THE ECONOMIC DAMAGE DONE BY TAX INCREASES AND FISCAL IRRESPONSIBILITY

*Honorable H. James Saxton**

I. Introduction

Congress damaged the economy by revoking the Reagan pro-growth tax initiatives in the 1986 Tax Reform Act and by continuing its practice of fiscal irresponsibility. According to Calvin Coolidge, "Collecting more taxes than is absolutely necessary is legalized robbery."[1] Common sense dictates that every taxpaying American citizen would agree with this statement. Yet, the American public stands by while Congress raise taxes year in and year out, under the guise of redistributing wealth to the "poor," stimulating economic growth and reducing the federal deficit. In reality, such policies simply fail to achieve their objectives. Furthermore, such policies actually inflict damage to the economy and the standard of living of Americans.

Unfortunately, a seemingly irreversible mindset, based upon several fallacies, exists in Congress. This mindset prescribes a remedy of tax increases to cure this country's various economic, social and fiscal ailments. But before America can ever rise out of the quagmire of economic decline and fiscal irresponsibility, these fallacies must be exposed and confronted. Moreover, unless Congress implements viable solutions, the competitive America which dominated the global, political and economic landscape of the post-World War II era will be significantly altered.

* H. James Saxton, Republican from New Jersey, was elected to the House of Representatives in November 1984 to complete the unexpired term of the late Edwin B. Forsythe. Mr. Saxton, who represents the 13th District, serves on the House Armed Services Committee, the Merchant Marine and Fisheries Committee and the Select Committee on Aging. Prior to his election to the House, Mr. Saxton served in the New Jersey Senate from 1981 to 1984, and in the New Jersey General Assembly from 1975 to 1981. He and his wife, Helen, have two children, Jennifer Ann and James Martin. They reside in Southampton, N.J.

[1] *See* LAWRENCE J. PETER, PETER'S QUOTATIONS - IDEAS FOR OUR TIME 489 (1979).

II. The Wealth Redistribution Fallacy

During the 1970s, the poorest Americans suffered greatly, and even the wealthiest Americans did not realize substantial improvements in their standard of living. According to the U.S. Census Bureau, from 1978 to 1982, average income earned by households in the bottom fifth of the United States economic strata declined 8.2% while income earned by the top fifth decreased 1.1%.[2] Conditions for all citizens improved markedly, primarily as a result of Reagan's 1981 tax initiative and growth-oriented policies. For example, between 1982 and 1989, income earned by the bottom one-fifth of households grew 12.6% and income earned by the top one-fifth dramatically rose by 20.5%.[3] Moreover, middle-income workers also benefitted by the economic prosperity of the 1980s. Income for middle-income workers during the same period declined by 5.2% and then increased by 11.1%.[4] Though income for those in the higher brackets rose markedly, all income groups benefitted from Reagan's policies—policies which created jobs, increased investment and spurred savings. Everyone prospered.

According to columnist George Will, "[s]ome Democrats, for whom *rich* is a four-letter word, believe that life is a zero-sum game in which anything that helps the rich hurts the rest."[5] These Democrats, unfortunately, do not understand the difference between tax *rates* and tax *burden*. In reality, the share of taxes paid by the rich increased after President Reagan assumed office while the burden on the poor was reduced during the same period.[6] Between 1981 and 1987, the tax responsibility of the bottom half of the economic population was lessened from 7.5% to 6.1%.[7] Conversely, the load on the top 5% of the population

---

2 BUREAU OF THE CENSUS, U.S. DEPARTMENT OF COMMERCE, MONEY INCOME OF HOUSEHOLDS, FAMILIES AND PERSONS IN THE UNITED STATES: 1990 Table B-13 (1991).

3 *Id.*

4 *Id.*

5 *See* Robert Pew, *A Capital Gain*, *in* NRCC REPORT (National Republican Campaign Committee, Washington, D.C.), Sept. 21, 1989, at 4 (quoting THE PHILADELPHIA ENQUIRER) [hereinafter Pew, *A Capital Gain*].

6 See *infra* text accompanying notes 7-8.

7 *The Federal Income Tax Burden: Is It More Or Less Fair*, *in* A REPORT PREPARED FOR THE REPUBLICAN MEMBERS OF THE U.S. CONGRESS (Republican Staff of the Joint Economic Committee, U.S. Congress, Washington, D.C.), Oct. 1990, at 5. The

rose from 35.1% to 43.1%.[8]

Another way economists measure this burden is the "fairness ratio," which measures the average tax paid by those in the top 1% of the population for each $1 paid by those in the bottom half of the economic population. According to a report by the Joint Economic Committee, between 1981 and 1987, this ratio increased substantially from $118 to $203.[9] This means that for every $1 in taxes paid by the poor in 1987, the "wealthy" doled out $203, or nearly double the amount they paid in 1981.

The message underlying these statistics casts severe doubt on one of Capitol Hill's most commonly shared misconceptions: if tax rates are reduced across the board, the wealthy will pay less taxes. Statistics indicate that the amount of revenues the government collected rose dramatically from $517 billion in 1980 to an astonishing $1.031 trillion in 1990.[10] This represented an average increase of more than $51 billion per year.

This phenomenon emphatically demonstrates a central economic maxim: income taxed at a lower percentage generates more revenue than high tax rates applied to a lower level of income. Thus, it would seem that there exists an inverse relationship between a change in tax rates and the incentive to earn. When taxes decrease, the incentive to earn increases, mainly because people feel they can hold on to more of their money. As a result, overall revenues increase.

Therefore, the above reasoning implies that the "fairest" tax law promotes growth, not redistribution. Wealth must first be created before it can be redistributed.

Perhaps a recent political cartoon best explains the current dilemma. The scene: Cabin of "Recovery Airlines," where a Democratic Congressman holds up a suitcase which reads, "Tax Hike." A lit fuse protrudes from the suitcase. Meanwhile, the Congressman assures the coach passengers, "Don't panic, we're

---

bottom 50% group of taxpayers does not include those entirely removed from the tax rolls during this time period. *Id.*

8 *Id.*

9 *Id.* The ratio in 1981 was $117.89 and rose to $202.55 in 1987, an increase of 71.8%. *Id.*

10 OFFICE OF MANAGEMENT AND BUDGET, BUDGET OF THE UNITED STATES GOVERNMENT: FISCAL YEAR 1992, Historical Table 1.1, Part 7, at 13-14 (1991) [hereinafter BUDGET OF THE UNITED STATES].

only gonna blow up the first-class section." The moral: the man cannot blow up the first-class section without destroying the entire plane. Similarly, tax policies which redistribute wealth will have the ironic effect of hurting everyone.

Interestingly enough, a recent study by the House Wednesday Group[11] may prove that the liberals are "missing the boat" when it comes to determining the causes of poverty and the methods to cure it.[12] The authors demonstrate that real wages rose and poverty declined during the period between 1983 and 1990, the beginning of the current recession.[13] In addition, the study confirms the assertion that the tax system became more progressive during that same period.[14] Rephrased, the tax burden on the middle and upper income taxpayers has, in fact, increased.

The report exempts itself from the usual partisan bickering in that it does not deny the existence of, or rather, exaggerate, the degree of poverty. Instead, it demonstrates that poverty does not ensue from exploitation of the poor by the rich via tax rates, but instead, that poverty is due to other, more compelling factors.[15]

According to the Group, "choices made by individuals, especially regarding marriage and work, are a major contributing factor to poverty rates and the desultory growth of income in the bottom of the income distribution."[16] The report cites three major causes of poverty.[17]

First, there is a drastic increase in single-parent, female-headed households.[18] Such households, naturally, are defense-

---

11 The House Wednesday Group is a Republican caucus founded in 1963 in the U.S. House of Representatives. The organization provides a forum through which its members exchange information about legislation and politics, generate policy proposals, and advance their knowledge on issues of shared concern.

12 *See* THE HOUSE WEDNESDAY GROUP, MOVING AHEAD: INITIATIVES FOR EXPANDING OPPORTUNITY IN AMERICA (Oct. 22, 1991) [hereinafter MOVING AHEAD].

13 *Id.* at 1, 12, Figure 2.

14 *Id.* at 13-14. For example, in 1988, the upper 5% of earners paid 28% of federal income taxes, up from 18% in 1988. *Id.* at 14. Similarily, the bottom 50% paid just 6%, down from 8% in 1981. *Id.*

15 *See infra* notes 16-20 and accompanying text.

16 MOVING AHEAD, *supra* note 12, at vii, *Executive Summary of Conclusions*.

17 *Id.* at 18. *See also infra* text accompanying notes 18-20.

18 MOVING AHEAD, *supra* note 12, at 18. The poverty rates of female-headed families has averaged 44% since 1970. *Id.* Conversely, the poverty rate for married

less against poverty due to the difficulty involved in raising a family under such conditions.

Second, a "low commitment to work" has prevailed among poor families.[19] This characteristic, however, is attributable to the lack of a full-time, year-round worker—not a lazy attitude, as the phrase might imply.

Third, poverty is induced by stagnant or declining wages for families with workers who possess a high school education or less.[20] In other words, employers desire educated workers.

From this sobering analysis, it would seem that the problems of poverty and unequal income distribution could be eradicated by providing job opportunities, education and training, and moral guidance. Policies which foster lower taxes and economic growth are able to give the nation's impoverished the fighting chance they need. The government masquerading as Robin Hood only makes things worse.

III. The Economic Growth Fallacy

Congressional liberals believe that the way to fuel economic growth is through increased taxes and increased spending. This policy has about the same effect as tossing an asbestos blanket on a campfire. Every increase in taxes imposes direct and indirect costs on individual citizens and the economy as a whole. Direct costs are relatively easy to account. They appear on tax returns as income and social security taxes.

Conversely, indirect costs are much more difficult to ascertain. These are tax increases which fall on industry and businesses, which are then passed on to consumers via price increases. Employer payroll taxes and excise taxes on individual products are examples of the kind of burden which is redirected from producers to consumers. Identifying the exact costs involved in such a process is extremely complex, since the effect has proven to be remarkably far-reaching. This alone makes a tax increase something of which to be wary.

Historically, tax hikes propagate disasterous chains of

---

families has averaged only 6% to 7%. *Id.* The number of female-headed families has risen from 2.8 million in 1970, to 6.2 million in 1988. *Id.* at tbl. 8.

[19] *Id.*

[20] *Id.*

events. Initially, greater taxes on individuals leave them with less disposable income. This means that individuals will, in turn, consume less. Consequently, businesses fail to generate sufficient revenues and profits. Ultimately, costs rise, thus prompting businesses to lay off personnel. Since the unemployed do not pay income taxes, there is less income in general for the government to tax. This leads to a shortfall in tax revenues, precipitating an increase in the budget deficit. Moreover, the government must actually spend money in order to pay for unemployment benefits for these newly unemployed.

This process also diminishes the amount of money individuals are able to save and invest. According to Harvard Professor N. Gregory Mankiw, evidence from economic theory and history confirms the supposition that economies which have a high savings rate grow more quickly than those with a lower savings rate.[21] Yet, America's ability to save has plummeted to an historical low.[22]

One of the most controversial economic debates in Congress has centered around the capital gains tax rate, which imposes a levy on the income earned from the sale or transfer of property and securities.[23] The American economy is "capitalist" because it requires the formation, movement, and exchange of private capital to grow and prosper. Private capital investment provides an essential injection of the money needed to create jobs, spur research and development, improve productivity, expand capabilities and enhance competitiveness. In other words, capital is the lifeblood of the nation's economic health. Consequently, when an unreasonable tax burden restrains or stagnates the flow of capital, the entire economy suffers.

Some economists have advocated the idea of reducing the capital gains tax rate in order to promote economic growth. Liberal economists and lawmakers, however, have argued consist-

---

21 N. Gregory Mankiw, *Wrong Time for Tax Cuts*, WALL ST. J., Oct. 31, 1991, at A23.

22 *Id.* Professor Mankiw noted that the problem of the low savings rate in the United States began "long before the current recession, and it will likely persist well beyond it." *Id.*

23 President Bush again proposed a reduction in the capital gains tax rate in his State of the Union Address on January 28, 1992. *See Transcript of President Bush's Address on the State of the Union*, N.Y. TIMES, Jan. 29, 1992, at A16 [hereinafter *President Bush's State of the Union Address*].

ently that such a cut only benefits higher income taxpayers. But actually, 60% of all tax returns with incomes less than $50,000 would benefit by some sort of capital gains rate reduction.[24] In other words, a reduction in the capital gains rate would benefit nearly everyone, not just the rich. Few people understand, however, that efforts by the Democrats to prevent a rate reduction inhibit individuals and small businesses, not just large corporations and the so-called "rich." Under such a reduction, homeowners will be more likely to sell their homes, and small businesses will be more likely to take risks and generate venture capital.

Interestingly, one important fact escapes notice: the capital gains rate under current law is elective, which means that until an investor sells, the rate of the tax is zero. Justifiably, people will not invest or sell if the reward for their effort is not worthwhile.

Historically speaking, the tax on capital gains has been one of the primary factors which determines whether the economy will or will not grow. During the 1970s, capital gains were taxed at rates between 28% and 49%.[25] As a result, capital gains realizations remained essentially stagnant. In addition, America saw the lowest level of initial public stock offerings by new businesses in recent history.[26] Sadly, inflation, unemployment and extensive poverty were the norms.

In 1981, under the direction of President Reagan and a cooperative Congress, the maximum capital gains rate was lowered to 20%. Consequently, more than 17 million new jobs were created,[27] inflation was subdued (13.5% in 1980 to 3.6% in 1987),[28] and the average total personal income for all Americans grew.[29]

---

[24] *See id.*

[25] *See* Pew, *A Capital Gain, supra* note 5, at 6.

[26] *Id.* at 1.

[27] *Presidents and Economic Performance: An Analysis by Fiscal Years*, A REPORT PREPARED FOR REP. RICHARD K. ARMEY (R-Tex.) AND SENATOR CONNIE MACK (R-Fla.) (Joint Economic Committee, U.S. Congress, Washington, D.C.), Nov. 11, 1991, at 2-3.

[28] BUREAU OF THE CENSUS, STATISTICAL ABSTRACT OF THE UNITED STATES: 1990, at 468, Table 757 (110th ed. 1990).

[29] *Economic Indicators: January 1992*, COUNCIL OF ECONOMIC ADVISORS (Prepared for the Joint Economic Committee, U.S. Congress, Washington, D.C.), Jan. 1992, at 5 [hereinafter *Economic Indicators*]. Total personal income rose from $2,690 billion in 1982 to $4,075 billion in 1988. *Id.*

Furthermore, unemployment fell to 5.4% in 1988,[30] and the numbers of those holding jobs reached a record high in 1989.[31] In 1986, however, when the maximum capital gains tax rate was raised from 20% to 28%, and in 1989, when it reached the current 33%, the economy was plunged into the initial stages of the current recession.

Such a burden on capital investment stifles not only domestic development, but also international competitiveness. Countries with lower rates encourage more capital investment. As the U.S. economy plods along, and the economies of these other countries with lower rates boom, it becomes increasingly evident that a lower capital gains rate is essential for economic well-being.

In 1990, Congress rubbed more salt in America's economic wounds by enacting the largest single-year tax increase in the nation's history. If the 1986 Tax Reform Act killed the longest running economic expansion in United States history, the 1990 Budget Agreement buried it.

Originally, the agreement planned to raise taxes by $137.2 billion over five years. Since then, the Congressional Budget Office (CBO) has revised this amount to $158 billion.[32] Ironically, Congress enacted the increase in order to curtail the rising federal deficit. Yet, despite the tax hike, the deficit grew to an all-time high. Ultimately, the tax increase has reduced tax revenues and wounded the overall economy. According to the CBO, there will be a $62 billion revenue shortfall between 1991 and 1995.[33] It is becoming increasingly evident that the economy cannot and will not grow out of the current recession as long as the government continues to strangle the private sector.

Another contentious issue is the recent enactment of the luxury tax, a measure devised by liberals, once again, to make the rich pay their "fair share." According to the Joint Economic Committee, however, the federal government loses $5 for every $1 it gains from luxury taxes on private airplanes, yachts, and

---

30 *Id.* at 11.

31 *Id.* at 12.

32 CONGRESSIONAL BUDGET OFFICE, ECONOMIC AND BUDGET OUTLOOK: FISCAL YEARS 1992-1996 (a Report to the Senate and House Committees on the Budget, 1991 Annual Report), at 65-66 [hereinafter BUDGET OUTLOOK].

33 BUDGET OUTLOOK, *supra* note 32, at 66, tbl. III-3.

jewels.[34] Congress, again, should have taken the time to review basic economic principles.[35]

When liberals look at the world through redistribution-colored glasses, they fail to realize one important distinction: luxuries are not necessities. The demand for these goods is elastic, which means that consumers are extremely sensitive to changes in price. When taxes cause companies to drive up prices, people will buy less of the products. Furthermore, this type of tax hurts the middle and lower income workers who lose their jobs as a result of increased costs to producers and reduced demand from consumers. Costs to government include federal and state income tax lost due to unemployment created by the tax, administrative resources spent on imposing the tax, and the provision of unemployment benefits for the workers who lost their jobs as a result of the tax.

The destructive effect of increased taxes on the economy is extremely evident. Time after time, Democratically-backed politics of alienation — "rich vs. poor" — rears its ugly head to create a situation in which revenues, jobs, competitiveness and long-term growth suffer. The 1980s were not, as most Democrats would have the public believe, "the decade of greed," but rather, a decade of growth. Hence, America's current economic doldrums are largely the result of the dismantling of Reagan-era growth policies. Historically, when the economy expands, all citizens take part in that growth, current rhetoric to the contrary notwithstanding.

IV. The Deficit Reduction Fallacy

It is not unusual to wince every time Congress puts together a major economic package. Usually, the outcome is a tax increase justified by the desire to reduce the federal deficit. Both political parties, however, do a great job of kidding themselves because every time, the opposite happens. Each year, both the

---

[34] *The Cost of Tax-Related Job Loss versus Projected Revenue Gain from Luxury Taxes in Fiscal 1991, in* A REPORT PREPARED FOR REP. OLYMPIA SNOWE (R-Me.) AND SEN. CONNIE MACK (R-Fla.) (Joint Economic Committee, U.S. Congress, Washington, D.C.), July 1991, at *Executive Summary* of Richard K. Armey (R-Tex.).

[35] President Bush has proposed repeal of the luxury tax on yachts and private planes in his fiscal year 1993 budget. *See President Bush's State of the Union Address, supra* note 23, at A16.

federal deficit and the national debt grow to record levels with no end in sight. Furthermore, liberals charge that tax cuts and other policies implemented during the Reagan era have cut social spending to inadequate levels, leaving a tattered "safety net" and a "social deficit" which must be addressed by new federal programs and increased federal spending. These officials insist that the increasing demands of society warrant such expansion.

According to the Joint Economic Committee, since World War II, each $1 increase in new taxes has brought about $1.59 in new spending.[36] Obviously, this overspending has been the reason for America's annual budget shortfalls, which amounted to $268.7 billion in Fiscal Year 1991, and will, as a result of the 1990 Budget Agreement, reach approximately $348.3 billion in Fiscal Year 1992.[37]

Amazingly, in the past thirty years, the American people have been the beneficiaries of only one balanced budget in 1969.[38] Moreover, the national debt, a result of these annual budget deficits, stands at $3.6 trillion.[39] In just three years, this figure will climb to $4.6 trillion.[40] Interest on this debt alone accounts for an incredible $286 billion per year,[41] or $1,150 for every man, woman, and child in this country.

It follows from these figures that tax increases and debt accumulation are not the answers for an ailing economy. Reckless spending policies must be examined and reformed. One positive element of the infamous 1990 Budget Agreement, and the largest single-year tax hike in history, is that it has become unmistakably clear that raising taxes in order to reduce the deficit is utterly fruitless. White House budget "deals" occurred in 1982, 1984, 1989, and 1990. Each time, taxes were raised to reduce the

---

36 Richard Vedder, Lowell Gallaway & Christopher Frenze, *Taxes and Deficits: New Evidence ("The $1.59 Study")*, *in* A REPORT PREPARED FOR SEN. WILLIAM V. ROTH, JR. (R-Del.) AND REP. RICHARD K. ARMEY (R-Tex.) (Joint Economic Committee, U.S. Congress, Washington D.C.), Oct. 31, 1991, at 2.

37 DEP'T OF THE TREASURY, FINAL MONTHLY TREASURY STATEMENT 5, Table 3 (Sept. 30, 1991) [hereinafter TREASURY STATEMENT].

38 BUDGET OF THE UNITED STATES, *supra* note 10, Historical Table 1.1, Part 7, at 13-14. In 1969, receipts and outlays were $186.8 billion and $183.6 billion, respectively. *Id.*

39 *Economic Indicators*, *supra* note 29, at 32.

40 *Id.*

41 TREASURY STATEMENT, *supra* note 37, at 5, tbl. 3.

deficit. Each time, the congressional leadership boasted about making the "tough" decision to cut federal spending. Yet, each year following the agreements, the deficit grew. The American people, however, are still wondering what is so "tough" about spending their hard-earned money.

Federal spending is financed in two ways: borrowing and taxing. Borrowing, whether from banks, other countries or future generations, feeds deficits and adds to the national debt. Deficit reduction measures such as Gramm/Rudman/Hollings[42] attempted to eradicate this type of financing. This proposal was shelved in order to make room for the 1990 Budget Agreement. According to this new plan, all spending must be "deficit neutral." This means, essentially, that any new spending must be paid for by increases in taxes. Judging from the outrage over last year's Budget Agreement, this is not a wise choice.

The Budget Agreement raises another important point: restricting deficits does not guarantee fiscal responsibility if Congress still has the opportunity to raise spending by shifting the cost directly to American taxpayers through tax increases. Since both taxes and deficit spending are at record levels, it seems that a two-pronged approach to limit both is necessary.

Why did spending grow faster than ever in the 1980s, when "conservative" Presidents fought to stem the tide of growing government largesse and spending? Although some said that spending was cut during the Reagan era, total federal spending per year more than doubled from 1980 ($591 billion) to 1990 ($1,252 billion).[43] A part of the answer lies in the fact that Congress has been controlled by the tax-and-spend Democrats in the House who perceive the dual task of cutting taxes and reducing spending as an explicit threat to their most important constituency: the bureaucratic welfare state. These politicians protect big government because it protects special interests who, in turn, guarantee their incumbency. It is well-known that these big government beneficiaries abhor tax cuts or limits on increases in spending because such provisions limit their power. These types

---

[42] *See* 2 U.S.C.A. §§ 900-922 (West Supp. 1991). *See generally* Kate Smith, *Rewriting the Fiscal Constitution: The Case of Gramm-Rudman-Hollings*, 76 CAL. L. REV. 593 (1988).

[43] BUDGET OF THE UNITED STATES, *supra* note 10, Historical Table 1.1, Part 7, at 13-14.

of restrictions spurn the special interest vampires who yearn to sink their teeth into the jugular vein of the Federal Treasury. Congressmen in postwar America have come to the conclusion that they can take $1 in taxes and impose $.59 in national debt on every American and give this money to special interests for re-election.

Essentially, even if taxes decrease while spending remains unaffected, the government's burden will not be cut at all. If Congress limited spending to less than the amount of increased revenues, the budget would be balanced and America could start to pay off its debt. Furthermore, debt and deficit spending hurt society as a whole. Every new surge in spending increases the number of people who receive aid and become dependent on government. The process bankrupts the entire democratic process. Economic decision-making becomes based more on politics and less on free market principles. Attention becomes focused on the political appropriation of existing wealth rather than the creation of new wealth. The same process fosters poor citizenship. People become so concerned with "rights" that they forget about their "responsibilities" as Americans.

V. Solutions

Although it seems economic decline is inevitable, there are measures the government can take to assure the revival of America's economic well-being. If such measures are not taken, the tax burden will remain overburdensome, the federal deficit and debt will continue to grow, and economic growth will be a thing of the past.

First, Congress must work with the President to cut the capital gains tax rate. As mentioned previously, this action will help all Americans, from big business and wealthy individuals, to small businesses and not-so-wealthy individuals. By decreasing the costs to job creators, the cut will spur investment, create jobs, stimulate economic activity and unleash economic growth. American citizens must realize that this measure is not a "break for the rich," but relief for all citizens, as well as a long-term investment in America for everyone.

Second, Congress must implement a supermajority rule for tax decisions. The Tax Fairness and Accountability Act of 1991

(H.R. 3146) is a bill which I have sponsored in the House and Senator John McCain (R-AZ) has sponsored in the Senate.[44] This particular legislation would require a 3/5 majority in both Houses in order to implement new taxes or to raise existing taxes. Opponents argue that H.R. 3146 will make it difficult to raise taxes in the event of an emergency, e.g., war. It is clear, however, that if there is a national emergency, a 3/5 majority will be easily achieved. Obviously, those who oppose this measure resent any restrictions on their ability to tax and spend as freely as they wish. Ultimately, this bill will restore some responsibility to the Congressional budget process and hopefully avoid another Budget Agreement disaster.

Third, Congress must repeal the luxury tax. This particular tax has had the ironic effect of putting middle and lower class people out of work and on the unemployment lines. Furthermore, this levy costs more in administrative costs, lost income taxes and increased public assistance expenditures than it ever will raise in revenues.

Fourth, if America is to rise from its current economic doldrums, the government must encourage individuals to save. For example, less tax restriction on programs such as Individual Retirement Accounts (IRAs) will entice individuals to increase savings—a proven prerequisite for new investment, new jobs, and increased economic growth. Ultimately, this measure will make individuals less dependent on the government because they will save for their own retirements instead of relying solely on Social Security.

Fifth, Congress must work to pass a Balanced Budget Amendment to the Constitution.[45] Since the Congressional leadership has proven irresponsible when it comes to managing the taxpayers' money, the government must be legally prevented from spending more than it collects in revenues. Further, tax revenues should be limited to reflect a certain percentage of the nation's Gross National Product (GNP). This measure will ensure that taxes do not become excessive and discourage economic growth.

---

[44] This bill is currently pending before the House Committee on Rules.

[45] Numerous attempts to pass a constitutional amendment in Congress have been defeated.

Sixth, Congress must strive to pass a Constitutional amendment which gives the President line item veto power over appropriations bills.[46] In current practice, the President may veto certain provisions only if he vetoes the entire bill. This procedure does not work. Even if the President chooses to reject unnecessary expenditures, he cannot for fear of causing widespread disruption to large-scale government operations and affecting each expenditure contained in the particular bill. In effect, the President is held hostage to a process which perpetuates fiscal irresponsibility.

Seventh, Congress should enact a real budget. It is common practice that most people and businesses determine how much they will spend based upon the amount of money they will earn, whether it is during a particular month, quarter or year. Currently, Congress does not set binding spending limits and allocate funds within those limits. Rather, total spending comes from separate spending decisions Congress makes during, not before, the fiscal year. It follows that before Congress is allowed to vote on any appropriation bill, it should be required to enact a budget within firm spending boundaries, and stick to it. Let the people see clearly when the government exceeds its budget.

Eighth, Members of Congress must take it upon themselves to identify and eliminate pork-barrel spending. Although certain expenditures are necessary, Congress needs to ask more questions and justify spending in light of the current deficit. Members should inquire as to whether the spending serves national or local interests, whether it funds duplicate programs already in place or whether it funds programs and services that could be provided more efficiently by the private sector. In effect, the process would force Congress to set priorities and adhere to them.

Lastly, Congress must organize a system to measure the performance of federal programs and agencies. When businesses spend money on various projects, they expect results. At the very least, they expect to be apprised of the development of these projects. Government should be run in the same way. In current practice, Congress does not pursue this goal with any real vigor.

---

46 In his State of the Union Address, President Bush advocated, "[g]ive me the same thing 43 Governors have - the line-item veto - and let me help you [Congress] control spending." *President Bush's State of the Union Address*, *supra* note 23, at A17.

Ideally, Members should devise a system to inform these various agencies and programs of what Congress expects for the tax dollars it appropriates. In time, inefficient programs will be exposed and eliminated, and taxpayers will receive more benefit and more value for the taxes they pay.

VI. The Future

According to the Tax Foundation, a private government watchdog organization, Taxpayer Freedom Day (TFD) (the day on which the average American has paid all federal, state, and local taxes owed for that year), was estimated to come later than ever in 1991.[47] Shockingly, TFD arrived on May 8th in 1991. The 1990 tax increase had much to do with this occurrence. One unassailable fact remains: Americans as a whole are spending more on taxes than ever while receiving less than ever. Furthermore, deficit spending is a process out of control which mortgages the future of every single man, woman, and child in this country. Together, tax increases and budget deficits obliterate economic growth and contribute to the eventual decline of the nation's economic health. Congress must enact reforms and it must enact them now. Money belongs in the pockets of citizens, not in the government's coffers.

---

[47] Paul G. Merski, *Tax Freedom Day 1991 is May 8 in* SPECIAL REPORT (Tax Foundation, Washington D.C.), Apr. 1991, at 1. Fifteen states and the District of Columbia have TFD's past the May 8th average: Alaska - May 11th, Connecticut - May 17th, Delaware - May 21st, District of Columbia - May 28th, Hawaii - May 16th, Illinois - May 9th, Maryland - May 11th, Michigan - May 12th, Minnesota - May 14th, New Jersey - May 14th, New York - May 26th, Oregon - May 10th, Rhode Island - May 12th, Vermont - May 10th, Washington - May 10th, and Wisconsin - May 11th. *Id.*