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RAHN: Time for a constitutional fix

Without a clear amendment, overspending will continue

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By Richard W. Rahn

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Can an amendment to the U.S. Constitution fix the deficit problem? Polls show most Americans think we need a balanced-budget amendment. Yet serious scholars of the issue understand that the deficit is merely a symptom of the problem; people want more benefits from government than they wish to pay for.

Various forms of balanced-budget and tax-and-spending-limitation amendments have been proposed. Almost everyone realizes that an amendment must be flexible enough to deal with national emergencies, such as a major war. But if the amendment is too flexible, politicians will quickly find ways around whatever limitations on spending, taxing and deficits are imposed. The more tightly drawn any proposed amendment is, the more difficult it will be to pass it because an effective amendment will limit the powers of the very people who are required to vote for it. As the country considers what type of structural fix is doable, the observations of some leading scholars are worth pondering.

Political economist Lawrence Hunter, who has held senior policy positions both in and out of government, has been working on the issue for a couple of decades. Mr. Hunter just wrote in *Forbes*, "The Father of the U.S. Constitution, James Madison, understood that any constitutional provision without self-enforcing mechanisms attached to it constitutes a mere 'parchment barrier' and simply would be ignored and discarded by [the political class]. ... Madison laid out a framework in *Federalist No. 51* for competition among political and legal actors with the national government as a means of checking and balancing the exercise of power by the various branches: 'Ambition must be made to counteract ambition.' " Mr. Hunter thinks it is an open question when, if ever, the political class will get to the point where it will pass an effective, self-enforcing limitation on taxing, spending and debt.

John McClaughry, who was a senior policy adviser in the Reagan White House, has come up with an interesting idea, which was published in the *American Thinker* in May, that he calls Proposition 20. Mr. McClaughry would

limit the total amount of federal debt to \$20 trillion. Setting an absolute amount makes the calculation unambiguous, unlike most other proposals that refer to some percentage of gross domestic product or other less precise numbers. The United States has a gross debt of about \$15 trillion, so the proposal would give Congress several years to get its house in order and give adequate time for the states to ratify it. Mr. McClaughey would allow the issuance of additional debt if, and only if, Congress formally declared war, and only while the armed forces were engaged in combat.

Maurice P. McTigue, a former New Zealand Cabinet minister who is a distinguished visiting scholar at the Mercatus Center at George Mason University, has been working on improving government accountability around the world ever since he was a key player in New Zealand's economic reforms of two decades ago. He has spent considerable time identifying which reforms have worked in various countries and how their successes might be transferred elsewhere. Mr. McTigue notes that a major part of the problem of lack of government fiscal responsibility is the fact that virtually no one knows how much the various government services actually cost. Thus, a key to improving government accountability is to work on ways of ensuring that the public knows what it is getting for each dollar spent on various programs.

When all government revenue (Social Security taxes, personal income taxes, corporate taxes and a never-ending list of excise taxes and fees) goes into the same pot - which is the case now - and then the money is allocated by Congress according to political considerations, any connection between what is being paid and the "service" on which it is spent becomes increasingly remote. If Wal-Mart charged you \$100 to enter its stores and then told you what you were going to get for the money, it would not be a satisfying experience, yet, this is precisely how the U.S. government operates.

As we struggle to try to devise a constitutional fix to the structural problem of destructive debt, spending, regulation and taxation, it would be useful to consider the following:

1. All government insurance (incorrectly called "entitlements") and trust programs must be privatized or fully funded from specifically identified and allocated taxes and fees that cannot be diverted to pay for other government programs and must be managed by independent officials who will be legally at risk for not fulfilling their fiduciary responsibilities.
2. Every government expenditure, no matter how small, must be funded from an identifiable stream of revenue - taxes, fees, asset sales or other - and the same dollars may not be spent on more than one item.
3. No new or expanded government program or activity may be enacted into law without a specific source of funding attached to it, and the program or activity may not spend more than funds provided by the identified tax or fee.

The U.S. Constitution was written in response - after vigorous and learned debate - to the problems arising out of the original Articles of Confederation. It appears that a constitutional fix is needed to deal with ongoing fiscal problems the country faces. A vigorous debate has begun, and that is all to the good.

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