

U.S. Currently Borrowing 40 Cents of Every Dollar It Spends

BORROWED



Admiral Mullen on Debt Threat

**“Our national debt is
our biggest national
security threat.”**

**–Admiral Mike Mullen, Chairman of
the Joint Chiefs of Staff
“Tribute to the Troops” Breakfast
June 24, 2010**

Problems With Republican Balanced Budget Amendment

- **Restricts ability to respond to economic downturns – compounds declines**
- **Uses Social Security funds to calculate balance and subjects program to same cuts as other federal spending**
- **Shifts ultimate decisions on budgeting to unelected and unaccountable judges**
- **State ratification process could take years to complete – need long-term debt reduction plan in place now**

**Turn Recession
into a Depression**

American Enterprise Institute Scholar Calls Balanced Budget Amendment a “Really Dumb Idea”

“Few ideas are more seductive on the surface and more destructive in reality than a balanced budget amendment. Here is why: Nearly all our states have balanced budget requirements. That means when the economy slows, states are forced to raise taxes or slash spending at just the wrong time, providing a fiscal drag when what is needed is countercyclical policy to stimulate the economy. In fact, the fiscal drag from the states in 2009-2010 was barely countered by the federal stimulus plan. That meant the federal stimulus provided was nowhere near what was needed but far better than doing nothing. Now imagine that scenario with a federal drag instead.”

**– Norman Ornstein, Resident Scholar
at American Enterprise Institute
“Four Really Dumb Ideas That Should
Be Avoided,” *Roll Call*
January 26, 2011**

The Washington Post

FRIDAY, JULY 15, 2011

A bad idea returns

Rewriting the Constitution is the wrong way to deal with the debt.

AMENDING THE Constitution to require a balanced budget is a bad idea that never dies. It's not surprising that the current avalanche of debt has inspired renewed calls. Given that the political system appears unable to discipline itself not to spend more — trillions more — than it takes in, why not tie lawmakers' hands to prevent them from piling ever more debt on the national credit card?

The answer: The constitutional cure, while superficially tempting, would be worse than the underlying disease. A balanced-budget amendment would deprive policymakers of the flexibility they need to address national security and economic emergencies. It would revise the Constitution in a way that would give dangerous power to a congressional minority.

The latest push from lawmakers advocating the amendment is to couple a vote on the proposal with an agreement to raise the debt ceiling. On the surface, this argument seems benign enough: Why not give states the chance to decide whether the Constitution should mandate a balanced budget? But policymakers have an independent responsibility to assess whether an amendment is wise. This one, especially in its latest incarnation, is not. It would require a

two-thirds vote in both houses of Congress to run a deficit in any year. The same supermajority would be needed to enact any tax increase. Compare those hurdles to the version of the amendment that passed the House in 1995, which called for a slightly lower three-fifths vote in each house to pass an unbalanced budget or increase the debt ceiling and a mere majority vote to increase taxes.

Worse yet, the latest version would impose an absolute cap on spending as a share of the economy. It would prevent federal expenditures from exceeding 18 percent of the gross domestic product in any year. Most unfortunately, the amendment lacks a clause letting the government exceed that limit to strengthen a struggling economy. No matter how shaky the state of the union, policymakers would be prevented from adopting emergency spending, such as the extension of unemployment insurance and other countercyclical expenses that have helped cushion the blow of the current economic downturn. The 18 percent cap on spending is so severe that House Budget Committee Chairman Paul Ryan's economic plan would violate its strictures. So would any budget passed under President Ronald Reagan. With health-care costs rising and the number of retiring baby boomers increasing, it

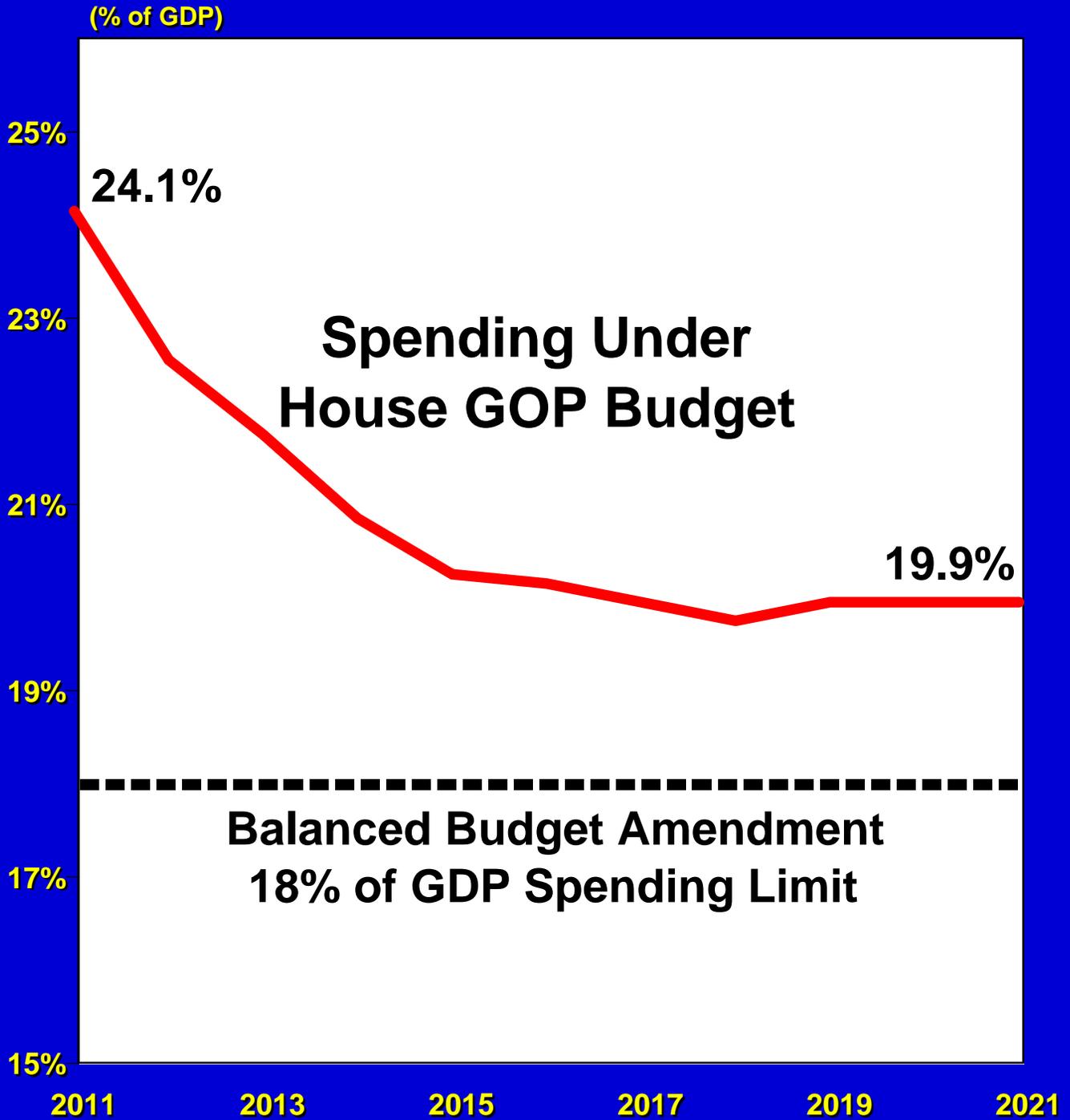
would be next to impossible to keep spending to that low share of the economy.

Both houses of Congress are expected to vote on the amendment next week, but a responsible lawmaker's obligation does not end at voting against this version. Even a less draconian rendition — without the spending cap or with lower thresholds for approving tax increases or running deficits — would be the wrong approach. If a balanced-budget amendment had been in place when the economy crashed in 2008, Congress would have been unable to respond with a stimulus package or efforts to stabilize banks and auto manufacturers. Even if you believe that was the wrong policy response, it is important that Congress retain the flexibility to craft the correct one.

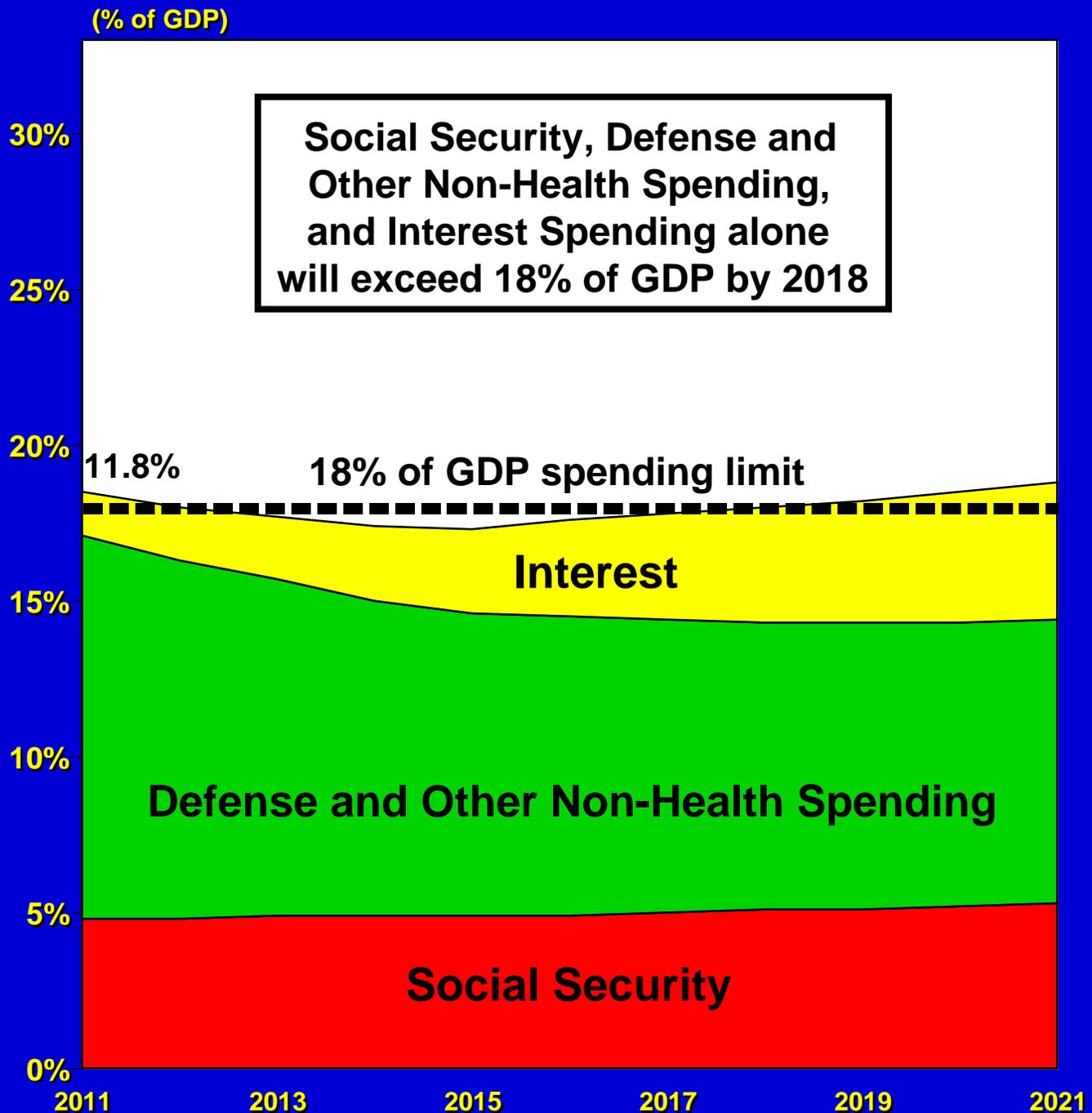
The fiscal situation is perilous. It's commendable that members of Congress are trying to right it. The balanced-budget amendment remains a deeply flawed approach to achieving a noble goal.

**Cut, Cap, and
Kill Medicare**

House Republican Budget Would Violate Balanced Budget Amendment Spending Limit in Every Year



Balanced Budget Amendment 18% of GDP Spending Limit is Draconian and Unrealistic



Source: CBO

Note: Social Security, Defense and other non-health spending, and Interest spending under CBO Alternative Fiscal Scenario.

Former Reagan Economic Advisor on Republican Balanced Budget Amendment

“I have previously explained the idiocy of right wing advocates of ... a balanced budget amendment. However, the new Republican balanced budget proposal is especially dimwitted....

“In short, this is quite possibly the stupidest constitutional amendment I think I have ever seen. It looks like it was drafted by a couple of interns on the back of a napkin. Every senator cosponsoring this POS should be ashamed of themselves.”

**– Former Reagan Administration Economic
Advisor Bruce Bartlett
Capital Gains and Games Blog, “Dopiest
Constitutional Amendment of All Time?”
March 31, 2011**

**Preserve, Protect,
and Defend
Tax Havens and
Tax Shelters**

Five-Story Cayman Islands Building That 18,857 Companies Call Home



Offshore Tax Haven Abuse Proliferating

“Experts have estimated that the total loss to the Treasury from offshore tax evasion alone approaches \$100 billion per year, including \$40 to \$70 billion from individuals and another \$30 billion from corporations engaging in offshore tax evasion. Abusive tax shelters add tens of billions of dollars more.”

**– Press Release
Senate Homeland Security and
Governmental Affairs Permanent
Subcommittee on Investigations
February 17, 2007**