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THE BUDGET PROCESS AND DOMESTIC PROGRAMS

I am pleased to have the opportunity to speak to you this evening.

As all of you are aware, the single most continually debated, and trying, subject the Congress has been dealing with this year has been the federal budget.

It has been a trying year for all those interested in one or two specific federal programs, as they feel that their programs are being singled out for cuts.

And, it has been trying for the Congress because of the conflicting demands being received from the public, and because it has been exceptionally difficult to build up the consensus necessary to get a budget passed.

Furthermore, this is the first year since the Budget Act has been in existence that its powers have come fully into play. Both the public and Members of Congress have had to deal with new terms, such as "budget ceilings", "reconciliation", and "rescissions", and this has led to considerable confusion.

The Congress did finally approve a First Budget Resolution for fiscal 1981 on June 13, exactly four weeks after the legal deadline. But, the First Budget Resolution is only advisory, and the debate over proper budget policy will continue for the rest of the summer, and into the fall, on authorizing bills, appropriations bills, and the binding Second Budget Resolution.

At the present time, Members of Congress are being told to increase defense spending, maintain and even increase our commitment to social programs, to balance the budget, and to reduce taxes.

If one looks at these demands together, it is obvious that all cannot be met, and in fact, some luck will be required to obtain three of them.

The problem is that all these goals or demands are intertwined, but too many people continue to look at one or two of them in isolation.

One month ago, a majority of Senate Republicans and virtually every House Republican voted against the Budget Resolution on the grounds that defense spending was too low, overall spending was too high, and that the budget was not truly balanced in any case. Earlier this year, a Republican proposal to hold spending to \$30 billion below the currently proposed level was defeated on a near party-line vote.

Now, if cutting defense is unacceptable, a feeling I admittedly share, the only way to achieve the proposed \$30 billion cut is to agree to drastic slashes in a number of domestic programs, literally destroying many of them.

But, what transpired next was truly amazing. On June 26, the Republicans were able to bring their latest tax cut proposal to a vote in the Senate. This called for extensive tax cuts for business coupled with a phased in 30 percent cut in income taxes, with a 10 percent cut coming in 1981. During the debate on this proposal, named "make the rich richer" by the Majority Leader of the Senate, the phrases "fiscal responsibility" and "balance the budget" were barely mentioned by the Republicans. Well, that amendment also was defeated on a party-line vote.

Then, the very next night, every Senate Republican but one voted to break the 1980 budget ceilings in order to prevent a 25 percent cut in a favored domestic program, revenue sharing for State governments.

I am not reciting these contradictions and inconsistencies in order to point out what is wrong with the Republican Party, although that is a subject I can wax eloquently on all night.

Rather, I give it as an example of how people tend to debate issues which are inevitably linked in a very narrow context. It was this breaking apart of linked issues which created the need for

the Budget Act, and it is why I will continue to defend the Budget Act for all its frustrations.

It is important to realize the Budget Act does not mandate any specific budgetary or fiscal policies. There is no requirement that the federal budget be in balance, although that was clearly one of the Act's goals. And the Budget Act certainly makes no judgments as to the appropriate level of federal spending.

The importance of the Budget Act is that it provides a vehicle, the Budget Resolutions, where issues of general fiscal policy can be debated as a whole. Since this kind of debate is now being undertaken, the Act has, in my view, been a success.

And, it is important to realize, it is not the Budget Act which is forcing cuts in many federal programs, it is the fact that a vast majority of Americans want the federal budget brought into balance, and they want it done now.

This decade has seen a spending binge by the federal government that is truly unprecedented. The total federal deficit for the ten years beginning with fiscal 1971 will end up in the area of \$425 billion, for an average of over \$42 billion per year. This has happened in spite of the fact that the Budget Act has been in effect for half of those years, and in fact, during the half in which the largest deficits were run. So, as I said, the Budget Act should not be blamed or attacked because of the cuts that are being imposed now.

The public fervor for a balanced budget, which appeared over the last year or two, has been unlike anything I have seen on any economic issue during my entire political career. And, while it has tapered off a little since the Congress started to talk about specific cuts, it is still quite strong and will be responded to, whether by current Members of Congress or newly elected ones.

And frankly, I think it ought to be responded to. I have been pushing for a balanced federal budget ever since being elected to the Senate, and managed to cast a lot of unpopular votes in the process.

There are two reasons the budget should be balanced. One is to reduce inflation. While economists predict that balancing the budget will only reduce inflation by about one-half a percent, I believe the reduction would be higher. A not insignificant part of our inflation is caused by an inflationary psychology, whereby people act in ways that have the effect of increasing inflation because they expect more inflation. And, in my opinion, balancing the budget will go a long ways towards dealing with this problem.

I might note that economists are good at running numbers through complicated equations on computers, but they never account for how people will behave. A good example of this is the fact that every economist predicted the onset of the current recession more than a year before it actually arrived. Their mistake resulted from missing a factor that any good student of human behavior could have forecast. Specifically, since people expected a high rate of inflation, they

went deeper into debt to buy goods they wanted before there were additional price increases, and this delayed the retrenchment predicted by economists.

The second, and most important, reason for balancing the budget is the simple reason that we, as a generation, have an obligation to pay our own bills and not leave them for our children and grandchildren. The national debt is currently approaching \$1 trillion dollars, and it is four or five times that if one counts the spending commitments that have been made but not funded, primarily Social Security and the various federal retirement programs. Just as it is wrong to destroy our environment because future generations would have to live with our actions, it is wrong to pass on the costs of programs to those who are not yet born. In my view, this more important reason for balancing the budget has not received enough attention.

In moving towards a balanced budget for fiscal 1981, the Congress has indicated support for a mixture of tax increases and spending cuts, with the cuts coming almost entirely from domestic programs.

When looking at the proposed changes in the budget between this year and next year, many people feel that the needs of the poor are being sacrificed on the altar of national defense.

However, a look at spending over the last decade puts a completely different perspective on what Congress is actually doing. The Office of Management and Budget published a very interesting

table early this year, one which compared federal spending from year to year after adjusting the dollar amounts for inflation.

Defense spending was higher during every year between fiscal 1958, which is as far back as the chart went, through fiscal 1972 than it will be next year. In fact, the one-year 5 percent increase that has been tentatively agreed to will still leave defense spending 5 percent lower than it was in fiscal 1972. (I should note that the Vietnam related expenses were minimal that year so this is a reasonable comparison.)

By contrast, in this tight budget, non-defense spending will have gone up by 50 percent since the beginning of the decade, including 75 percent for direct payments to individuals and a 22 percent increase for everything else.

Furthermore, the total cut proposed in non-defense spending for the upcoming fiscal year amounts to nine-tenths of 1 percent, or less than one penny out of every dollar, after adjusting for inflation.

Admittedly, some programs are going to get increases, and others will be cut significantly. But, overall, the charge that Congress, or at least the Democratic majority, has abandoned its commitment to helping the poor is inaccurate.

The other thing to realize is that a good many people are becoming increasingly desperate about the failure of Congress to control federal spending, and are getting to the point where they

will support any action that results in a cut, regardless of its impact. And, eventually, they will support any politician that promises cuts, regardless of how he intends to bring it about.

I would urge you not to make the mistake of assuming that it is just the reactionary forces in this country who are pushing for cuts. Many people are getting in touch with me who are saying: "Senator, I supported many of the domestic programs, and I believe we should help the disadvantaged, but I just can't stand the taxes anymore."

It is this message, coming from responsible, open-minded people, that is driving force behind the Congressional effort to hold down domestic spending, not the shrill message from the far right.

And, it is these open-minded people whose support you require at election time and between elections, if the many programs to help the disadvantaged are to be maintained.

Listen to their message. There is abuse and waste in many federal programs, and it needs to be rooted out. In some cases, the Congress has gone overboard in providing benefits, and some cut backs in services may be required.

All of us sympathize with the difficulty of being handicapped, but is it reasonable to expect New York City to spend nearly \$2 billion to put elevators in all their subway stations so they become accessible, as is now required by federal law?



Is it reasonable to subsidize loans that make it possible for many students to attend college to such an extent that those students are borrowing excessive amounts of money and then reinvesting the funds? This latter issue came before the Senate recently, and judging by the reaction I got from universities and student groups, one would have thought the student loan programs were being eliminated.

Do not attack proposed spending reductions simply because they are cuts. As the people most closely involved with many of the programs, you know best how savings can be made with the least impact.

If this effort is not made, it is going to provoke an even stronger reaction from the public at large against these programs. And pretty soon, a majority of Congress will consist of individuals who will push for various meat-ax approaches, something I have always tried to vote against. More of this type of Congressman have been elected in each of the last two elections.

I would note, in closing, that it is no fun to vote for budget cuts or against spending. Senator Chiles from Florida said it very well a few weeks back, and I quote: "I have never voted for a bad appropriation. They are always going to help somebody."

But, there is a limit on what government can and should do. But, in recent years, this limit has been broken too often, although for the most noble of reasons. But, if things are not brought under control, the same type of political revolution that took place in this country in the mid-1960s will take place again, but in the reverse direction, and that would be a shame.