



*a report from*

A handwritten signature in cursive script that reads "Mo Udall".

*2nd congressional district of arizona*

Volume, XXV, No. 2

May, 1989

---

## **The Budget Tough Cuts -- Tough Choices**

Not too long ago, an old friend and Arizona businessman wrote me a long and thoughtful letter about the state of the economy, federal spending and what he hoped might be done. He made some good points, but none stuck better than his last sentence. "Mo," he wrote, "we all hate the deficit. The problem is, we all love what it does."

And of course, we do love what it does. Most people tend to believe that the part of the budget which benefits them is right and necessary, and what is spent on others is wasteful and wrong.

A few years back, I wrote a newsletter about federal spending and a balanced budget, and asked southern Arizonans to complete a questionnaire. The questions centered on two options normally part of any discussion of deficit reduction: raising taxes and cutting spending. While opinion on the matter of taxes was mixed, nearly everyone felt the government should be spending less.

I then asked where we should cut. I listed ten categories, each followed by a paragraph outlining how cuts in that category would affect Arizona. In all ten areas, the response was the same: don't cut anything.

Well, we're back at the same watering hole. The hole is deeper and there is less water, the list of remedies is shorter and the work which we need to do is going to be even tougher.

It's easy to understand why government spending has never attracted much enthusiasm. Families put in long hours on the job, struggle to make ends meet, sacrifice to help their children get an education, and know they have to live within a budget. And so they ask "why can't the government do the same thing?"

Business people labor long and hard to put together a product which will sell. Hopefully, they will turn a profit, be able to afford to hire a few more employees, expand their shop and enjoy their hard-earned prosperity. A solid business requires solid management, and so businessmen and women ask, "why can't the government do the same thing?"

Both are good questions, and deserve serious answers.

No family, after a difficult financial year, would argue that they have earned a vacation. Everyone would be expected to sacrifice and work toward bringing their fiscal house back into order.

We failed to do this during the Reagan years. We cut taxes, which produced a deficit, and increased spending.

No business would manage itself that way. No businessman I know would expand his company while trying to reduce sales.

But in a way that is exactly what the United States did.

Back in my grandfather's time, federal budgets and spending were not high on people's minds. The government was smaller and its goals more modest. If you had asked someone on the street in Washington, D.C. in the late 1920s to name the most powerful man in the city, Calvin Coolidge might not have made the top of the list. The government maintained an army and a navy, delivered the mail, administered a few pensions and was less involved in our daily lives.

But following World War II the country decided that it made good sense to invest in our own future, and we made a number of social contracts which were solid and sound: the government helped educate thousands of returning veterans, helped train nurses and doctors and dentists, poured money into universities and colleges, moved to develop the West with irrigation, water projects and highways, and a lot more.

A funny thing happened on our way through the 20th century. We failed to realize how costly these contracts would prove to be. As a country we wanted to care for the young, the sick and the elderly. As a world leader we had to maintain a strong, credible defense. As a republic based on democratic precepts, we chose to use our

resources to encourage and nurture democracy abroad. And none of this is done cheaply.

In the last two years grave questions have entered our national debate. Can we compete in the world? Are we falling behind? Young people ask how they can afford to go to school or finance a home. And the one villain which people keep pointing to is the budget deficit.

Recently, such a young woman wrote to me about this deficit and asked, "How does Congress decide where to spend our money? My Dad says you guys probably just sit around and dream up these things. Is that true?"

The question was honestly put, and to be frank about it, there may be a fair number of people who believe that is exactly the way things happen in Washington. I did my best to give the young woman a thoughtful answer, noting that when it comes to dreaming, government programs aren't high on my list.

I asked my secretary to find the time to look back through last year's appointments calendar and to give me a summary of the people who came to visit.

In 1988, my calendar showed appointments with: ranchers, farmers, business people, homebuilders and homemakers, lawyers, lobbyists, minority leaders, American Indians, manufacturers, railroad workers, shipping interests, labor unions, newspaper publishers, broadcasters, charitable organizations, educators, university administrators, trade delegations, contractors, bankers, high school students from Tucson, and a delegation from the Republic of Palau.

With rare exception, representatives of all of these varied groups came to talk to me about legislation. And most of that legislation they came to talk to me about involved money.

It is the oldest whipsaw, and it is faced daily by every Member of Congress: the pressure to balance the budget and reduce spending is forever countered by pressure to increase spending, or to create new spending to help people at home. Frequently, the push from both sides comes from the same place.

I've rambled a bit here and I have a feeling I may have almost gone a complete circle. But, having stated the problem and tried to offer a brief outline of how it is that we got here, let me offer a look at some answers.

Two plans often looked to for a way out of this mess are the Gramm-Rudman-Hollings law and a Constitutional Amendment requiring a balanced budget. Both contain flaws which seriously weaken their effectiveness.

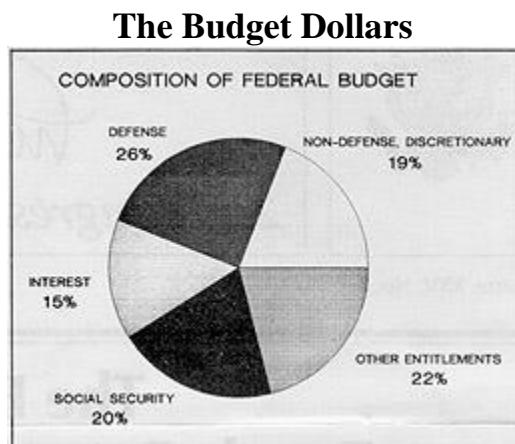
**Gramm-Rudman-Hollings:** This is already on the books and has been in effect for four years now. Simply stated, it is a law which **mandates** that Congress meet spending limits by a certain date each year, or all spending will be cut automatically. I don't object to the goal of Gramm-Rudman-Hollings, but I do take issue with the whole mechanism because I don't think it is working. By using fancy bookkeeping, increased spending can be disguised as spending cuts. The law is a simple answer for a complicated problem. It isn't doing the job it was supposed to do.

**Constitutional Amendment:** A Constitutional Amendment to balance the budget is an idea with strong support in some quarters, but it, too, is probably more illusion than solution. Any such amendment would need an emergency clause to cover spending, say in wartime, or to accommodate some major disaster. How do we define emergency? By defining it too broadly, we have defeated the purpose of the amendment; by defining it too narrowly, we might place the nation in peril.

Okay, Udall, what now?

First, Congress doesn't need new laws or Constitutional Amendments to cut spending or to balance the budget. It already has the authority, and shouldn't sidestep its job in favor of gimmicks which sound as if they offer painless ways to get the job done.

Second, we need to recognize that in order to balance the budget, we will all have to do more on less. The task of Congress is to make the tough choices between these cuts, and then insure that we are getting the biggest bang for our buck when hard-earned tax dollars go to work in our state and local communities.



Yes, you're right. The figures do add up to 102%. Offsetting receipts paid to the government bring this figure to 100%.

Nearly half of the budget, 42 percent, goes to entitlement programs such as Social Security, Medicare, Medicaid, and retirement programs. Some 26 percent goes to defense. Deduct 15 percent just for interest payments. That leaves only 19 percent for everything else -- from AIDS research to cleaning up oil spills, the protection of our borders, the budgets for the Coast Guard, FBI and Drug Enforcement Agency, building highways, helping our schools and colleges, and all the rest.

That latter category is what the government calls discretionary spending, and while our outlays for programs like Social Security and defense have gone up, our discretionary spending has actually declined by 18 percent over the past eight years.

Spending on the environment is down by 40 percent. Funds for housing have been cut by nearly 30 percent. Education is off by 20 percent. Community development has been cut by 66 percent and transportation spending has been trimmed by 16 percent.

These reductions are ironic given the tenor of the campaign just past. Both candidates spent a great deal of time and money intimating that as a country we were not doing nearly enough to fight the problems which confront us. Proposals flew fast and furious: on illiteracy, the homeless, drug abuse, global warming, acid rain, and education. Apparently, the problems of this country do not wear political labels.

I don't want to leave you with the impression that our budget problems are intractable, because I don't think they are. The solutions, however, do demand difficult choices. All of us must expect to bear some of the burden if we are to cage this monster.

I do value your advice, and I want your help. I'm sending along a ballot for you to express your views on the federal budget and the deficit. My list of possible budget cuts is hardly exhaustive, but it does represent many of the options most often debated in Congress. Please take the time to complete it and mail it back to my office. In the next several weeks, we'll tabulate the results and let you know what the Second Congressional District thinks.

Our democracy is nearly always cranky and sometimes slow and frustrating. The school of thought to which I belong maintains that the Founding Fathers made it deliberately so, forcing long and calculated thought before any significant changes are made. But the system does work. More importantly, it belongs to you.

Neotidae

# QUESTIONNAIRE

## Defense Spending

Defense spending comprises one quarter of all money spent by the government. In FY 1989 that amounts to some \$297 billion. From 1980 to 1988 annual defense spending increased from \$134 billion to \$282 billion.

While defense decisions are rarely simple, we need to balance what our security requires with what we can afford.

If you were trying to cut the deficit by reducing defense spending which one of the following items would be on your list?

	5-YEAR SAVINGS (Billions of dollars)
<input type="checkbox"/> a. Freeze all defense spending for one year	50.2
<input type="checkbox"/> b. Require allies abroad to share cost of U.S. troops stationed there	16.3
<input type="checkbox"/> c. Slow development of Strategic Defense Initiative	14.1
<input type="checkbox"/> d. No pay raise for military for FY 1990	9.2
<input type="checkbox"/> e. Cancel procurement of rail cars for MX missile	4.7
<input type="checkbox"/> f. Delay start of new defense programs for one year	3.8

## Non-Defense, Discretionary Spending

The number of programs which fall under this heading is impressive: education, housing, transportation, law enforcement and the judicial system, space exploration, health and medical research, air safety, and the environment. These programs also hold the distinction of being some of the few items in the budget which were actually cut -- by 18 percent -- in the last eight years.

If you were to look to these programs for further reductions, which one of the following would you select?

	5-YEAR SAVINGS (Billions of dollars)
<input type="checkbox"/> a. One-year freeze for all non-defense, discretionary programs	26.4
<input type="checkbox"/> b. Eliminate Low-income Home Heating Assistance Program	7.7
<input type="checkbox"/> c. Cancel NASA Space Station	4.2
<input type="checkbox"/> d. Cancel Superconducting Super Collider	1.8
<input type="checkbox"/> e. Terminate Legal Service Corporation	1.7
<input type="checkbox"/> f. Reduce funding for National Institutes of Health	1.7
<input type="checkbox"/> g. Reduce funding for low-income college Pell Grants	1.0

## **Social Security Spending**

One budget program often considered fair game for cuts is Social Security. Social Security attracts this attention because of its size and costs. Currently, the Social Security Administration provides monthly benefits to 38 million people, or one in six Americans. These benefits will cost the government \$234 billion in 1989 alone.

Most proposals to cut Social Security spending are tied to the Cost-of-Living Adjustments (COLAs), which, in turn, are pegged to the rate of inflation. While cutting COLAs would certainly reduce government spending, it may also hurt those least able to afford it. According to the Census Bureau, in 1986 Social Security reduced the poverty rate among senior citizens from 48 to 14 percent.

If you decided to help trim the deficit by cutting COLAs which one of the following plans would you endorse?

	5-YEAR SAVINGS (Billions of dollars)
<input type="checkbox"/> a. Eliminate COLAS for one year	69.4
<input type="checkbox"/> b. Limit COLAS to 2/3 of the rate of inflation	68.3

c. Limit COLAS to the rate of inflation minus two percentage points 87.3

NAME \_\_\_\_\_  
ADDRESS \_\_\_\_\_  
CITY/STATE/ZIP \_\_\_\_\_

PLACE  
25¢  
STAMP  
HERE

**Congressman Morris Udall  
235 Cannon HOB  
Washington, D.C. 20515**

(TO MAIL: FOLD THIS SIDE OUT AND AFFIX A STAMP)

## **SATELLITE OFFICES**

Though there are two Congressional offices in Arizona, many folks may not be able to travel to them when they have a problem with the federal government. That is why we have a toll-free telephone number (1-800-458-5547) and why my staff holds regular satellite offices in Yuma, Nogales, San Luis, Somerton, Gila Bend, Ajo and in many areas around Phoenix and Tucson. My Arizona staff is there to serve you (after all, you pay their salaries). Please call our toll-free number for information on the satellite office in your area.

## **DIABETES & HISPANICS**

Recently published statistics from the American Diabetes Association show an alarming rate of diabetes among Hispanics. In response, I have called for the formation of the Hispanic Diabetes Coalition of Arizona. If you would like to learn more about the Coalition you should call the toll-free number listed below.

## **CONGRESSIONAL OFFICES**

**TUCSON**  
373 South Meyer  
Tucson, Arizona 85701  
629-6404

**WASHINGTON, D.C.**  
235 Cannon HOB  
Washington, D.C. 20515  
(202) 225-4065

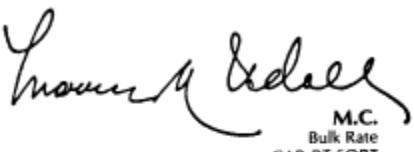
**PHOENIX**  
522 West Roosevelt  
Phoenix, Arizona 85003  
261-3018

**ARIZONA TOLL-FREE -- 1-800-458-5547**

Congress of the United States  
House of Representatives  
Washington, D.C. 20515

*Official Business*



  
M.C.  
Bulk Rate  
CAR-RT SORT

**POSTAL PATRON—Local  
2nd Congressional District  
Arizona**