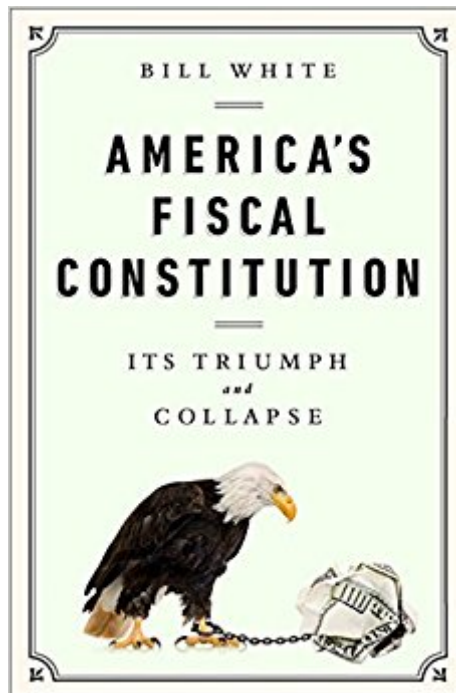


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America's Fiscal Constitution: Its Triumph And Collapse



Synopsis

America's Fiscal Constitution: Its Triumph and Collapse (PublicAffairs, April 1, 2014) tells the remarkable story of federal leaders who imposed clear limits on the use of federal debt. For almost two centuries those limits allowed the federal government to borrow for only four purposes. That traditional fiscal constitution collapsed in 2001, when federal elected officials broke the traditional link between federal tax and spending policies. For the first time in history, the federal government cut taxes during war, funded permanent new programs entirely with debt, and became dependent on foreign creditors. With insights gained from original scholarship and an unusual breadth of experience in finance and government, Bill White distills practical lessons from the nation's five previous spikes in debt. America's Fiscal Constitution is an entertaining and objective guide for people trying to make sense of the current and most dangerous debt crisis.

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Customer Reviews

White, an executive and a politician, traces the history of Americans limiting our federal debt. Except for our first few decades, acceptable debt included borrowing to preserve the union and borrowing to expand and connect the nation's borders. Budget battles have raged in Congress, beginning with George Washington's administration, and today's budget problems seem manageable compared to those that challenged Americans immediately after the Revolutionary War and the Civil War and from the Great Depression through WWII. After 2000, White indicates, our politicians from both major parties changed the very nature of federal borrowing by actions including waging war without raising taxes, relying heavily on foreign creditors, and substituting federal debt for payroll

contributions supporting the Social Security trust fund. White concludes that "Americans today" like those in prior generations "recognize that the use of debt to fund routine spending can compromise the future of young citizens, the ability to be independent of foreign creditors, and the capacity to use national savings to invest in private sector jobs." --Mary Whaley

"There are few Americans I believe in and trust more than Bill White. In *America's Fiscal Constitution*, White tackles the Godzilla issue of federal debt. With history as his guide, White trailblazes through the Washington, D.C. bureaucratic jungle, revealing Big Truths to the reader that are bolstered with Hard Facts. This should be required reading for every American citizen!" --Douglas Brinkley, Professor of History at Rice University and CBS News Historian

"Bill White has produced a remarkable book. Powerful, penetrating and persuasive on the need to get back to our roots of responsible budgeting. It is a tour de force of our fiscal history. A timely and important contribution to the raging debate on our fiscal future. Bill White deserves a gold seal for a clear and compelling call to get America back on track." --Senator Kent Conrad, Former Chairman of the US Senate Budget Committee

"How can America get back on a sound financial footing? Start with Bill White's thought-provoking history of how American financial principles have been abandoned and his perceptive, practical insights for restoring financial and economic sanity." --Ross Perot, Former Presidential candidate

"Will be music to the ears of budget hawks everywhere; This is an important book." --New York Times Book Review

"Something remarkable; a fascinating book about our economic history; America's Fiscal Constitution tells the story of how America has dealt with its debt since its founding, and in doing so provides a compelling roadmap to a more responsible fiscal future." --President Bill Clinton

"Perhaps the best chance to avoid fiscal Armageddon will come from educating the public in the pre-Keynesian virtues of balancing the nation's books. To this end, *America's Fiscal Constitution* serves a noble purpose." --the Wall Street Journal

"An unusual and important book; [White] is no starry-eyed optimist and recognizes the serious political obstacles to his program. But he argues that because the reforms he supports aim to revitalize a fiscal tradition that has deep roots in American culture and history, the public can be brought around to support the sometimes painful choices they would require." --Foreign Affairs

"Lucid and pioneering; a compelling and illuminating formula for both economic growth and fiscal restraint." --James MacGregor Burns, Pulitzer Prize-winning historian and Professor Emeritus at Williams College

"There are few Americans I trust more than Bill White. With history as his guide, White trailblazes through the

Washington, D.C. bureaucratic jungle, revealing Big Truths that are bolstered with Hard Facts.âDouglas Brinkley, Professor at Rice University and CBS News Historian“A thought-provoking and well-told history of our nation's traditional financial principles. Every citizen can benefit from this book's practical insights.âRoss Perot“Bill White's thorough understanding of both finance and government allows him to trace the history of America's path to the edge of fiscal irresponsibility.âErskine Bowles, Co-Chairman of National Commission on Fiscal Responsibility“Powerful, penetrating and persuasive…a tour de force of our fiscal history. A timely and important contribution to the raging debate on our fiscal future.âKent Conrad (D), former Chairman of the US Senate Budget Committee“However, rather than merely argue in the abstract, the author undergirds his case by recommending specific steps to alleviate the crisis, including, among others, establishing solely tax-financed budgets and putting bonds up for national election. Reading between the lines, White is recommending much more—and therein lies controversy, especially when it comes to military spending. A book that deserves much attention.âKirkus Reviews“With its powerful blend of national history and government analysis, America's Fiscal Constitution is a pick for any political studies collection.âMidwest Book Review“Our nation cannot be strong militarily, diplomatically or politically unless it is strong economically, and we cannot remain strong economically unless we deal with our massive debt burden…A must read for those who believe that we should get our economic house in order.âJames A. Baker III, former Secretary of the Treasury and Secretary of State“In order to understand our fiscal plight, it's crucial to appreciate how carefully America has dealt with debt in the past. Bill White makes that tale fascinating.âWalter Isaacson, best-selling author and former CEO of CNN and managing editor of Time magazine

I liked this book quite a bit. The most important thing I can say upfront to potential purchasers is that it is written in exceptionally clear and lively prose and there is not much in the way of quantitative analysis. I cannot recall a book in this or any related genre that used the active voice so predominantly. I noticed this early on and began scanning pages to see when a sentence in the passive voice would appear and, remarkably, there weren't very many. It was quite a feat and could make the book worthy of assignment to a freshman composition course. As for the substance, it is more of a history book than an explicit policy book. After his introduction, the narrative starts off with the Founding Fathers being unable to pay the bill for George Washington's retirement party for four months because the pre-Constitutional Convention federal government was so broke. It marches

forward through American history, touching lightly on the period between van Buren and Lincoln but paying careful attention to many other Administrations, including most surprisingly, those of Grover Cleveland. White repeatedly demonstrates that as a matter of practice, until recently, the Federal government managed its finances according to four basic "pillars" in his words: pay as you go (i.e., balanced budgets, at least at full employment and when not in an economic slump); clear accounting (up until the Johnson administration anyway); raising revenues for specific purposes with specific taxes and dedicating those revenues to those purposes through trust funds; and explicit Congressional approval of new taxes or increasing national indebtedness (the debt ceiling) to fund new spending. Lamentably, all of those have been abandoned in the last 50 years, sacrificed to the political agendas of the Democratic and Republican parties, with the brief exception of the balancing of the budget at the end of Clinton's 2d term, due in part to the flood of capital gains revenue from the Internet boom, as well as the check on spending provided by the divided government. I felt the book was reasonably non-partisan. The author was/is a significant Democratic politician in Texas, but falls pretty far to the right within the Democratic party of 2014 for even thinking about the existence of limits to federal spending. In general, I felt the book was reasonably even-handed, which does not, imo, preclude criticism of George W Bush and the disaster his tenure wrought on the nation's finances. The one chapter that crossed the partisan line was the one on LBJ, who was far more culpable than this book brings out for embedding fiscal problems in the national economy. But I guess that is one of those Texas things. The book also has an odd perspective on entitlements, constantly treating them as having bipartisan origins (not wholly accurate) and at one point drawing a distinction between Medicare/Medicaid and entitlements that no one else I have read has drawn. Finally, the book fails to acknowledge that the Reagan arms buildup led to the peace dividend of the Clinton years, by exhausting the USSR's willingness and ability to match it and thereby transforming the strategic environment to permit downscaling the military. So it is a little biased toward a certain non-coastal Democratic way of thinking but not so much that its credibility is called into question. Tackling such a big subject, the book has to draw some lines and keep some things that affect federal fiscal policy off to the side, like trade balances and the implications of the Fed monetizing the federal debt (which to date have been surprisingly benign), to remain both readable and focused. I thought it did this very well. Overall the book really was remarkably readable and I got through it much faster than I expected. My last regret is that, not too surprisingly, although the author has some policy recommendations at the end of the book, they are a little light on numbers and bottom line tradeoffs. I came away with no clear sense of how the author would balance the federal budget(s) on a consistent basis. I had the feeling the author would

have liked to spell things out more, but was afraid to go too far, perhaps for fear that the media would focus on the bitter truths and cast the book in an overly pejorative light. This is probably the politician in him taking over. But overall, it was an impressive contribution on an obviously important topic.

America's Fiscal Constitution: Its Triumph and Collapse, by Bill White
By Bill Hobby
Our traditional fiscal constitution collapsed in 2001. Afterward for the first time in history federal elected officials cut taxes during war, funded permanent new programs entirely with debt, grew dependent on foreign creditors, and claimed that the economy could not thrive without routine federal borrowing. Until the beginning of this century Presidents and Congresses of whatever party observed this unwritten constitution which mandated four financial practices: clear accounting, pay-as-you-go budget planning, trust funds financed entirely with dedicated revenues, and explicit Congressional approval of debt for specific amounts and purposes. These practices curbed the temptation to borrow. Here is how the author would cure the problem: Congressional procedures now divorce votes on spending from votes on how to pay for that spending. Congress considers amendments to the debt ceiling only after it has voted to spend more than available tax revenues. As a result, debates on the debt ceiling have become a form of bad political theater, a bizarre combination of tragedy and farce. A legal debt limit established apart from specific appropriations breeds cynicism and hypocrisy, since many members of Congress vote against a higher debt ceiling, having already voted for appropriations exceeding tax revenues. Deficit financing is clearly necessary in times of war and depression. Paying off the debt is just as necessary in happier times. Congress should adopt the fiscal procedures of the Texas Legislature: *All bills that call for spending money must have fiscal notes prepared by the Legislative Budget Board. Maybe we wouldn't go to war so often if Congress had to raise taxes whenever it declared war. *Appropriations bills must be certified by the State Comptroller as being within available revenues. In order for the Comptroller to certify, the bills must specify where the money is coming from. Is it coming from dedicated funds or general revenue? Funds can be dedicated by the state constitution or by statute. The Motor Fuels Tax is statutorily dedicated 75% to highways and 25% to schools. Much of the money for the Texas University and Texas A&M University systems come from the constitutionally dedicated Permanent University Fund. The PUF holds approximately \$8.8 billion in investments and 2,100,000 acres of mineral-rich land in 21 counties, mostly in West Texas. Also, Congress passes about thirteen appropriations bill every session. If appropriations were limited to available revenues each of the

thirteen bills would be constrained by previous appropriations. The Texas Legislature passes only one General Appropriations Bill each session. What about an amendment to the federal Constitution requiring a balanced budget? Many state legislatures have passed resolutions in favor of such an amendment and many have been proposed in Congress. In 1995, one came within one Senate vote of passing Congress and being submitted to the States. It sounds like a good idea, but how would it work? Congress would still have to specify the details. The one that nearly passed said that "Congress shall enforce and implement this article by appropriate legislation..." Bill White tells us that "Madison was right: it makes more sense to limit debt with broad principles enforced by the voters than with specific constitutional language enforced by the courts." -30-

It was my privilege to review some early galley proofs of this important story, and I'm so pleased how it has turned out. Bill White has a scholar's mind, but the worn shoe leather of an actual practitioner of government -- and it shows. America's Fiscal Constitution is neither a screed nor an airy discourse, but an essential forensic look at the most important issue of our day. Readable and realistic, Bill has laid bare the fictions and short term perspectives that excuse deficit spending to expose it as a moral wrong. I'm hoping the sequel will do the same for monetary policy!

A must read for anyone concerned about our future. I give it only four stars because the prescriptions at the end feel rushed, and, at times too simplistic and overly optimistic. If our control of debt were an easy problem to solve, we would have solved it already. In fact, no modern dominant empire so far has survived the collapse of fiscal discipline. We can be the first, but it will not be easy.

Great Book from a historical perspective on what has worked, what will work and what won't work! Clearly defines when debt is necessary and how to justify and pay back in a systematic fashion. Does not point fingers but again defines a thorough history (that we need to pay attention to) on what does work when applying basic sound economic principles.

Bill White explains the history of debt in the United States in an engaging book that is understandable to ordinary Americans without finance or economics backgrounds.

US history lessons of our country's trials yet responsible fiscal past, that have long been forgotten,

in the 21st century.

Nice product.

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