

# An Elixir For Tea Party: Reagan's Tax-Limit Plan.

Amendment would have been the most effective tool for reducing the size of government in world history.

Even more dramatically, with the budget consistently balanced over the past 25 years, we calculate that the national debt held by the public would be just under \$1 trillion today compared with \$12.6 trillion, and 5.8% of GDP vs. 77.4% of America's growing sovereign debt problem would have been resolved long ago. We would have reduced federal spending by about \$10 trillion over those years.

The amendment would have required Congress to adopt a budget each year in which outlays were no greater than receipts, and then stick to that budget. That requirement could be waived by a vote of 60% of the whole number of each house of Congress or by a simple majority of each house if a declaration of war was in effect. That would require 60 senators and 261 representatives to vote yes on a publicly recorded vote in favor of any deficit, absent war.

The amendment's tax-limitation provision provided that total receipts and therefore outlays could not increase faster than the rate of growth in national income for a prior year (a known number) unless a majority of the whole number of each house specifically voted for a greater increase. This would make using the balanced budget requirement as an excuse for raising taxes more difficult.

The amendment also included a limit on the national debt, providing that the amount of public debt when the amendment became effective would constitute a permanent debt limit and could only be increased by a vote of 60% of the whole number of each house. So running a deficit would require two votes of 60% or more in each house. Unfortunately, the amendment fell just shy of the two-thirds majority requirement in liberal Speaker Tip O'Neill's Democrat majority in the House of Representatives.

The states were poised to ratify the amendment, with almost two-thirds having already called for a Constitutional Convention to consider such a balanced budget amendment. We recently calculated what would have happened since that 1982 congressional vote if the House had approved the amendment and enough states had ratified it for the amendment to become effective for fiscal year 1986. With the budget balanced over the intervening years by spending restraint, outlays for fiscal 2012 would have been \$2.5 trillion instead of \$3.7 trillion.

Spending as a percent of GDP would have been 16% instead of 24%, a one-third reduction in the size of the federal government relative to the economy. In the interim, fundamental entitlement reforms and other spending discipline would have been required and would already have been adopted. Reagan's Balanced Budget

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Amendment would have been the most effective tool for reducing the size of government in world history. Even more dramatically, with the budget consistently balanced over the past 25 years, we calculate that the national debt held by the public would be just under \$1 trillion today compared with \$12.6 trillion, and 5.8% of GDP vs. 77.4% of America's growing sovereign debt problem would have been resolved long ago. We would have reduced federal spending by about \$10 trillion over those years. The amendment would have required Congress to adopt a budget each year in which outlays were no greater than receipts, and then stick to that budget. That requirement could be waived by a vote of 60% of the whole number of each house of Congress or by a simple majority of each house if a declaration of war was in effect. That would require 60 senators and 261 representatives to vote yes on a publicly recorded vote in favor of any deficit, absent war. The amendment's tax-limitation provision provided that total receipts and therefore outlays could not increase faster than the rate of growth in national income for a prior year (a known number) unless a majority of the whole number of each house specifically voted for a greater increase. This would make using the balanced budget requirement as an excuse for raising taxes more difficult. The amendment also included a limit on the national debt, providing that the amount of public debt when the amendment became effective would constitute a permanent debt limit and could only be increased by a vote of 60% of the whole number of each house. So running a deficit would require two votes of 60% or more in each house. Unfortunately, the amendment fell just shy of the two-thirds majority requirement in liberal Speaker Tip O'Neill's Democrat majority in the House of Representatives. The states were poised to ratify the amendment, with almost two-thirds having already called for a Constitutional Convention to consider such a balanced budget amendment. We recently calculated what would have happened since that 1982 congressional vote if the House had approved the amendment and enough states had ratified it for the amendment to become effective for fiscal year 1986. With the budget balanced over the intervening years by spending restraint, outlays for fiscal 2012 would have been \$2.5 trillion instead of \$3.7 trillion. Spending as a percent of GDP would have been 16% instead of 24%, a one-third reduction in the size of the federal government relative to the economy. In the interim, fundamental entitlement reforms and other spending discipline would have been required and would already have been adopted. Reagan's Balanced Budget