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**The 10,000 Commandments**

Op/Ed

# **The Debt Ceiling, Thomas Jefferson and the Semi-Virtue of a Balanced Budget Amendment**

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I'm for a balanced budget, even an amendment, but I'm more for the principle of limited government. A federal government that picks a national bird and otherwise leaves us alone would do nicely.

But seriously, we need clarity. The Balanced Budget Amendment (BBA) advocated in the context of the debt limit talks is not a virtue if the federal government can collect unlimited, ever-increasing percentages of income and is effectively not constitutionally prohibited from any economic intervention whatsoever, which defines the modern American spending and regulatory state.

Back in 1984, Republicans wanted a 10% flat tax. In the 90's they were happy with 17%. We've tripled the federal budget since the 1980s. A government could consume 100% of the nation's wealth and still retain budget balance; but liberty would have long since departed.

A Balanced Budget Amendment should rest atop a government limited from the start. It's nice that the 113th Congress read the Constitution at the opening session. But before passing every law, Congress should ask of every bill, "How is this 'necessary and proper' to carry out an enumerated or delegated power," as the [Cato Institute](#)'s Bob Levy would amusingly say, mixing together the Federalists' and Anti-Federalists' opposing stances.

The debt ceiling *already* functions as the limit that the Balanced Budget Amendment stands no chance of becoming since Republican's aren't in power to pass it. And even if the BBA were in the cards, Congress could balance the budget at half today's level and it wouldn't change the reality that over-regulation in every economic sector is hobbling job creation.

Right now, America is closed for business. Immediate debt-limit crisis aside, nothing is more urgent than sweeping "[liberate to stimulate](#)" and various [regulation reduction commission](#) campaigns.

It's important not to rally around philosophically marginal virtues at crisis moments: We can't simply call for a Balanced Budget Amendment rather than emphasize an effective one's prerequisite: a vastly, extraordinarily smaller government constitutionally limited to a few tasks tied to protecting individual rights from force. A government whose Absolute Job #1 is securing votes in exchange for wealth redistribution decade after decade is not a body that will stomach a BBA now.

Previously, the Balanced Budget Amendment tanked partly in the name of not harming Social Security, after which Congress was free to do as it did, which was to get down to the business of not fixing Social Security's structural problems in a manner that would have enabled passage of a Balanced Budget Amendment at a time like now.

Republicans, despite their reputation as the party of smaller government and free markets, share much of the redistributionist and regulatory ethic of the Democrats, as opposed to proposing obvious but sweeping changes (like outlawing the forcing of newborns into the Social Security program in the America of tomorrow). Republicans insist that government funding is essential for basic science or for big projects like supercolliders, space stations, computer network security, energy programs, and nanotechnology. Republicans applaud the corporate welfare of distortionary "antitrust" regulation. And so on, in Tea "Partly" rather than Tea Party vein.

America requires lean government, leadership not impelled to overspend or over-regulate, and the freedom to opt out of big government social and health programs. America requires Washington's hands *off* new industries. It requires separation of state and economics.

That's where the energy should be spent now, while Congress in the meantime works out a highly visible schedule of maintaining interest obligations come August 2 to avoid default, a doable task, [while also tying any debt limit increase to deregulatory measures](#).

It would have been nice to have long since reined in government to avoid an increase in the debt limit at all, but here we are.

And then we consider a BBA in context, one in which America can see light up ahead.

Back during Balanced Budget Amendment debates of the 1990s, late-Sen. Robert Byrd (D-WV) contended that, Holy Cow, even Thomas Jefferson supported government borrowing. You know, he did the Louisiana Purchase, and was hypocritical and all that.

The story's a little more interesting than that. Upon reading the federal Constitution (which actually proved to be more "national" than "federal," as we can see today; a federal Constitution would have left most powers with states), it is the case that Jefferson proposed a change which he described in an email to John Taylor. (Just kidding, it was only a letter.)

*"I wish it were possible to obtain a single amendment to our Constitution. I would be willing to depend on that alone for the reduction of the administration of our government to the genuine principles of its Constitution. I mean an additional article taking from the government the power of borrowing."*

So despite Jefferson's written support of a prohibition on government borrowing, it's noted by BBA opponents that Jefferson borrowed heavily to finance the Louisiana Purchase while president from 1801-1809.

In his 1803 State of the Union address, [Jefferson acknowledged that debt and declared:](#)

*"Should the acquisition of Louisiana be constitutionally confirmed and carried into effect, a sum of nearly thirteen millions of dollars will then be added to our public debt, most of which is payable after fifteen years; before which term the present existing debts will all be discharged by the established operation of the sinking fund."*

Note Jefferson's promise that existing debts be paid by a sinking fund, a concept to which Jefferson declared his allegiance back in 1785 in regard to Revolutionary War debts:

*"It is made a fundamental that the proceeds [of the sale of our lands] shall be solely and sacredly applied as a sinking fund to discharge the capital only of the [national] debt. ([Letter to Count Van Hagendorf, 1785.](#))"*

Actually, not only were "existing debts...discharged" under Jefferson, but a substantial surplus was obtained during each year of Jefferson's presidency. Here are federal surpluses as a percentage of outlays and GNP during 1801-1808:

YEAR SURPLUS (as % of Outlays, and [as % of GNP](#))

1801    37.69%    .8%

1802	90.74	1.9%
1803	40.90	0.8%
1804	35.63	0.7%
1805	29.06	0.6%
1806	58.71	1.2%
1807	96.28	1.6%
1808	71.76	1.5%

So while Jefferson abandoned the “no borrowing” principle in deed, he more than certified in deed his conviction that the government pay as it goes and recognize bounds. This is a particularly impressive accomplishment for a period in which the young government was relatively unsettled and unorganized, and a lesson about the atmosphere that would enable a Balanced Budget Amendment.

Jefferson was wary of borrowing, and BBA proponents are right that government borrowing is not at issue under the Balanced Budget Amendment: like Jefferson, the government may borrow, but it simply must cover its debts. A bottomless divide opens between reasoned borrowing and the chronic deficits. That reasoned borrowing is the definition fiscal sanity and a prerequisite for a light regulatory hand on the private sector.