translation of the Alaska constitution into the Yupik language. The contract is divided into four phases, the cost of \$117,000 will be spread out over two fiscal years; the Legislative Affairs Agency has prepared a contract for the first phase and part of the second phase.

The Committee voted unanimously to have staff prepare a resolution to be introduced which would continue the committee through 1981.

There was discussion regarding the issues survey. Chairman Rogers suggested solicitation for proposals to do a public survey of the issues relating to: 1. How the public feels about holding a constitutional convention; 2. What the public feels should be the issues considered at a convention; 3. A federal constitutional convention as it relates to a balanced federal budget. There was no objection to the solicitation for proposals, and staff was directed to submit the requests for proposals for a public survey to the several newspapers throughout the state.

Further discussion of the public survey resulted in the suggestion by Senator Ziegler to include a capitol move question on the list of questions in the survey. Representative Rogers suggested that possibly the Statehood Commission could include questions on the same public opinion survey.

Introduction of legislation was discussed and considered by the committee. Representative Rogers advised the committee that he was directing research work to be done for a bill to be introduced in the 1981 legislative session relating to a constitutional convention. CSHB 723 am S was vetoed by Governor Hammond. A number of corrections relating to the reasons for veto were discussed. Staff was directed to monitor the drafting of a new bill for constitutional convention.

Under old business, the contract with Robert Wagstaff, Attorney at Law, was discussed. The committee had instructed Mr. Wagstaff to terminate his services, and for that reason the committee was provided with a final report. \$10,000 had been prepaid to a trust account for legal fees, and the unused portion of that \$10,000 will be reimbursed to the committee.

January 10, 1980 was the date set for the next meeting of the Joint Interim Committee on Constitutional Convention. The meeting will convene at 10:00 a.m. in the Beltz Committee Room, Capitol Building, Juneau, Alaska. The proposals received for the brochure, citizen's guide and the public opinion survey will be discussed, as well as draft legislation for the constitutional convention.

There being no further business, the meeting was adjourned on December 9, 1980 at 4:08 p.m.

Landa Krossa, Secretary

CONSTITUTIONAL CONVENTION COMMITTEE

AGENDA December 10, 1979

CONSULTANT REPORTS:

- ~~X~~ Irene Reed: progress report on Yupik translation
- ✓ Douglas Pope: constitutional issues - legal analysis
- ✓ Guy van Doren: state constitutional conventions in the 1970's ; *And ts*
- ✓ Dr. Victor Fischer: preliminary considerations and arrangements
- ✓ Glenda Straube: transcription of Constitutional Review
- ✓ *George : report on Future Frontiers*

PUBLIC COMMENTS:

Fairbanks
Anchorage
Juneau
Other teleconference locations if necessary

COMMITTEE ACTION:

Requests for legislation and resolutions (if necessary)
Continuation of committee through session
Discussion of future projects

OTHER BUSINESS if necessary

JNU: Defects + weaknesses
~~Apportionment~~
 Call: Apportionment

Question on ballot in 1982
 Legislative call
 Call by initiative

→ Apportionment must be dealt with.
 1955 schedule in violation
 of one-person one-vote
 May not be able to defer to local gov't
 boundaries

REQUESTS: Doug - Billy Berrier: Draft ~~for~~
~~for apportionment~~

amendments submitted one-at-a-time	Statutory basis for procedures
→ FRIDAY 11 th	all voters eligible -- 90 day limit (15 day recess)
→ SATURDAY 12 th	non-partisan -- legislative apportionment + 5
→ SUNDAY 13 th	delegate selection -- fiscal note (?)
	location spring Fall
	off year - election + convention

Resolution - 1980 ballot
 Public involvement
 Guy - Establishing Joint Con Con Comm

Doug
 PRIVACY
 STATE / FED RELATIONSHIP
 LOCAL PROTECTIONS

3 H
 3 S
 1 J -
 1 G -
 Lt. Gov.

#12 Constitutional Convention

- ⑦ State sovereignty; state-fed relationship
- 7 Election of judges/attorney general
- ⑤ Local control; increase local gov't power
- 5 Unicameral legislature
- ④ Increase legislative power vs. governor; Separation ^{power}
- 3 Protect Environment
- 3 Legislative apportionment
- 3 Land status; convert to private
- 2 Capital move
- 2 Justice system
- 2 Education
- 2 More representatives
- 2 Fishing regulations

Examples of reinterpretation

(Bill of Rights
Civil Rights for Amer Indians
Court interpreters program)

Atty Gen + Judges	+++		✓
Initiatives			
Limit Spending			
Limit Session			
Capital Move			✓
Protect Environment			✓
Local Govt (local control)	+++		✓
Property Taxes			
Apportionment			✓
Common Property			
Justice System			✓
Education			✓
Land use			
Natural resources (max)			
Human Services			
Move representatives			✓
No disclosure			
Unicameral	+++		✓
Boro system			
Separation of powers ^{more legislature}			✓
Revenue Mgmt			
Bonding			
Statehood ^{status} for AK	+++		✓
Status of U of A			
Long range planning			
Election Reform			
Lands - private			✓

Deregulate	
Lifestyle	
Legislative terms	
Fishing Regs	
Private higher Ed	
Grand Jury	

(Future Frontiers every 10 years)

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

Brain Rogers

MAY 26 RECD

Thought you would
be interested in
this material. If
it can be of any
assistance - please let
me know.

Ed Foster



FED. BUDGET
BALANCED
MAY 26 RECD

325 PENNSYLVANIA AVENUE, SOUTHEAST

WASHINGTON, DISTRICT OF COLUMBIA 20003

TELEPHONE (202) 543-1300

NATIONAL TAXPAYERS UNION CONFIRMS COUNT ON 30 STATE LEGISLATURES
WHICH HAVE PASSED A RESOLUTION CALLING FOR A CONSTITUTIONAL
CONVENTION ON A BALANCED FEDERAL BUDGET AMENDMENT

The 30 state legislatures which have passed balanced budget amendment resolutions are:

Alabama HJR 227, Act 302 1976
Arizona SJR 1002, HCM 2003 1979, 1977
Arkansas HJR 1 1979
Colorado SJM 1 1978
Delaware HCR 36 1975
Florida Sen. Memorial #234, HM 2801 1976, 1976
Georgia Res. Act #93, HR #469-1267 1976
Idaho HCR 7 1979
Indiana SJR 8 1979
Iowa SJR 1 1979
Kansas SCR 1661 1978
Louisiana SCR 4, SR 73, HCR 269 1979, 1978, 1975
Maryland SJR 4 (Original), Md JR 77 (Enrolled) 1975
Mississippi HCR 51 1975
Nebraska LR 106 1976
Nevada SJR 8, SJR 2 1979, 1977
New Hampshire HCR 8 1979
New Mexico SJR 1 1976
North Carolina Resolution 5 1979
North Dakota SCR 4018 1975
Oklahoma HJR 1049 1976
Oregon SJ Memorial #2 1977
Pennsylvania HR 236 1976
South Carolina SCR 1024, SCR 670 1978, 1976
South Dakota SJR 1 1979
Tennessee HJR 22 1977
Texas HCR 13, HCR 31 1978, 1977
Utah HJR 12 1979
Virginia SJR 36 1976
Wyoming HJR 12 (Original) JR 1 (Enrolled) 1977

50 out of 50 STATES

Certified copies of these resolutions are on file at the National Taxpayers Union,

UPDATED: January 10, 1980

Public Attitudes on a Balanced Budget Amendment

Recent polls by the highly respected Gallup organization, the Roper Organization, the New York Times -- CBS News, and the Associated Press -- NBC News indicate overwhelming public support for a constitutional amendment to require a balanced federal budget and a constitutional convention to draft such an amendment.

The questions asked were:

Roper: "Considering both the possible advantages and possible drawbacks, would you like to see a Constitutional Convention called to consider an amendment to limit federal spending, or wouldn't you be in favor of such a convention?" July, 1979.

Gallup: "Would you favor or oppose a constitutional amendment that would require Congress to balance the federal budget each year - that is, keep taxes and expenditures in balance?" July, 1978, February, 1979.

New York Times - CBS News: "Would you favor or oppose a constitutional amendment requiring a balanced national budget except in times of emergency?" January, 1979.

Associated Press - NBC News: "Would you favor or oppose a constitutional amendment which would require the federal government to balance the budget?" February, 1979.

POLL	FAVOR	OPPOSE	NO OPINION
Roper 1979	65%	22%	13%
Gallup 1979	78	12	10
Gallup 1978	81	11	8
NYT/CBS News	73	16	11
AP/NBC News	70	18	12

The New York Times - CBS News poll also found "that the proposed budget-balancing amendment had a remarkably uniform level of support across the country and demographically." They found that over 70% of those identifying themselves as Democrats, Republicans, Conservatives or Liberals favored such an amendment.

The 1979 Gallup poll asked the people who said they opposed an amendment this question: "Would you favor or oppose such an amendment if provisions were made for emergency expenditures?"

FAVOR	6%
STILL OPPOSE	5
NO OPINION	1

According to Gallup only 5% of those polled oppose such an amendment if provisions are made for emergency expenditures.

Gallup's 1979 demographic breakdown follows on the next page.

CONSTITUTIONAL AMENDMENT TO REQUIRE BALANCED BUDGET

Question: "Would you favor or oppose a constitutional amendment that would require Congress to balance the federal budget each year — that is, keep taxes and expenditures in balance?"

February 2 — 5, 1979

	<u>Favor</u>	<u>Oppose</u>	<u>No opinion</u>
NATIONAL	78%	12%	10%
SEX			
Male	75	16	9
Female	79	9	12
RACE			
White	79	12	9
Non-White	68	15	17
EDUCATION			
College	73	20	7
High School	81	9	10
Grade School	71	8	21
REGION			
East	76	12	12
Midwest	81	10	9
South	77	12	11
West	74	17	9
AGE			
Total Under 30	78	11	11
18 - 24 years	80	11	9
25 - 29 years	75	12	13
30 - 49 years	76	16	8
50 & older	78	10	12
INCOME			
\$20,000 & over	78	16	6
\$15,000 - \$19,999	82	12	6
\$10,000 - \$14,999	76	11	13
\$ 7,000 - \$ 9,999	79	8	13
\$ 5,000 - \$ 6,999	74	10	16
\$ 3,000 - \$ 4,999	70	11	19
Under \$3,000	82	7	11
POLITICS			
Republican	84	9	7
Democrat	76	14	10
Independent	77	13	10
RELIGION			
Protestant	80	12	8
Catholic	76	11	13
OCCUPATION			
Professional & Business	78	18	4
Clerical & Sales	80	8	12
Manual Workers	77	10	13
Non-Labor Force	78	9	13
CITY SIZE			
1,000,000 & over	72	12	16
500,000 - 999,999	74	15	11
50,000 - 499,999	81	12	7
2,500 - 49,999	80	10	10
Under 2,500, Rural	79	12	9
Labor union families	79	12	9
Non-labor union families	77	12	11

BUDGET BALANCING AMENDMENT

	<u>Favor</u>	<u>Oppose</u>	<u>No opinion</u>
LATEST	78%	12%	10%
July, 1978	81	11	8
1976	78	13	9

THE FOLLOWING DOCUMENT(S) MAY NOT FILM
LEGIBLY BECAUSE OF POOR QUALITY OF THE
ORIGINAL.

Senate Panel Backs Amendment to Balance Budget

WASHINGTON, Dec. 19 (AP) — A proposed constitutional amendment that would require a balanced Federal budget was approved today by a 5-to-2 vote of a Senate Judiciary subcommittee. It was the first time that the idea had been embraced by any Congressional panel.

The amendment, drafted by Senator Orrin G. Hatch, Republican of Utah, and formally introduced last Friday by Senator Dennis DeConcini, Democrat of Arizona, would allow deficit spending only when authorized by a three-fifths vote of each house, or by a simple majority in times of war.

The recommendation came from the Judiciary Subcommittee on the Constitution, whose chairman, Senator Birch Bayh, Democrat of Indiana, is opposed to any constitutional amendment on the

budget process.

Senator Bayh said that he preferred a statutory approach to achieve a balanced budget. He argued that legislative restrictions would be quicker than the long constitutional process. He also expressed fears, as has the Carter administration, that an amendment could "severely limit" the Government's ability to respond to economic recessions.

Procedure for Approval

The DeConcini-Hatch amendment would have to be approved by two-thirds of each house of Congress. The proposal would then have to be ratified by at least 33 states within seven years.

The amendment would also bar the Government from collecting on indirect tax increases as a result of inflation, un-

less a bill specifically authorizing an increase in that ratio was passed by Congress.

The measure now goes to the full Judiciary Committee, whose chairman, Senator Edward M. Kennedy, Democrat of Massachusetts, has expressed reservations about such a constitutional amendment.

THE WASHINGTON STAR Thursday, December 20, 1979

Senate Subcommittee OKs Amendment To Require Balancing of Federal Budget

By Lance Gay

Washington Star Staff Writer

A Senate Judiciary subcommittee has voted 5-2 in support of a proposed amendment to the Constitution that aims at producing balanced federal government budgets in peacetime.

The vote was the first time the amendment has won approval by any congressional panel, but its sponsors admit it faces an uncertain future.

The amendment was drafted by Sen. Orrin Hatch, R-Utah, and Sen. Dennis DeConcini, D-Ariz.

"For the last half-century, Congress has failed to balance its budget," said Hatch. "Now in the last year or so, 30 states have specifically asked Congress to do something about the problem."

The amendment would require a balanced budget every year, except in wartime. In the event of war, Congress would be empowered to waive the constitutional provision if it is adopted.

Deficit spending would only be permitted in peacetime when authorized by a three-fifths vote of each house.

The measure was formed out of more than 70 resolutions introduced in Congress this year for a balanced budget and is a compromise with those who sought a more restrictive proposal.

The recommendation came from the Judiciary subcommittee on the Constitution, whose chairman, Sen. Birch Bayh, D-Ind., remains opposed to any constitutional amendment of the budget process. Bayh and Sen. Howard M. Metzenbaum, D-Ohio,

voted against the proposal, while DeConcini, Hatch, Strom Thurmond, R-S.C., Howell Heflin, D-Ala., and Alan K. Simpson, R-Wyo., supported it.

The proposed constitutional amendment would allow seven years for ratification by at least 38 states, following approval by two-thirds of each house of Congress.

In addition to requiring a balanced budget, the bill would bar the government from collecting on indirect tax increases as the result of inflation. Specifically, it requires that "receipts in any year shall not exceed, as a proportion of the national income, that collected . . . in the prior year," unless a bill specifically authorizing a boost in that ratio is passed by Congress.

The provision effectively would require the government then to reduce taxes in years of inflation.

THE PRECEDING DOCUMENT(S) MAY NOT FILM
LEGIBLY BECAUSE OF POOR QUALITY OF THE
ORIGINAL.

EXCERPTS FROM STATEMENT BY FORMER UNITED STATES SENATOR SAM ERVIN (D-NORTH CAROLINA) TO THE CALIFORNIA LEGISLATURE -- FEBRUARY 15, 1979

I think it is not only important but absolutely essential for the United States to have a balanced federal budget. Deficit financing is fundamentally dishonest. Both a government and an individual ought to have enough honesty to pay their debts as they go and not try to pawn off their debts on some future generation. If they can't succeed in doing that, what they do is inflict upon themselves a terrible inflation which robs them of the value of all they have.

I think it's necessary for the states to call for a constitutional convention to submit an amendment to balance the budget. It's apparent to me, from my experience in Washington, that Congress by itself is going to be very reluctant to submit an amendment requiring a balanced budget. There are too many congressmen and too many demands from constituents who enjoy deficit financing because it enables them to get a whole lot of money out of the empty federal treasury. It's a whole lot easier for Congress to try to give the impression that they are going to give the people something for nothing.

The first safeguard that would absolutely annihilate any danger of a runaway convention would be for Congress to take my bill, which passed through the Senate twice -- the last time by an 84 to nothing vote -- take this bill and pass it. This would put an end to any danger of a runaway convention. In the second place, you've got a safeguard in this method since such a convention could not submit part of a con-

stitutional proposal that would become effective as a part of a Constitution unless it was ratified by 3/4 of the states.

It's also conceivable to me that the people of the states would send to Congress one group of men and send to the constitutional convention called at the insistence of the states an entirely different group of people.

I think it's implied in the Constitution that the only amendment such a convention could submit to the states would be an amendment conforming to what the states had requested of the convention to be called for. And that question would be so decided by the federal courts whenever any litigation arose. These scare tactics are calling up non-existent constitutional and legal ghosts.

I started studying constitutional law after my freshman year at the University of North Carolina way back in 1914 at the insistence of my father who was a lawyer in North Carolina for 65 years. I've been interested in constitutional law ever since and I have made a particular study of it. When I went to the Senate, or at least a short time after I went to the Senate, I was made Chairman of the Senate Subcommittee on Constitutional Rights of the Senate Judiciary Committee and virtually every constitutional question that was brought up in Congress during the years I was there, there were about 20, came to that Committee. So I had to study those subjects. I think the United States has the finest Constitution on the face of the earth. It was correctly described by

William H. Gladstone when he said that "the American Constitution is the most wonderful work ever struck off at a given time by the brains and purpose of man."

I think this one fundamental change, however, must be made in it, and that is to add to it an amendment which will require the federal government to balance its budget and be honest.

WHY THE FEDERAL CONSTITUTION SHOULD REQUIRE A BALANCED BUDGET

By Dr. Neil H. Jacoby, Professor, Graduate School of Management, UCLA

The health of the American economy would be significantly advanced if the U.S. constitution required the Federal budget to be balanced each year, except in emergencies. A constitutional convention should be called to propose such a requirement, which is now written into the constitutions of nearly all the states.

I have been driven to this conclusion by observing the procession of huge Federal deficits in a time of prosperity, the disastrous fall of the dollar in world money markets, and an ominous price inflation that is still out of control.

Among the many causes of inflation, excessive Federal spending financed by expanding the public debt and the money stock is a central factor. Federal deficits in prosperous times like the present are a symbol of American fiscal irresponsibility, widely noted and criticized around the world. Today, the world is awash in unwanted dollars.

During twenty-five of the past thirty fiscal years, 1950 through 1979, the Federal budget has run deficits totalling over \$450 billion. It has had surpluses in only five years amounting to \$17 billion. What is most alarming is that more than \$360 billion of the deficits were generated during the past decade, which, except for the recession of 1975, has been a period of solid U. S. economic expansion. If one includes in Federal expenditures--as one should--the probably uncollectible Federal loans and loan guarantees made outside of the Federal budget, accumulated deficits loom even larger. Significantly,

their huge magnitude is of the same order as the mountainous rise in the Federal debt and in the money stock.

This record shows that Federal government financing has failed to be the balance wheel for the private sector of the economy which was contemplated by J. M. Keynes. Budget surpluses in good years have not offset deficits in poor years. Congress's foot has been on the fiscal accelerator nearly all of the time; rarely on the brake. The Federal budget has for years been an engine of inflation.

Budget balance should be required by the U.S. constitution in order to curb excessive government spending, slow down inflation and restore confidence in the dollar. It is a needed bulwark against the strong bias toward over-spending contained in our system of democratic, representative government. Our system suffers from a disease that can be fatal if not checked. Government spending expands irrationally, mainly because of three factors--pressure group politics, bureaucratic imperialism and, above all, deficit financing. Let us quickly examine each factor.

1. Pressure group politics. Our political representatives naturally satisfy the strong demands of small "special interest groups" for spending programs that benefit them greatly, because their demands are only weakly opposed by the majority who benefit little, if at all, or who pay the bills. The payoff to the politician of meeting the demands of the strong minority outweighs the political costs he incurs by flouting the will of the weak majority. Add to this the familiar phenomenon of legislative log-rolling for reciprocal political benefit, and it is easy to understand why total government spending mounts even higher even though the majority of voters

would oppose a higher total if given a chance. The public is never able to vote directly on the total size of the budget. One of the pressure groups tending to expand government spending is public employee unions whose bargaining power for higher pay and benefits is even greater than in the private sector.

2. Bureaucratic imperialism is a third cause of excessive government spending. The Federal bureaucracy today is better educated, more highly paid, and more activist in philosophy than ever before in our history. Washington has the highest per capita income of any major American City. Bureaucrats are under strong incentive to expand their programs, staffs and budgets, because their pay and their power depend on such expansion. Promotions perversely depend on the number of people supervised and the amount of money spent.

3. Deficit Financing is probably the most powerful cause of excessive government spending, facilitating the operation of preceding factors. It permits Congress and the Administration to offer new benefits to the people without appearing to impose new tax burdens. Of course, those burdens appear later in the cruelest and most unfair kind of tax--inflation. The ability to run deficits enables legislatures and bureaucrats to avoid their primary responsibility--to set priorities on public wants and needs. They simply add the new spending program to the deficit. Small wonder that the prospect of a balanced budget amendment to the Constitution has provoked alarm and opposition along the Potomac.

A constitutional requirement of budget balance would impose an essential fiscal discipline upon Congress and the Administration. It would be the same kind of discipline that Proposition 13 in California imposed on State and local governments. History shows that an external force is essential. Governments do not discipline themselves. When it must present a tax bill to the voters concurrently with each new spending program, Congress will find it much easier

to reject new spending. A constitutional requirement of budget balance will reduce government spending as well as insure that spending is responsibly financed. (A constitutional limit on the ratio of spending to the GNP would also be an effective instrument of control.)

How weighty are the arguments against a constitutional requirement of budget balance? The heart of the attack on the amendment is that it would deprive the Federal government of needed flexibility in economic policy. It is argued that, in the event of a serious recession, tax revenues would decline, unemployment benefits and welfare payments would rise, and a deficit would emerge. Government would then be obliged to raise taxes or to cut other spending in order to comply with the constitutional restraint on the budget. Either course of action, critics contend, would worsen the recession.

There are several responses to this argument. First, in the event of a serious recession or other emergency, the constitutional requirement of budget balance could by its own terms, be suspended by a two-thirds vote of Congress and approval of the President. Any recession that was really threatening to become cumulative and to create heavy unemployment would certainly command the necessary political support for suspension.

A second point is that the Federal government has many powerful non-fiscal instruments that it can use flexibly to deal with economic instability. They include monetary actions, income policies, tariffs, quotas and exchange rates, as well as such structural reforms as minimum wage laws and the Davis-Bacon Act. The level at which the Federal budget is balanced can be changed (by concurrent tax and expenditure changes) with counter-cyclical effects. Government could continue to pursue a flexible counter-cyclical policy even with a balanced budget.

A more fundamental response to critics of the balanced budget amendment is that flexible counter-cyclical actions by the government are not really effective anyway. Some prominent economists contend that limits upon our ability to forecast economic changes, and upon our knowledge of the power and timing of economic reactions to public policies, make government's effort to "fine-tune" the economy a source of instability rather than of stability. This group argues that government can make the maximum contribution to stable economic progress by consistently obeying a stable set of fiscal and monetary rules, thus creating stable expectations in the private sector of the economy.

Let us grant that the past record of Federal stabilization policies is spotty. Let us concede that we lack the ability to "fine tune" the U.S. economy in our present state of knowledge. Yet there is evidence that flexible Federal economic policies can improve the performance of the economy. I believe that a constitutional amendment requiring a balanced budget-suspendable in emergencies--does not unwisely reduce the flexibility of Federal actions. The social costs of a modest reduction in fiscal flexibility will be far more than offset by the social benefits of a more efficient and more responsibly-financed Federal government. A heavy blow will be struck against inflation. World confidence in the dollar will revive. The U.S. balance of trade and payments should begin to improve. For these reasons, the resolution merits support.

BIOGRAPHICAL SKETCH OF NEIL H. JACOBY

Now a professor in the Graduate School of Management of UCLA, of which he was the founding dean, Neil H. Jacoby has combined the careers of scholar, administrator, and corporate director. Born in Canada, he holds the B.A. and L.D. degrees from the University of Saskatchewan. In 1938 he received the Ph.D. degree in Economics from the University of Chicago, where he later became Professor of Finance and Vice-President. For the past thirty years he has been at UCLA. He served on President Eisenhower's Council of Economic Advisers during 1953-55, was U.S. Representative in the Economic and Social Council of the United Nations in 1957, headed official missions to India, Laos, and Taiwan during 1955, 1960 and 1965, and was a member of the Federal Pay Board during 1971-73. Jacoby was president of the American Finance Association in 1949, and was on the Executive Committee of the American Economic Association in 1963-66. He has been an organizer or director of several corporations, including one of the largest multinational firms. Author or coauthor of more than fifteen books, including United States Monetary Policy, United States Aid to Taiwan, European Economics-- East and West, Corporate Power and Social Responsibility (Macmillan, 1973), Multinational Oil (Macmillan, 1974) and The Business-Government Relationship: A Reassessment (Goodyear Publishing Company, 1975). Just published is his book, co-authored with Professors Richard Eells and Peter Neheukis, entitled Bribery and Extortion in World Business (Macmillan, 1977). Jacoby is an Associate of the Center for the Study of Democratic Institutions at Santa Barbara and a frequent contributor to The Center Magazine.

GENERAL FEDERATION

JANUARY 1980

CLUBWOMAN

MAGAZINE OF THE WORLD'S LARGEST ORGANIZATION OF WOMEN

GFWC CONVENTION



MEET US IN ST. LOUIS
JUNE 1-6



ACTION REPORT

LIMITING FEDERAL SPENDING

WHAT'S THE ISSUE?...

How large must the federal budget be?...Should limitations be made and enforced?...How should deficits, if required, be limited?...These are just a few of the many questions surrounding the issue of Federal Budgeting. Only once since 1960 has the Federal Budget been balanced. Through good years and bad the deficit has increased. In the fifteen years preceding 1960 the average annual deficit was less than \$3 billion. In the period from 1965 through 1978 the

average deficit jumped to \$23 billion annually. In 1979 the deficit is scheduled at \$37 billion...\$37 billion the Federal Government will have to borrow to pay its bills.

According to many respected economists, borrowing by the Federal Government, in such astronomical sums, is one of the prime causes of inflation. Citizen movements, as in Proposition 13 in California, have been pressing for tax and/or spending limits at state and federal levels. Twenty-nine

states have passed resolutions calling for a Constitutional Amendment and/or a Constitutional convention addressed to the issue of Budget Limitations. Thirty-four states in all would have to pass such resolutions before either of these actions could be taken. The National Conference of State Legislatures reports that fear of federal aid cut-offs in the northeast, midwest and California make passage this year unlikely.

IS IT AN IMPORTANT ISSUE?

The Federal Budget affects every facet of our nation and all of our people, now and for the years ahead. The average U. S. worker/taxpayer works more than the first four months of the year just to support federal, state, and local governments, the Tax Foundation says. Tax "Freedom Day" fell on May 11, in (1978), May 1 in 1976, and on April 30 in 1975.

The average worker had to work two hours and 35 minutes in 1975, and two hours and 39 minutes, in an eight-hour day in 1976 just to pay his taxes. In 1978, the average private, non-agricultural industry worker had to work two hours and 48 minutes to pay the 1978 estimated tax take.

The issue of how to limit Federal spending is full of contradictions, however. For example:

*Polls show that the people want a balanced budget, but the people have not conspicuously voted into office those who seem most likely to insist on balanced budgets nor have the people turned out of office those who have consistently voted for our big deficits.

*Many economic experts hold that deficits cause inflation, but while we have had continuous

deficits since 1929, we have not had continuous inflation.

*Full employment cannot be achieved without deficits, but we have yet to achieve full employment even with deficit spending.

*The government must have the financial flexibility to incur deficits for long range projects, but there is great skepticism about the ability of the government to manage its deficits in a manner that contributes to stability. And so it goes, argument and counter-argument.

How Deficits Contribute To Inflation

Over the past decade and a half the national debt has multiplied geometrically, totaling some \$350 billion. At the same time, inflation has reduced purchasing power, and interest rates for borrowers have risen sharply.

Federal budget deficits themselves do not create inflation, rather they create the illusion that citizens can receive expanded government services without paying the bill. But somehow, some way, the cost for

government programs and services must be borne by someone. To finance these additional commitments, the government prints more money. It must also borrow money from private and public sources. With more money floating around, consumers feel more affluent and extend their purchasing power through installment credit. To keep pace with these accelerating consumer and government money needs, lenders must boost interest rates. The result is cost-push inflation: the more things cost, the higher prices are pushed up by people who can pay more (usually with credit) for those goods.

The products of this deficit-spurred inflation are all negative. Consumers spend money instead of save it, realizing that goods and services will cost more tomorrow than today. Citizen confidence in government erodes as taxes are increased to keep up with the cost of things the government does—defense, roads, schools, etc., or in the absence of tax hikes, government services deteriorate. The value of the American currency declines internationally, so that foreign automobiles and clothing increase in price.

BENEFITS OF A BALANCED BUDGET

Reducing federal spending would not solve inflation *per se*. It would, however, dampen inflationary expectations on the part of business and consumers. At the consumer level, this would result in reduced spending in anticipation of inflation. At the corporate level it would be reflected in smaller salary increases, wage settlements and price increases. These phenomena together would mean moderate growth at best, and slightly higher unemployment.

But more than psychological benefits would result from a reduced federal spending. For example:

Lower Interest Rates—with the government diverting less money from public and private sources, more money will be available for borrowing at lower rates.

Federal Government Under Control—legislation creating new programs and extending current ones could not be enacted without

raising taxes or abolishing other programs.

Business Investment Stimulated—Wall Street and Main Street will be able to attract more "small" and "large" investors because people will be looking for long-term gains. Today people must spend their money to avoid losing purchasing power.

IS A CONSTITUTIONAL AMENDMENT THE WAY TO LIMIT SPENDING?

How can Federal spending be limited? One way that is getting more and more attention in Congress and in State Houses across the country is a constitutional amendment to require a balanced federal budget.

Critics of a balanced budget amendment—and they represent the conservative and liberal ends of the political spectrum—cite two principal reasons for their position. First, they contend such an amendment would not be realistic, that it could not take into account the volatile nature of the national—and international—

economy. Besides, asks Congressman John J. Rhodes, (R-AZ) "What would you do if the budget weren't balanced? Send everybody in the legislative and executive branches of government to jail?" Second, amendment critics are fearful of a Constitutional convention that would not limit itself to the consideration of the federal budget. They point out that such a convention could recommend sweeping changes in the Constitution, prompting other countries to question the stability of the United States government.

Proponents of a balanced budget amendment scoff at these concerns for the most part. Responding to the first point, they argue balanced budgets could be waived by vote of Congress for specific periods of time. Also, budget deficits could be offset by applying budget surpluses from previous years. On the point of a sweeping Constitutional convention, supporters of an amendment say that the Constitution provides many safeguards to prevent a runaway convention from proposing fundamental changes in the law of the land.

LEGISLATIVE REVIEW- What are Congressional and Government leaders saying about limiting spending?

Twenty-nine states have already passed resolutions calling for a Balanced Budget Amendment.

Recent Congressional action in the House narrowly defeated budget resolution proposals by Rep. Holt (R-Md.) to reduce fiscal 1979 spending levels. Senate passed the so-called Nunn

amendment, which coupled spending ceilings with individual tax cuts through 1983. The house instructed its conferees on the tax bill to accept the same language, but after the Administration intervened, the amendment was watered down to non-binding "statement of intent." Roth-Kemp personal tax cuts, with-

out associated spending cuts, were defeated in both houses. A proposal by Senator Danforth (R-Mo.) requiring a surtax to finance "excess" spending growth was defeated in the Senate Finance Committee.

****Former Treasury Secretary Michael Blumenthal**—"The current Congressional budget process provides a fully adequate formal mechanism for controlling spending and the deficit. The real task before us is not to write new statutes and Constitutional amendments, but to use the existing legal machinery to achieve balance in fact. The test of fiscal restraint is not what we say, but what we do."

****Senator Howard H. Baker, Jr. (R-Tenn.) Jr.**—"I have come to the conclusion that a constitutional mandate for a balanced federal budget, except in case of clear national emergency, is necessary and proper."

"I have co-sponsored a Constitutional amendment, proposed by Senator Richard Lugar (R) of Indiana, which states that the federal budget, as set in the Congress' Concurrent Budget Resolution, shall be balanced unless two-thirds of both the House and the Senate vote otherwise."

"While I do not fear another Constitutional convention, I believe the more sensible and expeditious approach would be for the Congress itself to recognize its own failing and take the strong but necessary measures to put its financial house in order."

****Senator Edmund S. Muskie (D-ME)**—"I believe a fundamental danger exists in any plan to call a new Constitutional convention."

"In the two hundred years since 1776, we have had only one Constitutional convention. That was the one in which James Madison, Benjamin Franklin and their colleagues shaped the system of government we know in America today. I am not eager to expose their work to the prospect of massive revision. No one knows for sure that a new convention would limit itself to the balanced budget issue."

"Constitutional scholars are not at all sure that a convention could be forced to limit its agenda. What would be the outcome? Would the delegates ban abortion or give abortion a specific guarantee? Would they outlaw guns or outlaw gun control? Would they stop forced busing or give forced busing an explicit Constitutional blessing?"

"We have no business taking such chances with the fundamental law of the land. Through wars, depression, impeachment proceedings and an amazing array of changes, this nation has never found it necessary to call a new Constitutional convention. It is not necessary now."

"No Constitutional amendment and no legislative act can be drafted so carefully that it is not susceptible to evasion and circumvention. One option, for example, would simply be to balance the federal budget by separating operating costs from capital investments and counting only the former as subject to a yearly balance. That is what the states do, and if we were to do it in Washington, the budget would be close to balance now. But that kind of budgeting is inappropriate for Washington."

****Senator Henry Bellmon (R-OK)**—Ranking minority member of the Senate Budget Committee has been outspoken in his call for a balanced budget.

"The federal government has become accustomed to spending in the red. We've had only eight balanced budgets since 1934 and only one since 1960. The deficit for this year alone will be over \$30 billion and our total national debt will be about \$800 billion, equal to \$3,600 for every man, woman and child in this country."

"What's really frustrating is that the government, which causes inflation, benefits most from inflation. Because of the progressive tax system, federal revenues increase 1½ percent, when inflation goes up 1 percent. When you receive additional income and move into a higher tax bracket, the government takes a higher percentage and the end result is that your income won't buy as much."

****Congressman James R. Jones (D-OK)**—Is very much in favor of a balanced federal budget, and proposes that the federal budget be limited to 20 percent of the nation's gross national product. Jones is a key member of the powerful House Budget Committee and his bill H.R. 4646 concerning capital cost recovery reflects concern for federal budgeting and tax reform.

****Senators H. John Heinz III (R-Pa.) and Richard Stone (D-Fla.)** have joined in introducing a constitutional amendment to limit federal spending. Simply, this amendment would limit the increase in federal spending to a percentage equal to the percentage increase in the gross national product. If the inflation rate exceeds 3 percent, however, the amendment would apply additional limits on the overall growth of federal outlays.

Stone. "I joined in introducing this amendment because I believed it would put our economy back on the road to prosperity by keeping more money in the hands of those who earn it. This amendment limits the growth of federal spending by setting a ceiling on how much more the federal government will be allowed to spend every year. The formula says that next year's government spending can't grow faster than this year's production, as measured by the gross national product."

A Conclusion

It should be remembered that even if a balanced budget amendment were passed, the federal government could also resort to a number of stratagems to get around any budget amendment. It could, for example:

*Mandate that state and local governments finance programs now supported with federal dollars.

*Use new regulations to shift the cost of certain programs on to the private sector, which already spends an estimated \$100 billion a year complying with various government edicts.

*Exclude capital expenditures from the budget.

*Pass on new program costs to future budgets.

*Use tax incentives, loan guarantees, tariff protection or antitrust waivers—instead of direct on-budget expenditures—to accomplish certain economic objectives.

One excellent way to avoid all this is for the White House and Congress to live up to their promises about a lean and austere budget—which, according to the Administration, means a \$28.4 billion deficit in fiscal year 1980 and a \$300 million surplus in fiscal 1981.

WHAT DOES GFWC SAY ABOUT LIMITING FEDERAL SPENDING?

By resolution at national convention, GFWC has long been on record as being in favor of bringing federal spending more in line with income, as the following resolutions indicate:

1974—RESOLVED, That the General Federation of Women's Clubs urges Congress to:

1. Adopt enforceable spending limits;
2. Adopt the recommendations of the Joint Study Committee on

Budget Control to bring about effective Congressional control over spending;

3. Reject bills which require spending beyond the proposed spending limitations.

1978—RESOLVED, That the General Federation of Women's Clubs supports an amendment to the Constitution of the United States which would require a balanced Federal budget.

1979—RESOLVED, That the General Federation of Women's Clubs urges the Government of the United States to pursue a program of realistic economic stabilization including reduced consumption where necessary, with a pay-as-you-go plan of taxation; sound monetary controls; an end to the vicious spiral resulting from the contest between rising wages and rising prices; and the utmost economy in administration.

WHAT CAN YOU DO?

Become a Lobbyist Yourself—Write your Representatives and Senators. Tell them your personal view of the issue; keep it simple; handwritten letters have the greatest impact; state how the issue affects you, your family and your community; avoid form letters; be specific; be constructive; and, ask for a reply.

Duplicate This Report—This ACTION REPORT is placed in the CLUBWOMAN centerfold so it can be removed easily. Duplicate it on a photocopy machine. Distribute it to all your club members. Ask them to study it, and to take ACTION.

Ask Your Local Media To Help—Check with your local newspaper, public and commercial television stations and see if they have taken a stand on the issue of Federal Spending. If not, encourage them to use their voice to inform the public.

Ask Your GFWC Members To Take ACTION Now—The more than 600,000 GFWC club members of the largest organization of women volunteers in the world can have a tremendous impact on the formation of legislative policy concerning Federal Spending, but ONLY if your club studies the issues and takes ACTION!

GFWC Headquarters Wants To Know—How do the members of your club feel about the issue of Limiting Federal Spending and what action will your members take? Write to the FREE PROGRAM and let us have a brief report and your ideas on how GFWC members everywhere can help to support the FREE Program by taking ACTION on the issues covered in the CLUBWOMAN.

Write to: Mrs. Bill G. Williams
GFWC FREE Chairman
P.O. Box 118
Newport, Tenn. 37821

Watch for the next FREE Program ACTION REPORT.

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.