The Carleson Center for Welfare Reform

"Fulfilling the Reagan Agenda"

THE CASE FOR A NEW FISCAL CONSTITUTION

Dr. William A. Niskanen's Proposal for a Debt Control and Fiscal Responsibility Amendment to the U.S. Constitution

By
Lawrence A. Hunter, Ph.D.
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BACKGROUND

Substantial majorities of the American people, of all political persuasions, support a balanced budget amendment of some kind.[1] With large majorities of Republicans controlling both Houses of the 114th Congress, there is likely to be a revival of interest among backbenchers and even some GOP leaders in a balanced-budget/tax-limitation amendment (BBA/TLA) to the U.S. Constitution. In the short time since the 114th Congress convened, there already have been at least eight different BBA/TLAs introduced; seven in the House and one in the Senate.[2]

Additionally, at least two bills have been introduced to establish enforceable statutory caps on federal spending and to align federal spending with average revenues at 18 percent of GDP (See Appendix I).[3]

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1 According to a recent Sachs/Mason-Dixon poll commissioned by *The Daily Caller*, a large majority of the public backs an amendment to the Constitution requiring a balanced budget, a reform some lawmakers say is on the table in the debt ceiling debate. Sixty percent of the public support the amendment with 27 percent opposed; 8 percent are undecided. Eighty-one percent of Republicans and 68 percent of independents support the amendment. Even a plurality of Democrats, the party that typically resists spending cuts, back the amendment by a 45 percent to 44 percent margin.

2 HJ Res 1 (Goodlatte): http://thomas.loc.gov/cgi-bin/query/z?c114:H.J.RES.1:
HJ Res 2 (Goodlatte): http://thomas.loc.gov/cgi-bin/query/z?c114:H.J.RES.2:
HJ Res 4 (Buchanan): http://thomas.loc.gov/cgi-bin/query/z?c114:H.J.RES.4:
HJ Res 7 (Lance): http://rsc.flores.house.gov/solutions/capfedspending.htm
HJ Res 8 (Schweikert): http://thomas.loc.gov/cgi-bin/query/z?c114:H.J.RES.8:
HJ Res 12 (Byrne): http://thomas.loc.gov/cgi-bin/query/z?c114:H.J.RES.12:
HJ Res 56 (Walsh): No info yet available from Thomas
SJ Res 2 (Lee): http://thomas.loc.gov/cgi-bin/query/z?c114:S.J.RES.2:

3 The full text of either bill is not yet available on Thomas. However, from available summaries (http://rsc.flores.house.gov/solutions/capfedspending.htm), it appears that neither bill contains an exemption for Social Security to protect seniors from across-the-board spending reductions required to enforce the caps.

THE NISKANEN PROPOSAL

In one of his many scholarly papers, William A. Niskanen, former member and acting chairman of President Reagan's Council of Economic Advisors, proposed his own idea for amending the U.S. Constitution to bring about debt control and fiscal responsibility, which he promoted numerous times over the years in testimony before the U.S. Congress.[4] Running a mere 125 words, his proposed amendment was conceived to be, in his words, "consistent with the crisp and majestic language of most of the Constitution."[5]

Original Text of the Niskanen Amendment

> "Section 1. Congress may not increase the limit on the public debt of the United States without the approval of three-fifths of the members of each House.
>
> "Section 2. Congress may not levy a new tax or increase the rate or base of an existing tax without the approval of three-fifths of the members of each House.
>
> "Section 3. State and local governments must be compensated for the necessary additional costs of any new federal mandate specific to those governments. In the absence of such compensation, state and local governments need not implement such mandates.
>
> "Section 4. Sections 1 through 3 of the Article shall be suspended in any fiscal year during which a declaration of war is in effect." [6]

Nothing has changed in the interim to render Niskanen's proposal obsolete or impractical. However, congressional hanky-panky with the debt limit in the years since Niskanen wrote his proposal does make it necessary to tweak his language somewhat. Moreover, legislative action must be taken (over and above simply passing the Niskanen amendment) to fix the debt-limit law that Congress so disgracefully has subverted (see below). All that said, the Niskanen proposal remains one of the most practical and elegant of the many variants on the BBA/TLA out there.

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4 Before his death on October 26, 2011, William A. Niskanen served as a board member of the Carleson Center for Welfare Reform. He was a former member and acting chairman of the White House Council of Economic Advisors and one of the architects of President Ronald Reagan's economic program. Niskanen was a professor of economics at the University of California at Berkeley from 1972 to 1975 and helped establish the school's graduate school of public policy. Between 1975 and 1980, he was chief economist of Ford Motor Company. After he left the Reagan administration, Niskanen joined the Cato Institute, where he served as chairman of the board of directors from 1985 to 2008 and was an active policy scholar. He remained a scholar and chairman emeritus of Cato from 2008 until his death in 2011. Throughout his career, Niskanen was recognized for his many scholarly contributions to public choice theory.

5 See Richard W. Rahn, "William Niskanen, Wise and Principled," *Washington Times,* November 2, 2012. http://igeg.org/WilliamNiskanenWiseAndPr.html

6 Niskanen, William A., *Policy Analysis and Public Choice: Selected Papers by William A. Niskanen,* The Locke Institute, Edward Elgan Publishing, Inc., Northampton, Massachusetts, 1998, pp. 368-372. https://books.google.com/books?id=K-8yAb-s4HugC&printsec=frontcover#v=onepage&q&f=false

Niskanen's approach is simple. It never mentions deficits nor does it mandate a balanced budget; it simply requires a supermajority vote of the Congress to raise the debt limit. Done! Deficits are eradicated unless Congress consciously and explicitly votes to run them. Once federal borrowing reaches the debt ceiling, annual increases in the national debt (i.e., deficits) are impossible unless Congress votes by a supermajority to raise the debt ceiling. If Congress doesn't want to raise the debt ceiling or doesn't want to raise it enough to accommodate all the new spending it desires, it will either have to cut other spending, raise taxes, or do both. But, under the Niskanen formula, there is no lopsided incentive to raise taxes because he requires the same supermajority vote to raise taxes as he does to raise the debt limit—three-fifths or 60 percent.

The best analogy is that Niskanen has constructed two jaws of a fiscal vice on spending (one on debt, one on taxes) with the default position set at "closed"—i.e., no room for deficits. Deficits are automatically precluded under the Niskanen approach, and if Congress wants to spend more money than current revenues can support, it must make a conscious and explicit effort to open the jaws of the fiscal vice with three-fifths supermajority votes to increase the national debt (i.e., run a deficit) and/or raise taxes.

Moreover, under Niskanen's approach, there is no need to rely on any newly designed, bureaucratic congressional budget process nor will the implementation of the amendment be dependent upon dodgy and manipulable economic/fiscal forecasts, both of which are required for implementation/enforcement of most other BBA/TLAs. Niskanen's approach simply prohibits the Congress from borrowing more money beyond the debt limit, which means deficits are impossible, and a balanced budget is the inevitable outcome unless Congress consciously and explicitly votes by a supermajority to increase the debt limit. The Niskanen approach also guards against providing Congress a biased incentive to "balance the budget up" by raising taxes because he would impose the same supermajority-voting rule to raise taxes that he requires to increase the debt limit. Simple. Elegant. Effective. Practical.

BROKEN DEBT LIMIT LAW IS OBSTACLE TO IMPLEMENTING NISKANEN PROPOSAL

There is only one problem with this approach, and it would require a legislative "fix" before the amendment could be implemented effectively: The current debt-limit law is broken, and it must be fixed for the Niskanen approach to work. The current debt-limit law has allowed the Congress to defang the debt ceiling as any real constraint on borrowing—indeed it has turned the debt limit into a political fig leaf behind which legislators hide and pretend to make "tough fiscal choices." It's all fiscal baloney.

Despite all the political folderol and high-blown rhetoric that spews forth from Capitol Hill each time the debt ceiling is approached, the current debt-limit law guarantees that the debt ceiling will rise sufficiently to cover however much money Congress desires to borrow. To understand why, one has to understand how the debt limit has been contorted recently and the way the current debt limit operates.

Effective after January 27, 2012, Congress increased the debt limit to $16,394 billion. A year later, on February 4, 2013, Congress suspended the existing debt limit from February 4, 2013, through May 18, 2013, and ***prospectively increased*** the limit to accommodate the increase in such debt that would be outstanding as of May 19, 2013—where "accommodate" meant allowing the debt to rise unencumbered to whatever amount it turned out to be.[7]

Effective May 19, 2013, Congress reestablished the statutory debt ceiling at $16,699 billion. Five months later, on October 17, 2013, Congress once again "suspended" the debt limit from that date through February 7, 2014 and ***prospectively increased*** the debt limit by an unspecified amount to accommodate whatever increase in the debt happened to occur between May 19, 2013 and February 8, 2014.

Finally, effective February 8, 2014, Congress reestablished the statutory debt limit slightly higher at $17,212 billion, then again promptly suspended it from February 15, 2014 through March 15, 2015, and, as before, ***prospectively increased*** the debt limit to "accommodate" whatever increase in debt occurred in the interim. The "debt ceiling" will automatically become whatever the outstanding debt happens to be as of March 16, 2015. (During the two years and one month from February 4, 2013 through March 16, 2015, the debt limit will have been in suspension a total of 20 months and eleven days—80 percent of the time.)

Get the picture? Congress plays the game of setting a floating debt limit, then suspending it and allowing it, like a buoy floating in water, to rise to whatever level of borrowing the government requires to fund everything then in the pipeline. The debt ceiling now automatically rises to whatever level the amount of debt outstanding happens to be the day the suspension of the debt limit expires.

Congress has placed itself in the untenable position of not being able to avoid allowing the debt limit to rise after the fact because it has placed itself (intentionally) behind the eight ball. The consequences of not allowing the debt limit to rise to accommodate whatever borrowing already occurred would go well beyond merely not being able to borrow money to pay for new spending Congress desires. Since the debt will have risen well above the statutory debt limit by the time the suspension of that limit expires, **in order to enforce the hard statutory debt limit that was in place before the suspension period took effect, Congress would actually have to extinguish almost a trillion dollars of outstanding debt to be in compliance with its own law—unimaginable.**

The amount of federal debt outstanding that is subject to the statutory debt limit (which includes Social Security Trust Fund debt held by the Treasury), as of today, stands at $18,083 billion, $871 billion above the statutory debt limit of $17,212, which is now in a state of suspension.[8] Therefore, if one conservatively guesstimates that during the first quarter of 2015, the debt increases another $100 billion by March 15, the existing statutory debt ceiling already will have been breached by almost a trillion dollars the day the suspension of the debt limit expires. Some constraint!

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7 http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0C-CAQFjAA&url=http%3A%2F%2Fwww.whitehouse.gov%2Fsites%2Fdefault%2Ffiles%2Fomb%2Fbudget%2Ffy2015%2Fas-sets%2Fhist07z3.xls&ei=1UTOVPfDEs7wggSLlITIDg&usg=AFQjCNFNjjITA2t_0EqRl6l6p7MrQgWWLA&sig2=GJJyNOl-bqA5zhUZrO22nug&bvm=bv.85076809,d.eXY

8 http://www.treasurydirect.gov/NP/debt/current

The corrupted, floating debt-limit law Congress invented when it began routinely suspending the debt limit temporarily provides for the debt ceiling to rise automatically to accommodate all the outstanding debt in excess of the statutory debt limit, thus making a rise in the statutory debt ceiling a *fait accompli*. **Congress has created a pernicious dynamic it will find difficult to reverse without new constitutional provisions forcing it to do so.**

Come March 15, 2015, Congress will be faced with the prospect of raising the statutory debt ceiling to "accommodate" all the debt incurred during the 2014-15 debt-limit-suspension hiatus (about one trillion dollars) **plus** another $500 billion just to cover the new borrowing expected during the remainder of 2015. In order to provide additionally for new borrowing in 2016, that new statutory debt limit would have to rise by about another $500 billion—a $2-trillion bridge too far.

Hence, one likely can expect Congress to engage in the same debt-limit-suspension trick again sometime this year or early next year to give the impression they are not "caving" on raising the debt ceiling. This is truly Alice in Wonderland stuff: Borrow the money first, then allow the debt ceiling automatically to float high enough to accommodate the borrowing retroactively; immediately suspend the debt limit just reestablished at its higher (but not too-high) level, permit debt to rise unencumbered during the suspension period, automatically reestablish a new, higher—but not really adequately high—statutory debt ceiling and then suspend it. Wash, rinse, spin, repeat...

FIXING THE DEBT LIMIT LAW AND IMPLEMENTING THE NISKANEN AMENDMENT

In order for the Niskanen approach to work, I believe there would have to be accompanying legislation setting a sufficiently high, hard debt ceiling a year out from the effective date of a ratified amendment. This debt ceiling would have to provide sufficient room to accommodate debt growth, which would occur the year before the amendment took effect, so that by the end of the amendment's first year in effect, the level of debt would not greatly, if at all, exceed the statutory debt ceiling, and Congress would have had a full year to prepare for the hard fiscal constraint it would face.[9]

The good news is that there is a straightforward solution to the broken debt-limit law, which, if accompanied by a hard constitutional debt-limit constraint would halt the dynamic set in motion when Congress began suspending the debt limit. I worked closely with Senators DeMint, Toomey and Vitter back in 2011 to craft the solution. It was called the *Full Faith and Credit Act of 2011* (S 163—Toomey).[10] Indeed, I helped convince them to amend the original Toomey bill (as per the Vitter Amendment) to protect Social Security—something too many Republicans ignore, as you can see from the two spending-cap proposals referenced earlier and summarized in Appendix I.[11]

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9 The details of introducing such a hard fiscal constraint would have to be worked out carefully, and it may be that a "phase-in period" or more than one year would be required.

10 http://thomas.loc.gov/cgi-bin/query/z?c112:S.163:

11 https://www.congress.gov/congressional-record/2011/02/28/senate-section/article/S979-3

The *Full Faith and Credit Act of 2011* (also introduced in the House by Representative Tom McClintock and backed by then-Ways-and-Means-Committee chairman Dave Camp—HR 807) would, in the event of a confrontation over raising the debt ceiling, empower the U.S. Treasury to make all interest payments on the national debt and also ensure that the Social Security Administration could access its own trust fund to pay Social Security benefits and disability payments on time by allowing Treasury to issue public debt specifically tied to these benefits. In other words, the link between holding the debt ceiling in place and the risk of default on the national debt and Social Security would be removed.[12]

The DeMint/Toomey/Vitter/McClintock *Full Faith and Credit Act of 2011* is the place to begin with implementation legislation for a Niskanen debt control and fiscal responsibility constitutional amendment. I would suggest adding to the bill a provision prohibiting suspension of the statutory debt limit without a supermajority vote of Congress to do so.

The Act establishes a systematic process by which obligations on the debt held by the public are prioritized in the event that the debt of the United States Government reaches the statutory limit. It provides authority for the Department of the Treasury and the Commissioner of Social Security to pay respectively the principal and interest on debt held by the public and monthly old-age, survivors' and disability insurance, which would take priority over all other obligations incurred by the Government of the United States.

The capability to prioritize spending would restore the bite of the debt limit because it would make holding the debt limit in place politically and economically/fiscally feasible by eliminating the possibility of default. See analysis in Appendix II.[13]

Below are several columns I published that go directly to these issues:

- "It's Time For The Republicans To Play Budgetary Small Ball," July 17, 2011 - http://www.forbes.com/sites/lawrencehunter/2011/07/17/its-time-for-the-republicans-to-play-budgetary-small-ball/
- "Enough Is Enough On Raising The Federal Debt Limit," February 2, 2011 - http://www.forbes.com/sites/lawrencehunter/2011/02/02/enough-is-enough-on-raising-the-federal-debt-limit/
- (VIDEO) "Senator Pat Toomey Discusses Social Security With Larry Hunter; *Toomey Debunks Obama's debt-limit hysteria, pledges to protect Social Security from default*" - http://socialsecurityinstitute.com/blog/senator-pat-toomey-discusses-social-security-with-larry-hunter

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12 While the intended objective of the Vitter Amendment was sound, its design was flawed. Rather than providing an exception for newly issued public debt to cover Social Security payments, as the Vitter Amendment does, I believe the provision should have instructed Treasury to prioritize and pay both debt service and Social Security payments first, out of existing revenues, which would remain within the spirit and design of the rest of the *Full Faith and Credit Act of 2011*. The provision also could provide, if thought necessary, for Treasury's issuing new, exempted short-term debt to cover debt service and Social Security benefits if and only if tax-revenue cash flow were insufficient to make the prioritized payments.

13 Hunter, Lawrence A., "There Obama Goes Again Holding Seniors Hostage: Hitting The Debt Ceiling Is Not The Same As Defaulting On The National Debt," The Social Security Institute, October 7, 2013. http://socialsecurityinstitute.com/blog/there-obama-goes-again-holding-seniors-hostage

CONCLUSION

In my opinion, the Niskanen constitutional approach to debt control and fiscal responsibility is the most elegant and practical of all the various balanced-budget/tax-limitation amendments, and it is the least susceptible to political manipulation. It is not perfect, however. To work properly, the Niskanen amendment would require slight revision, and it would require Congress both to fix the statutory debt-limit law and to enact implementing-and-enforcement legislation for the amendment along the lines of the *Full Faith and Credit Act of 2011* (as amended by Vitter).

First: Article I, Section 8 of the United States Constitution gives Congress the power to "borrow money on the Credit of the United States" and to "pay the Debts" of the United States Government. The Constitution does not, however, require Congress to set a limit on the national debt.[14] If the national debt and federal spending are to be brought under control by means of a Niskanen-like constitutional amendment, it would be advisable to finally require Congress constitutionally to limit the debt before setting out new constitutional conditions and procedures by which Congress may increase or suspend the statutory debt limit. Additionally, it is necessary to update the Niskanen proposal to rein in Congress's latest tricks on the debt limit. Therefore, I suggest amending Section 1 of Niskanen's language to read as follows (new language inside brackets in [*italics*]):

> Section 1. [**Congress shall establish a limit on the public debt of the United States and may suspend the debt limit temporarily but for no more than a total of 30 days during any single Congress.**]
>
> Congress may not increase [**or temporarily suspend**] the limit on the public debt of the United States without the approval of three-fifths of the members of each House.

Second: History demonstrates that Niskanen's original three-fifths supermajority requirements to raise taxes and increase the debt ceiling—and, if Section 1 is revised as suggested above, to suspend the debt limit temporarily—are not sufficiently stringent to overcome the enormous bias in the legislative process compelling Members of Congress to spend more money, borrow more money and raise more tax revenues to pay for it.

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14 "Prior to 1917, the United States did not have a debt ceiling, with Congress either authorizing specific loans or allowing Treasury to issue certain debt instruments and individual debt issues for specific purposes. Sometimes Congress gave Treasury discretion over what type of debt instrument would be issued.
"Between 1788 and 1917 Congress would authorize each bond issue by the United States Treasury by passing a legislative act that approved the issue and the amount.
"In 1917, during World War I, Congress created the debt ceiling with the *Second Liberty Bond Act of 1917,* which allowed Treasury to issue bonds and take on other debt without specific Congressional approval, as long as the total debt fell under the statutory debt ceiling. The 1917 legislation set limits on the aggregate amount of debt that could be accumulated through individual categories of debt (such as bonds and bills).
"In 1939, Congress instituted the first limit on total accumulated debt over all kinds of instruments. The debt ceiling, in which an aggregate limit is applied to nearly all federal debt, was substantially established by Public Debt Acts passed in 1939 and 1941 and subsequently amended." http://en.wikipedia.org/wiki/History_of_United_States_debt_ceiling, drawn from D. Andrew Austin, "The Debit Limit: History and Recent Increases," Congressional Research Service, updated April 29, 2008, at: http://fpc.state.gov/documents/organization/105193.pdf and several other sources.

There is, already, a ***de facto*** 60-vote requirement to pass controversial legislation out of the U.S. Senate, including tax increases and increases in the debt limit. However, experience proves that such a three-fifths vote requirement is insufficient to constrain the Senate. Therefore, I believe it would be necessary to modify the Niskanen Amendment further by increasing the supermajority rules on both raising/suspending the debt limit and raising taxes to **two-thirds**.[15]

I recommend, therefore, that the final version of the Niskanen proposal read as follows (deleted language stricken and new language inside brackets in [*italics*]):

Revised Text of the Niskanen Amendment

Section 1. ***[Congress shall establish a limit on the public debt of the United States and may suspend the debt limit temporarily but for no more than a total of 30 days during any single Congress.]***

Congress may not increase ***[or temporarily suspend]*** the limit on the public debt of the United States without the approval of ~~three-fifths~~ ***[two-thirds]*** of the members of each House.

Section 2. Congress may not levy a new tax or increase the rate or base of an existing tax without the approval of ~~three-fifths~~ ***[two-thirds]*** of the members of each House.

Section 3. State and local governments must be compensated for the necessary additional costs of any new federal mandate specific to those governments. In the absence of such compensation, state and local governments need not implement such mandates.

Section 4. Sections 1 through 3 of the Article shall be suspended in any fiscal year during which a declaration of war is in effect.

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Dr. Hunter was a policy advisor on President Ronald Reagan's White House staff and has also served as vice president and chief economist of the U.S. Chamber of Commerce, chief of staff of the congressional Joint Economic Committee and chief economist and political advisor to Jack Kemp at Empower America/FreedomWorks.

15 Increasing the supermajority requirement to two-thirds also would give Congress a strong incentive to create implementation/enforcement legislation providing for prioritization of federal spending a la the Full Faith and Credit Act of 2011 in the event the debt limit is reached, thus strengthening the restraining power of the debt limit by eliminating the possibility of default on the national debt and Social Security.

APPENDIX I

Bills introduced in the 114th Congress to Establish Enforceable Statutory Caps on Federal Spending and Align Federal Spending with Average Revenues at 18 Percent of GDP

HR 2041 (KINGSTON), "RETURNING TO RESPONSIBLE FISCAL POLICIES ACT"

Summary: Would limit all federal spending to 18 percent of GDP, phased-in over 5 years. Would strictly limit emergency spending, exempt only interest payments on the national debt, and require a two-thirds vote of both houses of Congress to override the law.

Enforcement: If Congress is unwilling or unable to bring spending within the limit, spending would automatically be cut across-the-board to meet the prescribed spending level for that year. Spending would be divided into three categories: direct (entitlements), non-security discretionary and security-related discretionary. Cuts would be applied proportionally in each of these categories based on their level of growth from the previous year.

HR 1848 (MACK), "ONE PERCENT SPENDING REDUCTION ACT."

Summary: Would limit all federal spending to 18 percent of GDP, phased-in over 6 years with a one-percent reduction in spending annually. Would exempt only interest payments on the national debt. Would require a two-thirds vote of both Houses of Congress to override the cap.

Enforcement: 1) Congress and the President work together to enact program reforms and cut federal spending by one percent each year; or 2) If Congress and the President fail to do so, the bill triggers automatic, across-the-board spending cuts to ensure the one percent reduction is realized.

APPENDIX II

THERE OBAMA GOES AGAIN—HOLDING SENIORS HOSTAGE

Lawrence A. Hunter, Ph.D.
October 7, 2013

Hitting The Debt Ceiling Is Not The Same As Defaulting On The National Debt

Two years ago, as the federal government approached its legal borrowing limit, President Obama made a thinly veiled, Tony-Soprano-style threat to hold up Social Security checks if congressional Republicans didn't give in to him and increase the debt limit and raise taxes. The president contended that if the government was unable to borrow more money, "There may simply not be the money in the coffers to do it [pay Social Security benefits]."

At the time, I pointed out that a quick look at the Monthly Treasury Statement of Receipts and Outlays of the U.S. Government put the lie to Mr. Obama's professed uncertainty. There never was any uncertainty as to whether sufficient revenues would be available to pay Social Security benefits—benefits retirees paid for with dedicated taxes withheld from their paychecks every payday during their working careers—if the federal government was precluded from borrowing more money. There would have been more than enough tax revenues available to pay Social Security benefits, and the president created the uncertainty that there might not be out of whole cloth to prey on the fear of seniors so they would pressure Members of Congress to give up their demands for spending reductions and simply increase taxes and raise the debt limit. Shame on him.

There would have been ample tax revenues to pay not only all Social Security benefits, in full and on time, but also to pay all interest on the national debt, with revenues to spare to cover other essential federal spending. The data prove the point: During the 18 months prior to Mr. Obama's threat to hold up Social Security payments, monthly outlays by the Social Security Administration comprised an average of 35.6 percent of the federal government's total monthly revenues, never once exceeding 58 percent of available revenues in any month and amounting to less than 30 percent of available revenues in seven of the 18 months. Average monthly interest payments on the national debt averaged 17.9 percent of total federal receipts over the same 18-month period. Combined, monthly Social Security payments and interest on the debt averaged just under 54 percent of total revenues, leaving almost half of the government's revenues available each month to prioritize across all other essential federal programs.

The president got his way two years ago. The debt limit was raised, taxes were increased and no significant reductions in federal spending occurred. Now, the federal government once again is bumping up against the debt ceiling and will be legally unable to borrow more money sometime before the first of November unless Congress raises the debt limit again. Once again, President Obama is resisting congressional demands that any increase in the debt limit must be accompanied by significant reductions in wasteful and non-essential government spending.

Once again, Mr. Obama is raising the specter of the government's being unable to pay Social Security benefits if the debt limit is not raised. Once again, the president is holding seniors hostage in a standoff with the Congress.

On Thursday last week, the president touted a Treasury Department report warning that breaching the debt ceiling could inflict economic calamity "more severe than any seen since the Great Depression." Mr. Obama insinuated that if Congress allowed the federal government's borrowing authority to lapse it would create an "economic shutdown," and then he played the seniors card: "If we don't raise the debt ceiling, they [Social Security payments] don't go out on time."

Then the president issued the threat: "I've said this before, I'm going to repeat it: there will be no negotiations over this [the debt limit]."

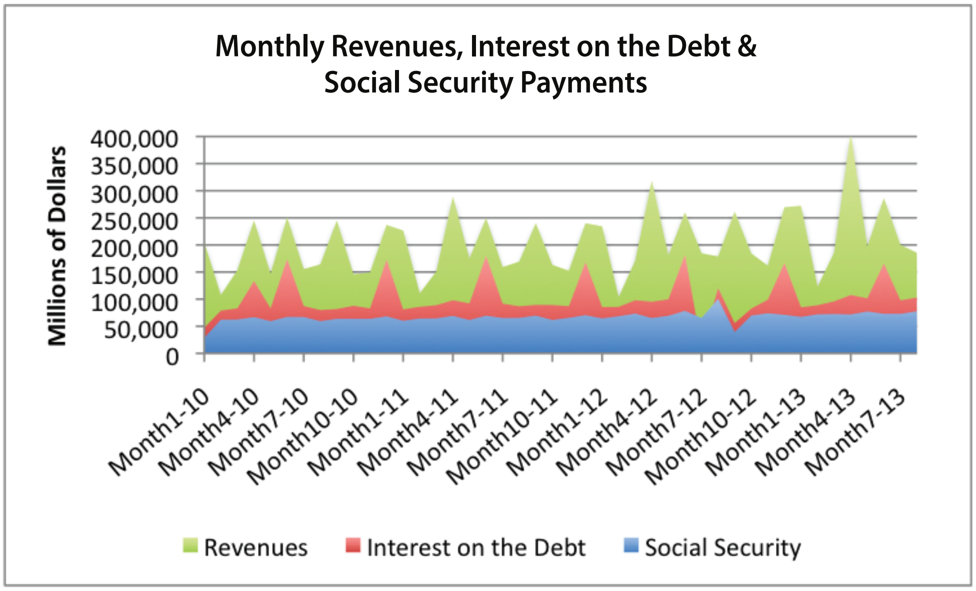
Fool seniors once, Mr. President, shame on you; fool seniors again, fellow seniors, shame on us. This time, seniors must not allow the president to bamboozle them into helping him bludgeon the Congress into giving up its sensible demands for more spending discipline.

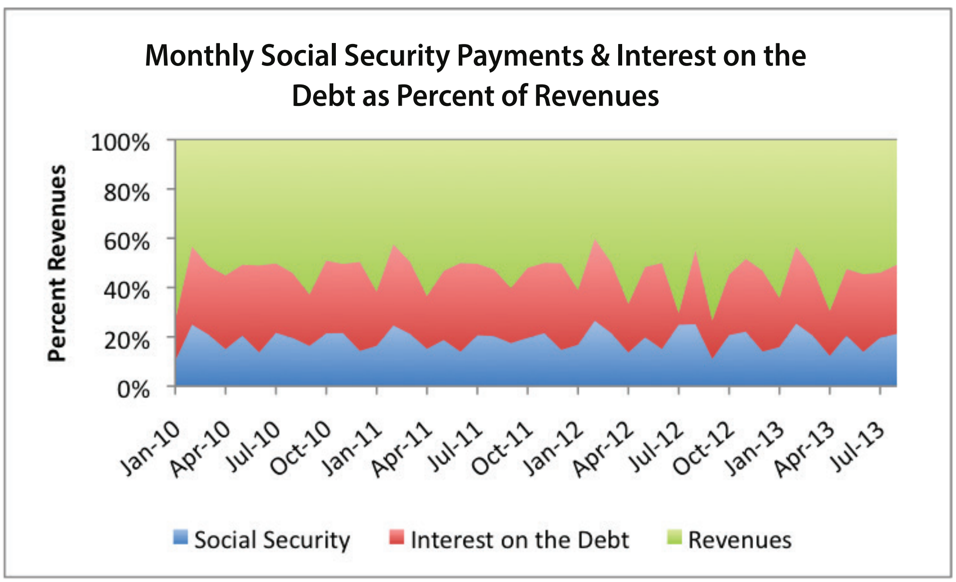
Any increase in the debt limit must be accompanied by significant spending reductions and an amendment to the debt-ceiling law to prevent future standoffs that hold seniors hostage. Former Senator Jim DeMint (R-SC), now president of the Heritage Foundation, offered the solution to this dilemma last time around when he proposed an amendment that would "prioritize all obligations on the debt held by the public in the event that the debt limit is reached, providing also that the government give equal priority to payment of Social Security benefits." In other words, if the debt limit is not increased and the federal government is precluded from borrowing more money, the Treasury Department would be forced to pay all interest on the national debt and all Social Security benefits first and then allocate remaining revenues among the rest of federal programs as Congress dictates. It's called "setting priorities" and "budgeting," something every household in America does every day. It's time Congress started doing the same.

The Democrat-controlled Senate shot down the DeMint amendment to maintain the threat of a government default, which was guaranteed to keep the tax-borrow-and-spend orgy going.

The data since the last debt-limit standoff demonstrate the feasibility of DeMint's prioritization solution. During the 24 months subsequent to the president's first threat to hold up Social Security payments, average monthly Social Security outlays rose only slightly to 36.3 percent of monthly federal receipts, only once exceeding 60 percent of revenues during the entire 24 months; average combined monthly Social Security outlays and interest payments actually declined to 50.7 percent of monthly federal receipts, amounting to less than 30 percent of total available revenues in nine of the 24 months.

The following two charts expose the president's debt-limit game for what it is—scaremongering and extortion—and they illustrate why Congress should insist on adoption of the DeMint amendment before it raises the debt limit again. Make no mistake; if Social Security checks do not go out, it will be President Obama's fault because he decided to make seniors a pawn in his debt-limit maneuverings just as he has used the vindictive closure of national parks and open-air memorials as pawns in his cynical budget maneuverings.





Dr. Hunter is president of the Social Security Institute and author of the forthcoming book *Taxed To Death: How the Income Tax & IRS Adversely Affect Everyone in America*

This column was originally published at The Social Security Institute (http://socialsecurityinstitute.com/blog/there-obama-goes-again-holding-seniors-hostage)