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LEGISLATION TO LIMIT FEDERAL EXPENDITURES: PAST AND PRESENT

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ABSTRACT

Members of Congress have long been interested in legislation to balance the Federal budget and limit Federal spending; however, this interest usually dwindled when the budget was in surplus and the debt was being repaid. This paper examines the history of legislation to limit Federal spending through the 94th Congress, and summarizes in detail the record of the 95th Congress on such bills and amendments.

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LEGISLATION TO LIMIT FEDERAL EXPENDITURES: PAST AND PRESENT

I. Introduction

In the 95th Congress, numerous bills and amendments were introduced proposing expenditure limitations on the Federal Government. Some of the bills proposed a balanced budget; others proposed that Federal outlays not exceed a certain percentage of the gross national product. Congressional interest in this type of legislation is not new. Members of Congress have expressed interest in legislation to limit Federal spending since the 1870's; however, interest usually dwindled when the budget was in surplus and the debt was being repaid. This report briefly examines the history of legislation to limit Federal spending from 1789 through the 94th Congress, and summarizes in detail the record of the 95th Congress on such bills and amendments. This report makes no attempt to describe and analyze the important macroeconomic implications of placing limits on Federal expenditures.

II. A history of legislation proposing a balanced Federal budget through the 94th Congress

A. Overview of legislation to balance the budget in the eighteenth and nineteenth centuries

Balancing the Federal budget was rarely a controversial issue in the eighteenth and nineteenth centuries. During this period, two factors contributed to the lack of legislation on this subject. First, deficits were unusual except in times of war or economic distress. Frequent surpluses were usually more than sufficient to offset the occassional deficit. Second, most prominent statesmen and economists agreed that the budget should be balanced in peacetime. This general consensus of opinion made legislation requiring a balanced budget superfluous. These two factors are discussed in more detail below.

B. Legislation to balance the budget in the eighteenth and nineteenth centuries.

In the late eighteenth and early nineteenth centuries, customs duties were ordinarily more than sufficient to cover the minimal expenditures of the Federal Government. During these years before the Civil War, deficits were rare. The majority of the deficits which did occur were attributable to the War of 1812, the Mexican War of 1846 to 1848, the recession of 1837 to 1839, and the recession of 1857 to 1858. Excluding these years, only about ten deficits occurred between 1789 and the Civil War.[1/] This financial abundance precluded congressional interest in legislation to balance the budget.

General agreement on the desirability of a balanced budget also contributed to a lack of congressional interest in legislation to balance the budget. Most statesmen publicly stated that outlays should not be allowed to exceed receipts; some even argued for surpluses to repay the national debt. Alexander Hamilton, serving as the first Secretary of the Treasury, suggested in 1795 that the

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1/ U.S. Department of the Treasury. Statistical Appendix to Annual Report of the Secretary of the Treasury on the State of the Finances, fiscal year 1977. pp. 4-7.

the national debt should be repaid within 30 years. Later administrations, such as Jefferson, Monroe, Adams, Jackson, and Taylor, agreed with this philosophy. Economists such as John Stuart Mill and the American, John McVickar, basically supported this opinion.[1/] The common nineteenth century practice of setting aside money in a sinking fund for retirement of the national debt also suggests that there was little controversy over this issue. This general consensus made legislation requiring a balanced budget unnecessary.

One of the first legislative approaches to a balanced budget occurred under the Grant administration (1869-1877). This attempt occurred in response to the depression of the early 1870's. In 1873, Rep. Henry L. Dawes introduced a resolution requiring a reduction in estimated expenditures by departmental heads "to the end that all possible effort at reduction be exhausted before new burdens be imposed upon the people."[2/] Rep. James Garfield offered a substitute resolution "that placed directly upon President Grant the responsibility for having estimates revised."[3/] The House of Representatives adopted the

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1/ Lewis H. Kimmel. Federal Budget and Fiscal Policy 1789-1958. 1959. pp. 1-60.

2/ Louis Fisher. Presidential Spending Power. 1975. pp. 19-24.

3/ Ibid.

Garfield substitute.[1] Congressional approval of legislation mandating lower expenditure estimates in 1873 can be attributed to the adverse financial conditions of the times. In 1873 and 1874, Federal receipts fell off markedly and budget surpluses were unusually small. Secretary of the Treasury William Richardson recommended "the greatest economy in appropriations and expenditures for the future."[2]

After the recovery from the recession of the 1870's, deficits were not troublesome until 1894. In fact, the administrations of Chester Arthur, Grover Cleveland, and Benjamin Harrison found surpluses to be a problem. Grover Cleveland even proposed a tax reduction to deal with this "indefensible extortion" and "culpable betrayal of American fairness and justice."[3]

C. Legislation to balance the budget in the twentieth century

At the end of the nineteenth century, the Federal Government experienced a series of deficits due to increased Federal spending for the Panama Canal, the Spanish-American War, public works, and pension benefits. Eleven deficits occurred between 1894 and 1912. This

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1/ Ibid.

2/ U.S. Department of the Treasury. Annual Report on the State of the Finances, fiscal year 1873. p. ix.

3/ Kimmel, op. cit., p. 73.

series of deficits did not result in the passage of legislation to balance the budget; instead, Congress responded with budgetary and financial management reforms. In 1893, Congress set up the Dockery Commission to examine financial management practices. In 1897, the Cockrell Committee was set up. These investigations were followed by by reforms in accounting and the apportionment system. (The apportionment system is the process in which monies are distributed by the Offices of Management and Budget to Federal agencies in order to insure effective and orderly use of appropriated funds.) President Theodore Roosevelt set up the Keep Commission in 1905, and President Taft established the Commission on Economy and Efficiency in 1910. These commissions studied the budget process and management practices in the executive departments.[1/]

Congress responded to the deficits between 1894 and 1912 with one act that attempted to prevent budget deficits, although this act did not specifically require a balanced budget. The Sundry Civil Appropriation Act was passed by Congress in 1909, and became Public Law 60-328. This act instructed the Secretary of the Treasury and the President to suggest measures to reduce expenditures or raise revenues if a deficit appeared probable. If this was not feasible, new

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1/ For a discussion of these investigations and reforms, see: Fisher, op.cit., pp. 27-31.

loans or taxes should be suggested. Though this act did not require a balanced budget, it implied that an attempt to balance the budget should precede the issuance of new debt. Ultimately, the act was unsuccessful in achieving this goal.[1/] World War I soon distracted attention away from the subject of a balanced Federal budget, as Congress chose to concentrate on the war effort.

After World War I, Congress again focused its attention on debt retirement and on budgetary reform. The Victory Libery Loan Act of 1919 created a sinking fund for debt retirement. Between 1920 and 1930, the public debt outstanding was reduced by $8.1 billion, from $24.3 billion to $16.2 billion.[2/] In 1919, an important budget reform bill was passed by Congress; however, President Wilson vetoed the bill. In 1921, Congress passed and President Harding signed the the Budget and Accounting Act, an important milestone in budgetary reform. The attention paid to debt retirement and budgetary reform just after World War I, in combination with the absence of deficits between 1920 and 1930, resulted in little congressional interest in legislation to balance the budget during the 1920's.

1/ Jesse Burkhead. Government Budgeting. 1965. p. 17.

2/ U.S. Department of the Treasury. Statistical Appendix to Annual Report of the Secretary of the Treasury on the State of the Finances, fiscal year 1977. p. 65.

The Great Depression of the 1930's led to large uninterrupted deficits between 1931 and 1940. These deficits typically ranged from \$2 billion to \$4 billion.[1/] Both Congress and the executive struggled to achieve improvements in economy and efficiency, while growing expenditures occurred for recovery and relief programs. These expenditures prompted debate over the appropriate role of the Federal Government in fiscal policy. By the middle of the decade, Congressmen were introducing legislation requiring a balanced budget. In 1935, Sen. Millard E. Tydings introduced a resolution prohibiting appropriations from exceeding revenues unless new taxes or debt were authorized. Any debt incurred would have to be liquidated within 15 years.[2/] No action was taken on this resolution. In 1937, Sen. Tydings reintroduced this resolution as S.J. Res. 36. Again, Congress did not act on the proposal.[3/]

Rep. W. D. McFarlane took a different approach to balancing the budget. On March 18, 1936, Rep. McFarlane introduced H.R.11895. This resolution would have given the President authority to change tax

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1/ U.S. Department of the Treasury. op. cit., p. 9.

2/ J. Wilner Sundelson. Budgetary Methods in National and State Governments. 1938. pp. 414-415.

3/ Legislative Reference Service. Library of Congress. Digest of Public General Bills. 75th Congress. First Session. 1937. p. 97.

rates in order to cover any proposed deficit in his annual budget. The House Ways and Means Committee did not act on the bill.[1/]

Since the beginning of World War II, members of Congress have expressed almost continual interest in the subject of a balanced budget, though no legislation specifically requiring a balanced budget was passed until the 95th Congress. This interest can be attributed to the frequency of budget deficits during this period. In the 39 years between 1940 and 1978, 31 deficits occurred.[2/] Congress has responded to these deficits with budgetary reform and with legislation to limit Federal spending.

In the 1940's, Sen. Tydings continued to introduce legislation to balance the budget. In 1943, he introduced S.J. Res. 97, a constitutional amendment requiring that appropriations not exceed receipts. Rep. Disney introduced an identical bill (H.J. Res. 195) in the House. Congress did not act on either bill.[3/] In 1947, Sen. Tydings and Sen. Bridges introduced S.J. Res. 61, a constitutional amendment similar to the earlier proposal. This bill was reported to the Senate floor, but received no further consideration.[4/]

1/ John B. Braden. Legislation to Balance the Budget - Past and Present. Congressional Research Service, Library of Congress, 1975. p. 3.

2/ U.S. Department of the Treasury. op. cit., pp. 9-12.

3/ George B. Galloway. Reform of the Federal Budget. Legislative Research Service, Library of Congress, April 1950. pp. 78-79.

4/ Legislative Reference Service, Library of Congress. Digest of Public General Bills. 80th Congress. First Session. 1947. pp. xv, 107.

In 1949, Congress came closer to passing a resolution relating to a balanced Federal budget. On Sept. 23, 1949, Sen. McClellan introduced S.J. 131. This resolution required the President to submit a balanced budget for fiscal 1951. In addition, the President would submit a second budget as he saw fit. Congress could then compare the two budgets in order to identify possible expenditure reductions and revenue increases. Senators McClellan, Ferguson, Byrd, Eastland, and Stennis offered S.J. Res. 131 as an amendment to H.R. 1689, the Executive Pay Raise Act. On Sept. 29, 1949, the amendment passed the Senate without a dissenting vote; however, this proposal was dropped in conference.[1/]

In the 82nd Congress, the issue of an alternative balanced budget was again considered in the Senate. The Senate Committee on Government Operations in 1952 reported favorably S. 913, a bill creating a Joint Committee on the Budget. The Committee also approved an amendment to S. 913, requiring the submission by the President of two budgets, one of which had to be balanced. During the consideration of S. 913 on the floor, the Senate rejected the proposed amendment requiring an alternative balanced budget.[2/]

1/ U.S. Congress. Senate. Committee on Government Operations. Financial Management in the Federal Government, v. II. (Committee print prepared by the U.S. General Accounting Office). 1971. pp. 346-7.

2/ Ibid., p.227.

Legislation requiring a balanced budget has been introduced in every Congress since the 84th. Hearings have been held on proposals to balance the budget, most recently in the 94th Congress before the Subcommittee on Constitutional Amendments of the Senate Committee on the Judiciary.[1/] To our knowledge, none of these bills introduced between the 84th and 94th Congress have received serious consideration on the floor of either house. Instead, Congress seems to have concentrated on income tax surcharges, expenditure ceilings, public debt limit legislation, and budgetary reform. Though none of this legislation specifically required a balanced budget, some bills and amendments were intended to limit Federal expenditures. Other legislation established a balanced budget as a goal, without specifically requiring that outlays not exceed receipts. One example of the latter type of legislation is H.R. 8363, the Revenue Act of 1964.

The House Ways and Means Committee began hearings on H.R. 8363 early in 1963. This tax reduction bill was intended to stimulate the economy in a time of economic slack. It was assumed that the reduced tax rates would lead to an increase in tax receipts. In the House passed version of H.R. 8363, section one of the act declared that

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1/ U.S. Congress. Senate. Committee on the Judiciary. Subcommittee on Constitutional Amendments. Balancing the Budget. Hearings, 94th Congress, 1st Session, on S.J. Res. 55 and S.J. Res. 93. Sept. 23 and Oct. 7, 1975.

increased receipts should be used to eliminate the deficit and reduce the public debt. In addition, the act stated:

> ....To further the objective of balanced budgets in the near future, Congress by this action, recognizes the importance of taking all reasonable means to restrain Government spending....

The Senate struck this provision from the bill, but agreed to its re-insertion by the conference committee. On Feb. 26, 1964, President Johnson signed the Revenue Act of 1964, making it Public Law 88-272.[1/]

Other legislation between the 84th and 94th Congress was intended to limit and control Federal spending, without resorting to mandatory balanced budgets. For example, a continuing appropriations bill for 1968 was amended in conference to include ceilings on Federal spending. The act stated:

> ....Federal obligations and expenditures in controllable programs for the fiscal year 1968 should be reduced by no less than $9,000,000,000 and $4,000,000,000, respectively, below the President's budget requests....

In addition, the act provided for two percent reductions in estimated obligations for personnel costs, and ten percent reductions in estimated obligations for all other costs in every agency and department. This legislation was signed by the President on Dec. 18, 1967, becoming Public Law 90-218.[2/]

1/ U.S. Congress. Senate. Committee on Government Operations, op.cit., pp.4-6.

2/ Ibid., pp. 6-7.

III. Legislation in the 95th Congress proposing a balanced budget

The 95th Congress chose a different approach to limiting Federal spending. It was less concerned with reforming the budget process than some previous Congresses, and more concerned with legislation that required a balanced budget. This concern can be partially attributed to California's Proposition 13.

In the 95th Congress, two pieces of legislation with provisions relating to a balanced budget were passed by Congress and signed into law. One of these laws was P.L. 95-435 (H.R. 9214), authorizing U.S. participation in the supplementary financing facility of the International Monetary Fund. An amendment to balance the budget was introduced on July 31, 1978 by Sen. Harry F. Byrd which stated:

> Beginning with Fiscal Year 1981, the total budget outlays of the Federal Government shall not exceed its receipts.1/

The Senate agreed to this amendment by a vote of 58 to 28. On September 14, 1978, the House agreed to a motion to instruct its conferees to accept the Byrd amendment. The final conference version of the International Monetary Fund bill included this provision requiring a balanced budget by fiscal 1981. The President signed this bill into law on Oct. 10,1978.

1/ Congressional Record [daily ed.]. v. 124, no. 117. July 31, 1978. p. S12154.

A second bill passed by the 95th Congress with a provision relating to a balanced budget was the Full Employment and Balanced Growth Act of 1978 (commonly known as the Humphrey-Hawkins bill). On March 15, 1978, Rep. John M. Ashbrook offered an amendment to H.R. 50, the House version of the Humphrey-Hawkins bill. Ashbrook's amendment would not have required a balanced budget; however, it would have estabished a balanced budget by 1983 as a goal of the Federal Government. In addition, the amendment would have required the maintenance of this goal after 1983. Reps. Max Baucus and Butler Derrick offered an amendment to the Ashbrook amendment in the form of a substitute. Their amendment established a balanced budget as a goal of the Federal Government, but set no target date for this goal. Rep. Ashbrook offered an amendment to the Baucus-Derrick amendment reinserting into H.R. 50 his goal of a balanced budget by 1983. The Ashbrook amendment to the Baucus-Derrick amendment was defeated by a vote of 215 to 205. The Baucus-Derrick amendment offered as a substitute was agreed to by a vote of 411 to 3. The Ashbrook amendment, as amended by the Baucus-Derrick amendment, was accepted in a voice vote. As a result, when the House sent H.R. 50 to the Senate, The Full Employment and Balanced Growth Act of 1978 contained a goal of a balanced budget, but with no particular target date for achieving this goal.

The Senate took up the House version of the Humphrey-Hawkins bill at the end of the second session. Various portions of H.R. 50 were amended by the Senate, but the goal of a balanced budget remained in the bill. No target date for balancing the budget was included in H.R. 50 as passed by the Senate. The Senate completed action on the Humphrey-Hawkins bill on Oct. 13, 1978, agreeing to H.R. 50 by a vote of 70 to 19. The House approved the Senate amendments to H.R. 50 by a division vote of 56 to 14. The President signed the Full Employment and Balanced Growth Act of 1978 on Oct. 27, 1978, making it P.L. 95-523.

S. 50, the original Senate version of the Full Employment and Balanced Growth Act of 1978, never received consideration on the floor of the Senate because the House version was accepted by Congress. Nevertheless, the Senate Banking Committee considered and amended this version of the Humphrey-Hawkins bill. One amendment accepted by the Senate Banking Committee established a balanced budget as a goal of the Federal Government, without a target date for achieving this goal. This language adopted by the Senate Banking Committee was similar to the language in H.R. 50 as signed into law.[1/]

The issue of a balanced budget was also considered by the 95th Congress during the debate over the tax cut bill, P.L. 95-600 (H.R. 13511). On Oct. 9, 1978, Sen. Sam Nunn offered an amendment to the

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1/ U.S. Congress. Senate. Committee on Human Resources and Committee on Banking, Housing, and Urban Affairs; Report to Accompany S. 50. 1978. Rpt. no. 95-1177.

tax cut bill which proposed reductions in individual income tax rates during the period 1980 through 1983. These reductions would only go into effect if Federal spending met certain requirements. One of these requirements was a balanced budget by 1982. (The budget would be balanced only if outlays in the second concurrent resolution on the budget did not exceed receipts in that resolution.) The Senate agreed to the Nunn amendment by a vote of 65 to 20. On Oct. 12, 1978, the House agreed to instruct its conferees to accept the Nunn amendment by a vote of 268 to 135. However, the Nunn amendment did not become law. The conference committee dropped the Nunn amendment, and the House and Senate accepted the conference committee's decision.

During the course of the 95th Congress, a substantial amount of other legislation proposing a balanced budget was introduced, but not acted upon. Some bills, such as H.J. Res. 56, would require that receipts exceed outlays until the national debt was repaid. After repayment of the debt, outlays could not exceed receipts except in times of war or national emergency. Other bills, such as H.J. Res. 41, would prohibit outlays from exceeding receipts, but would not require repayment of the national debt. Other proposals would prohibit appropriations, instead of outlays, from exceeding receipts. H.J. Res. 14 falls into this category.

The issue of balancing the budget also arose in response to petitions by state legislatures. At least twenty-two States have formally requested Congress to call a constitutional convention to consider a constitutional amendment to balance the Federal budget.[1/] (Congress has not officially recognized all these petitions.) Six other states have requested that Congress pass a constitutional amendment to balance the budget, and submit this amendment to the States for consideration.

IV. A History of legislation linking Federal spending to the gross national product through the 94th Congress

In addition to being concerned about a balanced budget, some members of Congress are concerned about the relative size of the Federal sector in our economy. Legislation linking Federal spending to the gross national product (GNP) is a reflection of this concern. Such legislation was first introduced after World War II.

The national income accounts measure the value of the final product of economic activity. It was not until after World War II that these measures were widely used and known. To our knowledge, the

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1/ David Huckabee. Constitutional Convention Applications: Addressing the Controversy of Counting State Applications Relating to a Deficit Spending Amendment. Congressional Research Service. Library of Congress. Sept. 29, 1978. p. 1-10.

first proposed legislation linking Federal spending to GNP occurred in 1952.

On May 16, 1952, Senators Taft and Ferguson introduced S.J. Res. 155. This constitutional amenedment would have prohibited "authorization of expenditures for non-military purposes in excess of 5 percent of the estimated national income during any fiscal year." In addition, the resolution would have limited "Congress' borrowing power to an amount not in excess of the estimated national income...." On the House side, two identical resolutions were introduced, H.J. Res. 451 and 458. No action was taken on any of these proposals. 1/

In 1953, three different bills linking Federal spending to GNP were introduced. H.J. Res. 236, introduced on April 2, 1953 by Rep. Marguerite Church, was identical to the Taft resolution of 1952. Rep. Ralph Gwinn introduced H.J. Res. 326, a resolution to prohibit Federal Government competition with the private sector. This resolution, introduced on Aug. 3, 1953, limited increases in the national debt and expenditures to one-seventh of the national personal income. A third resolution was introduced on March 9, 1953 by Rep. Richard

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1/ Legislative Reference Service. Library of Congress. Digest of Public General Bills. 82nd Congress. Second Session. 1952.

Poff. This constitutional amendment, H.J. Res. 217, prohibited appropriations in excess of 20 percent of the preceding year's national income. No action was taken on any of these bills. 1/

In 1953, the novelty of this approach to limiting Federal expenditures is suggested by a conversation between Rep. Poff and Rep. Coudert during a hearing before the House Committee on Government Operations. Rep. Poff was discussing his resolution linking Federal spending to GNP:

> Mr. Poff: Of course, you understand when I say "total national income" I mean the total national income nationwide, and not the tax revenue.
> Mr. Coudert: I understand that. You mean this figure they call the gross national product?
> Mr. Poff: That is right.

This conversation suggests that knowledge about the national income accounts was not widespread in the Federal Government, and probably less widespread among the general public. 2/

Such legislation continued to be introduced later in the decade of the 1950's. On April 23, 1956, Rep. Ralph Gwinn introduced H.J. Res. 608. This constitutional amendment would have prohibited the

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1/ Legislative Reference Service. Library of Congress. Digest of Public General Bills. 83rd Congress. First Session. 1953.

2/ U.S. Congress. House. Committee on Government Operations. Limitation of Federal Expenditures. Hearings, 83rd Congress, First Session, on H.R.2 and H.J. Res. 22. April 13, 1953. pp. 8-11.

authorization of expenditures in excess of receipts, and the authorization of expenditures in excess of one-sixth of the national income. As with previous bills of this type, no action was taken by Congress on this proposal. 1/

During the years from 1957 to 1972, Congress seems to have displayed little interest in legislation linking Federal spending to GNP. In the 93rd Congress, legislation linking Federal spending to GNP was again introduced. On Nov. 7, 1973, Rep. Jack Kemp introduced H.J.Res. 816, a constitutional amendment limiting Federal receipts and expenditures to a certain percentage of national income. The percentage applicable in a particular year would be determined by a mathematical formula involving previous year's receipts and GNP. The 93rd Congress did not to act on Rep. Kemp's proposal. 2/

Legislation linking Federal spending to GNP was also introduced in the 94th Congress. On Aug. 3, 1976, Sen. James Buckley introduced S.3784, the Economic Recovery and Sustained Growth Act. In the House, Rep. John Ashbrook introduced H.R.15672, an identical resolution.

1/ Legislative Reference Service. Library of Congress. Digest of Public General Bills and Selected Resolutions. 84th Congress. Second Session. 1956.

2/ Congressional Research Service. Library of Congress. Digest of Public General Bills and Resolutions. 93rd Congress. Second Session. 1974.

The Economic Recovery and Sustained Growth Act proposed amendments to the Congressional Budget Act to limit Federal spending. In addition, the bill proposed modifications of tax and minimum wage law. If this bill had been enacted, the growth of outlays and new budget authority approved in the first concurrent resolution on the budget would have been restricted to the percentage rate of increase anticipated in the next year's GNP. The 94th Congress did not consider the Economic Recovery and Sustained Growth Act.

V. Legislation in the 95th Congress linking Federal spending to the gross national product

The 95th Congress demonstrated its interest in legislation linking Federal spending to GNP during the consideration of the Humphrey-Hawkins bill and the tax cut bill. An amendment offered by Sen. Sam Nunn to the tax cut bill (P.L. 95-600) proposed reductions in individual income tax rates if Federal spending met certain requirements. One of the requirements was a reduction in the ratio of Federal outlays to GNP. Federal outlays could not exceed 21.0 percent of GNP in fiscal 1980, 20.5 percent in fiscal 1981, 20.0 percent in fiscal 1982, and 19.5 percent in fiscal 1983. The Nunn amendment was not included in the final version of the tax cut bill, as explained earlier in this report (p. 13).

Congressional concern about the share of GNP accounted for by Federal spending also surfaced during the consideration of the Humphrey-Hawkins bill. The Senate Banking Committee amended S.50, the original Senate version of the Humphrey-Hawkins bill, to establish as a goal of the Federal Government a gradual reduction in the ratio of Federal outlays to GNP. By 1981, the goal of the Federal Government would be to reduce Federal outlays to not more than 21 percent of GNP. By 1983, the goal would be to reduce outlays to not more than 20 percent of GNP.[1/] This version of the Humphrey-Hawkins bill was never considered on the floor of Congress. Instead, the House and Senate debated and passed H.R.50, the House version of the Humphrey-Hawkins bill.

On Oct. 13, 1978, Sen. William Proxmire offered an amendment to H.R.50 that would have established as a goal of the Federal Government a gradual reduction in the share of GNP accounted for by Federal outlays. The goal in the Proxmire amendment was identical to the goal in S.50, as passed by the Senate Banking Committee. Sen. Edmund Muskie offered an amendment to H.R.50 in the form of a substitute for the Proxmire amendment. The Muskie amendment did not set specific

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1/ U.S. Congress. Senate. Committee on Human Resources and Committee on Banking, Housing, and Urban Affairs. Report to accompany S.50. 1978. Report no. 95-1177.

numerical goals for outlays as a percentage of GNP. Instead, it established as a goal the lowest ratio of outlays to GNP consistent with national needs and priorities. The Muskie amendment to the Proxmire amendment passed 56 to 34. The Proxmire amendment to H.R.50, as amended by the Muskie amendment, passed in a voice vote. As a result, when the Humphrey-Hawkins bill was signed by the President, it included as a goal a reduction in outlays as a percentage of GNP to the lowest level consistent with national needs. It did not include specific numerical goals for the ratio of outlays to GNP.

Other bills linking outlays to GNP were introduced in the 95th Congress, but not acted upon. For example, H.R.9010 would have amended the Congressional Budget Act of 1974 to limit the annual increase in outlays to the average percentage increase in GNP over the previous three calender years. H.J.Res.964 and S.706 are examples of other bills in this category which the 95th Congress did not consider.

VI. Conclusion

The 95th Congress passed legislation requiring a balanced Federal budget by 1981. It also established as a goal of the Federal Government the lowest ratio of outlays to GNP consistent with national needs and priorities. Interest in this type of legislation is not new, but the 95th Congress seems to have been more active in this area than many previous Congresses. Historically, congressional interest in this topic has tended to vary with the surplus or deficit position of the Federal budget, and with the prevailing opinion on fiscal policy. If no deficit existed, or if everyone agreed on the need for a deficit, there would be little interest in legislation requiring a balanced Federal budget.