

Sanity may sink balanced budget drive

by William Jones

Somewhat chastened after their slim victory in the 1996 elections, the Gingrich Republicans have effectively jettisoned most of their much-vaunted "Contract on America." But, still clinging to one of their populist agenda items, they seem intent on pushing for a balanced budget amendment to the Constitution—one of the few carry-over items left from the "Contract," and one which could do more harm than all the others combined. Republican attempts last year to pass the same piece of legislation failed—but only by a hair's breadth. Because the general public is ill-informed about the potential havoc this amendment could wreak, with the fallacious and maudlin comparisons to a "household budget" as the dominant image, it has received less scrutiny than the other elements of the Republican "Contract."

President Clinton is adamantly opposed to the amendment and has vowed to fight it. If he is prepared to use the Presidential "bully pulpit," in tandem with the efforts of the Democratic leadership in Congress, it could be defeated—but it will require a decisive fight. Some Congressional Democrats, the so-called Blue Dog Democrats from the South as well as the self-styled "austerity" Democrats, are not in agreement with their leadership on this matter. Many of them voted last year for a balanced budget amendment, and succumbing to the populist rhetoric, many have "taken the pledge" to vote for it again. As one "Blue Dog" Democrat, Jim Chapman, a former representative from Texas, told this author, "It's tough to change your position once you have voted for a measure."

However, as most people will admit, it's tough to say no to a request from the President. If President Clinton puts his full weight behind opposition to the measure, he might be able to convince enough errant souls from his own party to sink the amendment.

A balanced budget amendment passed the House in January 1995 by a 300-133 vote. The Senate fell just one vote

short (65-35) of the necessary two-thirds when it first took the measure up in March 1995. When it was again voted on the following year, Sen. Bob Packwood (R-Ore.) had been forced out of office, and his seat was taken by Democrat Ron Wyden, who won in a special election to fill Packwood's post. In contrast to Packwood, Wyden voted against the amendment, bringing the Senate majority down from 65, to 64.

The President clarified his own position about the amendment in response to a question at a White House press conference on Jan. 28: "No one can foresee the circumstances that will come a generation from now or 50 years from now, or even 10 years from now," the President said. "And the way I read the amendment, it would almost certainly require, after a budget is passed, if the economic estimates turn out to be wrong, the Executive branch—the President, the Treasury Department—to impound Social Security checks or to turn it over to courts to decide what to be done. And it would put us in a position, in my view, of doing things that are counterproductive."

Speaking to reporters on Feb. 6, the President pointed to an additional problem: "I think it is neither necessary or wise, and it could have numerous unwanted consequences. It could throw our budget into the courts. It could force judges to make decisions they would normally never make and that they know they should not be making."

On Jan. 28, some 1,100 noted economists, including 11 Nobel Prize winners, signed an ad in the *New York Times* condemning a balanced budget amendment, calling it "unsound and unnecessary." "There is no need to put the nation in an economic straitjacket," the letter said. "Let the President and Congress make fiscal policies in response to national needs and priorities as the authors of our Constitution wisely provided."

Citing the letter of the economists in testimony before the

House Judiciary Committee on Feb. 3, Treasury Secretary Robert Rubin warned of the devastation such a measure would impose on the nation: "I believe the balanced budget amendment proposal would subject the nation to unacceptable economic risks in perpetuity. A balanced budget amendment could turn slowdowns into recessions and recessions into more severe recessions or even depressions. Secondly," Rubin continued, "it could prevent us from dealing expeditiously with emergencies such as natural disasters or military threats."

A suicide pact

Physical economist Lyndon LaRouche, the most outspoken critic of the budget-balancing mythology, explained this point most graphically in an *EIR* editorial Feb. 14: "If the Balanced Budget Amendment, as proposed by Sen. Trent Lott and others, had been in effect during the time that President Franklin Roosevelt was in office," LaRouche wrote, "Adolf Hitler would have won World War II, and the United States would not have recovered from the Coolidge Depression of the 1930s." In an interview given by Rubin at the beginning of February, he also referred to the example of Roosevelt and Pearl Harbor as the type of "emergencies" which a President would be unable to meet if he were bound in the straitjacket of a balanced budget amendment.

Rubin also attacked the fallacious argument often used by proponents of the amendment to convince waverers to vote for it, namely, that Congress could always change the legislation to meet an emergency situation. "The escape clauses it provides at best are likely to be far from fully effective," Rubin said. "Under the amendment, the unpredictability of economic conditions means that, at best, there would often be a significant time lag from when an economic problem developed until we recognized it and reached a consensus on how to solve it." The amendment would require a three-fifths super-majority in order to override its draconian provisions.

The amendment would allow a minority to hold the nation hostage to a "special agenda." "Thus, for example, 41 Senators or 175 Congressmen could throw the government into default," Rubin said. "Forty-one Senators could stop Social Security checks from going out or could advance a special agenda. In effect, a minority in either house could put the economic health of our nation at risk by refusing to waive the balanced budget requirement or refusing to increase the debt limit unless that minority's agenda was satisfied, and that agenda could be budget related or related to social policy or any other matter."

The administration offensive on this issue has not been without effect. In particular, warning about the possible consequences of the amendment on the ability to pay out Social Security, has helped to jar some amendment advocates out of their complacency. But the drumbeat of the balanced budget mania has been so intense, that few legislators dare to buck it.

In a rather byzantine maneuver, Democrat Bob Wise

(W.V.) introduced his own version of a balanced budget amendment, which would be anathema to the more ruthless budget-cutters, but could be supported by those who feel themselves compelled to vote for some form of balanced budget amendment. The Wise proposal would distinguish between a capital budget and an expense budget. While imposing caps on expense budgets, graciously allowing for deficits only in case of war or recession, it would allow government borrowing for physical infrastructure. The Wise amendment might attract some votes away from the Republican version, and thus deprive it of the number of votes needed for passage.

A more interesting variant to the Wise proposal was put forward by the Democratic leader of the House Science Committee, George Brown (Calif.). "It makes no sense to provide our nation with a balanced budget if we do it by killing the programs that create new jobs, rebuild our decaying bridges and roads, and educate the leaders and workers of tomorrow," Brown said. Brown's budget proposal includes specific targets for growth in investments in research and development, physical capital, and ground, air, and water transportation systems. Brown claims that the investments can be paid for by savings in entitlement programs, through adjustments in the Consumer Price Index and by curbing growth in non-investment discretionary programs.

Saved by the collapse?

The House Judiciary Committee was to have voted on the balanced budget amendment on Feb. 11, but the vote was delayed. Judiciary Committee sources say that this was for "scheduling reasons." They have the votes on the committee, sources indicate, but it is by no means clear if they have the votes on the floor. Republican blow-dried airhead Arianna Huffington, writing in the *New York Post* on Feb. 11, warns her colleagues that Democrats may have "trumped the Republicans' hand" by focussing attention on Social Security. Even if it passed by both houses, Huffington says, the implications for Social Security would be trumpeted throughout all the states of the nation as the measure sought the necessary two-thirds votes of the states to finally incorporate it into the Constitution.

With the onset of a major financial collapse, however, the proponents of "budget balancing" will suddenly find themselves either screaming for a federal bail-out of a bankrupt financial system, or looking for an appropriate place to hide from enraged constituents whose pension funds and savings have suddenly disappeared in that wide-ranging pyramid scheme known as the stock market. At that point, having preserved the ability of government to reorganize the economy, keeping that financial collapse from becoming a life-threatening depression, will be viewed as the height of wisdom. But in order to maintain those capabilities, the forces of reason in Congress and the administration must use all the forces at their disposal to defeat what is quite literally a "killer amendment."