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A MOMENT OF TRUTH IN THE WARFARE-WELFARE DEBATE:
THE TRANSFER AMENDMENT
BY HON. ELIZABETH HOLTZMAN

A "moment of truth" occurred on Capitol Hill in Spring, 1976, according to Tristram Coffin, veteran journalist and editor of The Washington Spectator.¹

"Very occasionally, the murmuring, restless, oblong hall that is the U.S. House of Representatives seems to stall in time and, unexpectedly, there is truth and wisdom. Loud conversations on the floor abruptly cease. The drowsy press gallery wakes up. The Speaker looks up from his letter-reading. The figure at the microphone is no longer a puppet droning out empty words, but an oracle.

"Such a moment took place during the House debate on the budget and passed unnoticed by the media, which are not geared to catch and record human passions as they attack the cold facade of government.

"The drama began when Rep. Elizabeth Holtzman (D-N.Y.)--young, serious, dark-haired, a member of the Budget Committee--offered an amendment. The idea, she explained, was to increase by \$2.5 billion 'the money for desperately needed programs here in the U.S., and to accomplish this by moderating the enormous growth of the military budget. The budget resolution contains the largest increase for military expenditures in peacetime in our history--an increase of \$11 billion in the budget authority and \$8.7 billion in outlays.' She said those who want this military increase do so because they believe we are threatened by events in Angola, Portugal and Italy. Miss Holtzman added in despair: 'Do the proponents of this increase really expect us to believe that adding \$11 billion to our military budget can compensate for 50 years of dictatorship in Portugal, for three centuries of colonial oppression in Angola, and for 25 years of corrupt political parties in Italy? . . . There is nothing in the \$11 billion increase that signals to anyone that we are going to be any more sympathetic to the needs of people for self-determination, any less supportive of oppressive dictatorships, or any less tolerant of corrupt regimes abroad. Military hardware alone is no substitute for a sensible foreign policy, and it is about time we acknowledged that.'"

The controversy over the budget is much more than a debate about how much should be spent in 1977 on the military, or social programs. It is more than a struggle between two branches of the federal government--the legislative and the executive--over which body should determine the national priorities. Ultimately questions are raised about the viability of the democratic planning process in the warfare/welfare state, and how the people--the governed--can be adequately represented in the process. All of these issues are touched on explicitly or implicitly by Congresswoman Holtzman in the debate (although, to be sure, she was most concerned with improving the flexibility of the budgeting process). For these reasons, the discussion is worth preserving.

The Holtzman Amendment lost 317-85 with 30 not voting. However, the warfare-welfare controversy still remains with us. As the military budget continues to increase, with a consequent lessening of resources available for social development, the crisis will be sharpened.

DISSENTING VIEWS OF HON. ELIZABETH HOLTZMAN²

I cannot support the First Concurrent Resolution on the Budget for the fiscal year 1977, because it fails to deal with the most serious (national) problems and locks the Federal government into military expenditures that will shortchange domestic needs for many years to come.

The purpose of the Congressional budget process was to give Congress an overview of Federal revenues and expenditures, and enable it to develop a constructive alternative to a President's budget. The Congressional budget, it was hoped, would control spending and be more responsive to the needs and concerns of all Americans than recent Executive budgets.

This resolution fails to live up to that promise. Instead, it would commit the country to a massive and unjustifiable increase in military spending, and as a result, to a reckless neglect of human needs. Except for employment and energy, there is no real program growth in domestic functions. The resolution also continues wasteful and inefficient programs, and fails to stop the loss of revenues through our inequitable, loophole-ridden tax structure. In sum, this budget resolution does not offer a genuine alternative to President Ford's shortsighted and distorted national priorities, but only a mildly altered, moderately improved version of the same thing.

I. Increased Military Spending

The Budget Committee's central failure is in its recommendation of an enormous and unprecedented increase in defense spending, for which the Committee received no justification.

The Committee proposes to increase military spending by \$11.8 billion in budget authority over fiscal 1976 levels. This is the largest peacetime increase in our history. It includes a 21% increase in weapons purchases: \$3.6 billion to offset inflation and \$8.3 billion for real growth. This is by far the largest real program growth in the Federal budget. The result is a budget in which military spending accounts for one-quarter of all spending, almost 50% all Federal revenues not earmarked for trust funds, and 70% of all "controllable outlays."³

No real need for this level of military spending was shown to the Committee, Instead we, and the entire country, were subjected to a persistent scare campaign

about "dollar gaps," "American determination," and the like. Neither the empty slogans, nor the specific increases authorized, can withstand close scrutiny.

Defense Department arguments boil down to a plea for increased military spending allegedly to meet Soviet increases. The fundamental fact remains, however, that the U.S. nuclear deterrent is second to none, and that overall Russian military strength does not and will not surpass our own.²

The country has learned in the past few years that claims of "national security" have been used as a pretext for a great many administration crimes. It is unfortunate that the Budget Committee did not recognize that the same spurious claim has been used as a pretext for unnecessary and wasteful military expenditures.

If the increase in military spending cannot be justified by comparisons between Soviet and American strength, does it make sense in terms of the programs funded? Again, the answer is no. A 7.2% increase is allowed for inflation, despite the fact that inflation is anticipated at only 5.5%. \$1.4 billion goes to the ordering of four SSN-668 Nuclear Attack Submarines. However, as one Committee member noted, 28 of these submarines are already on order; not one has been delivered; and the last one is not scheduled for delivery until 1983. What conceivable need is there to order four more in 1977? Another \$1 billion goes to the unnecessary B-1 bomber which may well be obsolete before it is built. The list could go on and on.

The Committee noted that the Defense Department now has about \$70 billion in unexpended balances on hand. Under this resolution, the unspent funds will rise to \$84 billion by the end of fiscal 1977. If the Defense Department cannot spend the money it already has, and if it cannot spend the new money it is getting, why is this new money needed?

If, as many members of the Budget Committee recognized, increased defense spending has no military justification, why has it been approved? The answer given was to "send a message" to the Russians, et al. I believe this budget does indeed "send a message"--that a weak President worried about a right wing political challenge is willing to panic this country, this Committee, and the Congress into a pointless arms race and a dangerous neglect of national problems. That message, I fear, offers far more comfort than concern to our adversaries.

II. Neglect of Human Needs

The trade-off between military spending and domestic needs has produced a budget that provides for no real growth in most existing domestic programs. They are budgeted at or below the inflation rate. Education, for example, is budgeted at a 6% increase over 1976 levels, barely keeping pace with inflation. General revenue sharing receives only a 2.9% increase--totally inadequate in the face of inflation and recession. Non-mandated health programs, such as family planning, bio-medical research, and health training, are given a 3.2% funding increase, despite a projected 10%-15% inflation rate for health costs.

In addition to starving existing programs, this resolution contains no new initiatives (except for token gestures toward studying national health insurance and full employment programs). It fails to deal with the nation's unconscionably high levels of illiteracy and infant mortality, the poverty and despair of our elderly, inadequate public transportation, the rapidly rising crime rate, and the lack of decent affordable housing.

The Budget Resolution commendably includes funding for the creation of approximately 1.1 million jobs. I supported this important effort at reducing unemployment. The Committee projects, however, that unemployment will still be at 6% by the end of 1977--a level that would ordinarily indicate a severe recession.

Perhaps the most disturbing omission in this resolution is the absence of any effort to rescue and rehabilitate America's financially strapped cities. New York City's fiscal crisis is only the most visible example of the desperate condition of our urban areas. Boston, Chicago, Detroit, Philadelphia, and others all face the steady erosion of their revenue bases, the decline of municipal services, and an ever increasing tax burden for remaining businesses and middle class taxpayers.

I offered an amendment to allow the Federal government to begin assuming 75% of total AFDC costs. My amendment would have provided \$1.5 billion to help relieve the inequitable burden which welfare places on our cities. The Committee, however, rejected my amendment, putting off once again any substantial attempt to deal with urban problems. Unless these problems are confronted in the near future, America's cities will become empty, poisonous wastelands a few years down the road.

III. Waste, Inflation and the Deficit

The Budget Resolution projects an inflationary and unacceptable \$50 billion deficit for fiscal 1977. We are already paying a high price in interest charges for past deficit spending and will be paying an even higher price in the future. Interest on the national debt has risen from \$16.6 billion in 1969, when Richard Nixon took office, to \$41.4 billion this year. It is projected to reach \$50 billion by 1981.

In spite of the burden that the deficit places on current and future budgets, no real effort was made to eliminate wasteful and unnecessary expenditures. The budget contains, for example, \$1.4 billion for various commodity support programs, \$1.3 billion for the space shuttle, and \$100 million to build a new American Embassy in Moscow. Surely these, and many other programs, could have been cut, postponed, or eliminated entirely.

Military waste heads the list. I offered an amendment to cut \$9.8 billion from the President's defense budget request. This would have allowed Defense an increase to account for actual inflation, as well as 2% in real growth, but it would have required any additional growth beyond 2% to come out of departmental savings. This would have forced the Defense Department to cut the fat out of its budget, but the amendment was defeated.

Cutting military spending would also have reduced its uniquely inflationary effect. Defense spending increases money in the hands of consumers but does not add to the useful goods and services produced by the economy. The result is aggravated inflationary pressure as more dollars compete for the same amount of consumables.

The Committee could have lowered the deficit by eliminating various tax expenditures --the tax "loopholes." It is estimated that the Treasury loses \$100 billion a year because of various tax preferences. In addition to reducing revenue, tax expenditures shift the burden of Federal taxation from business and the wealthy to working people. In the past decade, while payroll taxes have increased from 22% to 30% of total Federal revenues, corporate taxes have declined from 23% to 16%. The Budget Committee has done nothing to offset this growing dependence on regressive taxes.

IV. The Mortgaged Future

This year's military budget will produce continued starvation of domestic programs and deficit spending for years to come. The massive defense increase is only a downpayment on future expenditures. The budget funds the initial procurement of several major weapons systems, including the B-1 bomber, Trident submarines, and counterforce missiles, as well as a substantial shipbuilding effort. These programs will cost more than \$90 billion over the next five years.

The following table demonstrates the consequences of this commitment:

FIVE-YEAR IMPLICATIONS OF FISCAL 1977 BUDGET (In Billions of Dollars)					
	1977	1978	1979	1980	1981
Total revenues.....	363.0	401.0	448.0	497.0	550.0
Outlays:					
Presently mandated ¹	188.9	210.1	224.8	237.8	250.1
For defense ²	92.2	100.5	109.6	119.4	130.2
All other programs--no growth.....	132.5	132.5	132.5	132.5	132.5
Total outlays.....	413.6	443.1	466.9	489.7	512.8
Surplus/deficit.....	-50.6	-42.1	-18.9	+ 8.3	+37.2
Adjustments for inflation "all other programs"					
Category: Medicare.....		3.4	7.0	11.1	15.8
Medicaid.....		1.1	2.1	3.1	4.2
Grants to States.....		2.0	4.0	6.1	8.3
Veterans benefits.....		2.0	2.9	4.0	5.0
Civilian agency purchases.....		1.0	2.1	3.2	4.3
Federal employees pay.....		5.1	10.5	16.2	22.1
Total inflation adjustments.....		14.0	28.6	43.7	59.7
Potential deficits.....		-56.1	-47.5	-35.4	-22.5

¹Interest on the national debt, social security, SSI, etc.

²Excluding military retirement pay. Outlays assumed to rise at 9% annually (rate recommended for this year).

The table shows that increasing military spending will force health, education, state and local aid, and other domestic programs to remain at their 1977 levels in order to avoid a deficit. If these programs are allowed to keep pace with inflation, the result will be large deficits over the next five years. These deficits will occur without spending one dollar on program growth or new initiatives.

The Committee's approval of increased military spending, thus, forces us to choose between continued large deficits and neglecting pressing domestic needs for many years. I cannot concur in this decision to mortgage our nation's future.

Conclusion

The Budget Resolution is substantially improved over the president's budget. It rejects his proposed cuts in a number of domestic programs; it makes a real commitment to reducing unemployment. But much more needs to be done before we have a budget that is truly responsive to America's needs in 1977 and for years to come.

THE HOLTZMAN AMENDMENT AND EXCERPTS FROM THE DISCUSSION⁵

Mr. Chairman, I propose to amend the budget resolution by increasing by \$2.5 billion the money for desperately needed programs here in the United States, and to accomplish this by moderating the enormous growth of the military budget.

This budget resolution contains the largest increase for military expenditures in peacetime in our history--an increase of \$11 billion in budget authority and \$8.7 billion in outlays.

My amendment also allows an increase over last year's military budget, but one that is more consistent with our real needs for a strong military defense.

Mr. Chairman, let me add at this point that this amendment is introduced as well on behalf of the gentleman from Michigan (Mr. Conyers) and the gentleman from New York (Mr. Ottinger). . . .

Let me summarize what my amendment would do. It would:

First, lower this resolution's increase in military spending by \$2.5 billion in outlays and \$7.5 billion in budget authority--that is, allow 2 percent for real growth over last year and 5.5 percent for inflation;

Second, provide \$1.5 billion to States and localities to help pay for welfare costs, thus saving or creating 127,500 jobs;

Third, make available \$200 million for mass transit construction--a program kept at 1975 levels--providing 15,000 jobs;

Fourth, create 33,000 jobs by adding \$200 million to the job opportunities program;

Fifth, provide \$100 million to create 29,000 jobs for senior citizens;

Sixth, add \$100 million to bring Federal anticrime aid up to 1976 levels;

Seventh, make available \$200 million for direct loans through the Small Business Administration, creating 33,000 jobs;

Eighth, provide \$100 million to assure that biomedical research, health training, and other health programs can operate at 1976 levels; and

Ninth, increase the opportunity for needy students to attend college by adding \$100 million to work-study and other higher education programs. . . .

It is also time to send a signal to the American people--a signal that we can respond to their hopes and dreams for this country and not unwarranted fears created by election year rhetoric. Let us send a signal in this budget that we believe Americans are entitled to walk their streets without fear, entitled to a fair chance for useful work, productive jobs, to the opportunity for good education, to adequate health care, to improved mass transit, to decent housing, and to solvent state and local governments.

Mr. Chairman, without my amendment crime-fighting programs will be cut below last year's levels, biomedical research will be cut, training of health professionals will be cut, construction of new mass transit systems and purchases of new mass transit equipment will be cut, job training for senior citizens will be cut, college programs for low-income students will be cut, and we will not create an adequate number of jobs to deal with the serious unemployment in this country. By what logic do we cut these programs and then turn around and say to the American people that we want to send a wasteful, costly, extravagant signal at their expense to our enemies?

My amendment brings all of the programs I mentioned before up to last year's levels in terms of inflation. It will also add a substantial jobs component, through senior citizen employment programs and SBA direct loans. It will also create jobs in areas of high unemployment, through title X of the Economic Development Act. . . .

Perhaps most significantly, my amendment begins to address the problem of the insolvency confronting our cities and localities. The present welfare system imposes an extraordinary burden on States, cities, counties, villages, and towns. This sector of the economy has been one of the hardest hit by the present recession. Let us be

frank to acknowledge that somebody has to foot the bill for welfare costs. The real question is: Who is going to foot the bill? Is it going to be the cities, counties, and States which have the narrowest tax base and the severest fiscal problems? Or should we place the responsibility for this national problem on the Federal Government which has the resources to bear the burden and distribute it equitably?

My amendment, Mr. Chairman, would do the latter. It would allow the Federal Government to begin paying 75 percent of welfare costs around the country. This will prevent cutbacks in local services and layoffs or provide relief to State and local taxpayers; 29 States would get at least \$10 million as a result of my amendment and 17 States would get over \$20 million.

Everyone has been talking about welfare reform and it seems to me that we should begin to deal with this problem in this resolution instead of waiting until October 1977, the start of the next fiscal year. . . .

Mr. Chairman, let me point out as well that the jobs created through my amendment will be substantial. My amendment will provide, under the Older Americans Act, employment for 29,000 needy senior citizens and rescue them from the prospect of welfare. It will create about 31,000 jobs through the Job Opportunities Program and about 15,000 jobs through mass transit construction. We will create about 33,000 private sector jobs through expansion of the SBA direct loan program. Finally, we will create or save approximately 127,500 jobs by having the Federal Government pick up a larger portion of welfare costs from States and localities.
. . . .

We have the opportunity through this amendment to do what the Budget Act originally promised--to set priorities in our budgetary process that reflect the real needs of the American people and direct Federal spending to meeting these needs.

There is no justification for an extraordinary growth in the military budget which starves domestic programs and prevents us from engaging in new initiatives to deal with the problems of the recession, the devastation of our cities, the plight of our elderly, among others. I would urge that we take this opportunity to begin to realize the promise of the Budget Act. . . .

Mr. John L. Burton: The provision of the gentlewoman's amendment that would transfer welfare costs in a greater degree to the Federal Government will provide more economic relief for local governments in this Nation than will any revenue-sharing program and that will allow them the flexibility of raising their own funds and spending their own funds. That is an area where those who are concerned about local government should be concerned about their property tax paying taxpayers who would have this burden taken off their backs by the assumption of this, in lieu of building a couple more missiles that do not do much in the way of providing for property tax relief. . . .

Mr. Mitchell of Maryland: Mr. Chairman, my colleagues, on yesterday when we were debating the Giaimo amendment, my colleague from Florida (Mr. Gibbons) made a very forceful and dramatic presentation against any further cuts in the defense budget. The burden of his argument was that in order to prevent war, he would rather make an error on the side of "waste" or over-spending rather than see this country find itself short of the wherewithal necessary to protect our national security.

I listened very intently to the gentleman from Florida (Mr. Gibbons) yesterday. It was a very forceful and dramatic speech. What I would like to do is take his argument and turn it around in terms of national security in this country. For a long period of time I have been insisting and maintaining that the threat to America, the real threat to democracy, does not lie in the Soviet Union or in the Peoples Republic of China, nor does it lie anywhere outside the geographic boundaries of this country. The most grave and real threat to democracy is found within the boundaries of this country, and it is found in this situational mosaic which I shall attempt to lay out.

When we have people who, year after year, do not get fitted into the economic system, they become alienated from our system of government, and sooner or later that alienation is going to reflect itself by one means or another. I think the danger to the democratic process in this country--indeed, the danger to the country itself--lies in the fact that we have permitted structural unemployment to persist in this country since 1930; structural unemployment for blacks and other minorities, structural unemployment for our young people.

I think the danger to this country lies in the fact that, somehow or other, despite the best efforts of this Budget Committee, we did not start off with a zero-based budget so that we could place need against income, hurt against income, want against income. We did not do that. We were almost forced to accept the normal budgeting process, and as a result, despite the best efforts of the chairman--for whom I have a great deal of admiration, as I do for all the members of the committee--this Budget Committee has not yet gotten into the business of establishing priorities. Let me give the Members just one other illustration of what I am talking about.

If any of the Members have read Karl Marx--and I suggest that they read him, not to subscribe to his theories, but to know who the ideological opponent is. If they read Marx they will know that somewhere in his writings he says that in order for capitalism to survive there has to be an unemployed reserve in this country. He states it very simply.

When I look at the persistent structural high rate of unemployment found within America, particularly for blacks and for other minorities, I am forced to conclude that what we do here is to give some element of credence to that Marxist theory. I know that no one in this House wants to do that, but to the extent that we do not address the real needs of this country, that theory unfortunately assumes a greater validity in the minds of many people.

Mr. Chairman, let me say that I have supported the budget, the work of the Committee on the Budget, and I will continue to do so. However, let me also say that as long as I am on that Budget Committee I will work as arduously as I can to begin to establish real priorities for this country. We cannot continue along the same road that we have been following without inviting disaster, not from without but from within.

I urge support of the gentlewoman's amendment. . . .

Ms. Holtzman: Mr. Chairman, I would like to ask the gentleman whether the problem is not only that we have failed to address the real needs of the country today in this budget, but that the enormous increase in military spending locks us in to starving domestic programs for many years to come? One of the real problems that confronts us now is that the implications we make today will affect the choices we make next year and the year after and the year after that. My amendment cuts an additional \$5 billion in budget authority which gives us the room in the next few years to begin to address some of the human needs we have here at home.

Mr. Mitchell: The gentlewoman is absolutely correct. If my colleagues will recall, yesterday, in the discussion on the Giaino amendment, I attempted to point out that the present level of spending for the defense category will, over the next 5 years, cost us somewhere around \$159 billion. If that is true--and indeed it is true--it means we are going to inevitably have to cut programs necessary for the survival of the people in this country.

I think that the gentlewoman is absolutely right. Few Members of this House are paying attention to the long-range impact of the President's defense budget.

Mr. Chairman, I would certainly again reiterate my support for the amendment offered by the gentlewoman, and I urge my colleagues to do so. . . .

Ms. Holtzman: Mr. Chairman . . . I am deeply disturbed that the budget we are presented with this time fails to carry out the essential promise of the Budget Act--to set congressional priorities and to address the serious problems facing this country.

Perhaps part of the problem was that the Budget Committee's starting point was wrong. The process was distorted because we were confronted with and started from the President's budget, which called for enormous military increases and tax reductions for corporations and wealthy individuals to be financed essentially by massive cuts in domestic spending and increases in social security taxes.

The committee, I think, did an obvious and important service for the Congress in rejecting most of the President's proposals, but that only left us no worse off than we were before.

The committee did commendably add an important measure to stimulate the economy and create new jobs but under the committee's resolution, we are still left at the end of the fiscal year 1977 with 6-percent unemployment. We have no other significant new initiatives or program growth in the budget for next year, however, besides the jobs program.

Yet think of the problems that confront us as a Nation. Our cities are becoming wastelands plagued by crime, increasingly unlivable, and this as we celebrate the 200th anniversary of this country's birth. We are being outstripped by Western European countries in the rate of literacy, in the rate of infant survival, and in the rate of life expectancy. Yet there is nothing in this budget in essence that will seriously address the serious problems we have at home.

I would suggest that we really change the priorities reflected in this budget, and that we deal, in the first instance, with the enormous increase that this congressional budget calls for in military spending. I am concerned not only because this is the largest increase in peacetime military spending in this country's history--an increase, by the way, that was not adequately justified before the Budget Committee--but also because that increase costs us the ability to deal with the domestic needs of this country. Furthermore, this increase locks us into high defense spending over the next 5 years. In fact, the high increase in military spending this year, if it continues as expected at the same rate over the next 5 years, is going to mean that the only way we can balance our budget in 1981 is by funding such programs as medicare, medicaid, and veterans' benefits at the same level they were funded at in 1977 and by allowing for no new programs or program growth.

How can we lock ourselves in this way, but unjustified military spending, in view of the pressing domestic needs of this country? . . .

Mr. Chairman, I would suggest that this is an opportunity for us to begin to redirect national priorities and to say, not only for this year but for years to come, that we will not starve our domestic programs by financing wasteful and extravagant military spending, that we will seriously address the needs this country has, and that we are going to start doing it now.

FOOTNOTES

1. Tristram Coffin. "A Moment of Truth on Capitol Hill," The Washington Spectator, 2, 10 (June 1, 1976), p. 1.
2. This is the Dissenting Minority Report of the Congresswoman from New York included in the First Concurrent Resolution on the Budget--Fiscal Year 1977. Report of the Committee on the Budget, House of Representatives (Washington, D.C.: U.S. Government Printing Office, 1976), pp. 127-131.

3. The "controllability" of outlays is a relative concept referring to the amount of discretion over a program's spending that can be exercised in a single year. "The relatively uncontrollables" include all the entitlements (such as Social Security and SSI), outlays from prior year commitments, and some specific programs, e.g., general revenue sharing, interest on the debt.
4. One particularly meaningless argument used by the Defense Department to support a huge budget increase was that the percentage of Gross National Product which military spending represents has been decreasing. This, DoD claims, has weakened our defense posture. The foolishness of this argument is plain. If defense spending remains constant, an improving economy will mean a rising GNP and a lower defense percentage. A failing economy means lower GNP and a higher defense percentage. This would mean that we are militarily weaker with a good economy and stronger with a bad economy.

Other arguments used to support the increase in defense spending are equally fallacious. The Defense Department warns that the Russians have more missiles than the United States. But it admits that the United States has far more warheads. DoD warns that the Russians have more armed forces than we. It neglects to mention that the Soviet army performs many functions which in the United States are performed by civilians, that a substantial portion of that army is massed on the Chinese border, and that U.S. forces have technological superiority. The Administration warns that the Russians spend more in terms of dollars on defense than we do. However, as others have pointed out, this estimate includes computing the cost of drafted Soviets as if each were paid at U.S. volunteer army pay rates. If defense spending is measured in Russian rubles, the U.S. spends more than the U.S.S.R. In addition, if the defense spending of all NATO powers is compared to that of all Warsaw Pact nations, the West far outspends the Communist bloc, even in terms of dollars.

5. Extracted from The Congressional Record of the U.S. House of Representatives, April 27-29, 1976, pp. 3455, 3619-22.