

Former U.S. Comptroller General: ‘U.S. Finances Are Out-of-Control’

Heartland Daily News interviewed former U.S. Comptroller General David M. Walker, author of [*America in 2040: Still a Superpower? A Pathway for Success*](#), about the short- and long-term consequences of U.S. fiscal policy and his leadership on the proposed Federal Fiscal Responsibility Amendment to the Constitution.

(The interview has been edited and cut for clarity and accuracy.)

Heartland Daily News: You're spearheading an effort on amending the Constitution. What is the Federal Fiscal Responsibility Amendment, and what are you hoping to accomplish with it?

Walker: The Federal Fiscal Responsibility Amendment is a recognition that our finances are out-of-control. We've gone from less than \$1 trillion in debt when Ronald Reagan took office to more than \$30 trillion,¹ and knowing that debt-to-GDP [gross domestic product] now exceeds 100 percent of GDP,² only the second time in the history of the country. But that number is really just the tip of the iceberg, because if you count unfunded civilian and military pensions, retiree health care, Social Security, and Medicare, the number is really not \$30.5 trillion. It's \$112.1 trillion, and growing faster.³

Heartland Daily News: You mention in your book that this economic threat is also a national defense risk.

Walker: The economy has not been growing lately, so it it's a real problem, and it threatens our economic security, it threatens our national security, and ultimately it threatens our domestic tranquility, if we don't do something about it. Many of us, including myself, had come to the realization that statutory approaches do not work. They have not worked. The debt ceiling is a bad joke. We're the only major industrialized nation that has that, and it doesn't work.

The only way that we believe we're going to be able to get control of our finances is to adopt a constitutional fiscal responsibility amendment.

Many people, when they think of that, they think of a balanced budget amendment, but the federal government is very different from state governments. Forty-nine of the 50 states have balanced budget requirements,⁴ but they do it based on cash flows, not based on the accrual basis, and as a result they've got losses and terribly huge unfunded obligations. What we believe is the best approach is public debt to GDP.

Heartland Daily News: Why is that the best method?

Walker: Because it's pro-growth. If you grow the denominator [GDP] faster than the numerator [public debt], you're making progress. That's what we did after World War II, even though the numerator didn't go down; it went up.

Meanwhile, because of current demographic trends, rising health care costs, the percentage of mandatory spending in the budget, now you're going to have to make tough choices on mandatory spending programs, the social insurance programs, to be reprioritizing and constraining discretionary spending, and on comprehensive tax reform that generates more

revenues. You're going to have to do all those things in order to get there, so that's what we're trying to accomplish.

Heartland Daily News: How are you going about this?

Walker: There are two ways to get it. Two-thirds of the Senate, two-thirds of the House, and then three-fourths of the states ratify. That's the old-fashioned way. But we recently discovered that the second method may be on the verge of being achieved. The second method is if two-thirds of the states file an application for a convention to propose amendments, then the Congress shall set the date and place for the convention. Congress is cut out.⁵

Heartland Daily News: Just to be clear, the states can do this without Congress?

Walker: Yes. The states meet. The states try to propose an amendment, and then they send it to the state legislatures or to the people for ratification. It turns out, after extensive research, that in 1979, 39 states had filed either a plenary application or a single-issue fiscal responsibility [amendment call]. In 1983, when we had 40, Congress did not do its job.⁶

Heartland Daily News: Why did Congress not act at that time?

Walker: Why did Congress not do its job? Because, believe it or not, it has never assigned responsibility for anybody to count these. So, we have several efforts underway, both in Congress as well as in the states.

Heartland Daily News: How is it that the states can do this without Congress?

Walker: Under Article V [of the Constitution]. The Framers of the Constitution realized that Congress could become so out-of-touch and out-of-control that the states would need to reassert their rights. Keep in mind, under the Constitution, all the power belongs to the states and the people, and basically the Constitution gave certain responsibilities to the federal government. Everything else was reserved for the states or the people.

Secondly, there are certain issues on which, frankly, Congress has a fundamental conflict of interest. Things like term limits. You think they're going to pass it? I don't think so. Things like campaign finance reform. You think they're going to pass that? Probably not. Everybody talks about a balanced budget or fiscal responsibility, but actions speak louder than words.

So, that's what we're looking for do. To put it [fiscal responsibility] in the greatest political document in the history of mankind: the Constitution of the United States.

Heartland Daily News: Is there anybody spearheading this effort other than you? Is there anybody within the current government, within the current Congress, who is pursuing this?

Walker: Yes. I expect within the next month we're going to see three things introduced in Congress. Number one, we're going to see a concurrent resolution introduced that basically lays out what I said, that we hit the number in 1979. Congress did nothing, and therefore Congress should set the date in place for a convention within 180 days, unless the archivist determines within 60 days that we've never hit the 34 number.

Secondly, [I expect] a piece of legislation that would give the archivist the responsibility to maintain the records and count all Article V applications, not just for fiscal responsibility but for term limits, campaign finance, and limiting the size and scope of the federal government. Congress has done that for ratifications, because the only way that we've had amendments in the past is the old-fashioned way. We need to have the same mechanism for applications from the states.

The third thing is a proposal for a specific debt-to-GDP amendment that would come the old-fashioned way, through Congress. We want to work both ways. We want to work through Congress, and we want to work through the states. We just want to get it done.

Now, my personal view is that Congress will never do it unless they're pressured to do it. There's two ways to pressure them to do it: because the convention is going to happen and they don't want to lose control, or because the Supreme Court case is going to happen through a mandamus action.

I had a meeting this morning on that, to force Congress to discharge its constitutional responsibilities, but again, these things will be introduced within the next month with bipartisan support.

Frankly, with the current leadership, especially in the House, I don't expect the concurrent resolution to pass, but what it will do is significantly increase the visibility so we can start the process to enhance accountability in this important area.

Heartland Daily News: I think this is fascinating. Why don't we hear more about this in the media? Or if we do, we hear, for example, just the other day President Joe Biden said he is reducing the federal budget deficit.

Walker: It's just a typical example of a career politician—and by the way, they can be Democrats or Republicans. And it's not just Biden. They'll say something that is technically accurate but grossly misleading. Is the deficit down? Yes, but why is the deficit down? The deficit is down because we're not spending trillions of dollars on COVID-19 and because we didn't pass Build Back Better [which Biden urged Congress to do], which would have made the situation worse. And so that's why this is down.

Heartland Daily News: Why aren't people more concerned about it?

Walker: Well, the last time the financial issue was a major concern was 2012. And that was the last time it was discussed in the presidential debates. That was the year that I did a 27-state, 10,000-mile national fiscal responsibility tour funded by Ross Perot. Overwhelmingly, the visibility increased, but since then, unfortunately, Democrats have been wanting to grow government with increased dependency and increased government spending. Republicans have been wanting to cut taxes. The combination of those two is hemorrhage.

The bottom line is there's a new four-letter word in fiscal policy. It's called math. The math just doesn't work.

Heartland Daily News: Can additional growth help us deal with our situation?

Walker: Yes, but we've waited too long and we promised too much to be able to deal with it through growth, so we're going to have to make some tough choices. The sooner we make them, the better, because the longer we wait, the higher taxes are going to go. The longer we wait, the greater the chance that we're going to have a real economic crisis. The longer we wait, the bigger the changes are going to have to be and the less transition time that we have. It's just math.

Heartland Daily News: To get to pro-growth policies, don't we also need to look at the regulatory burden?

Walker: Absolutely. You know it's fiscal policy, which is taxes and spending; it's regulatory policy; and its monetary policy, and the Federal Reserve has been part of the problem in recent years—not part of the solution. They have held interest rates down artificially low. They've enabled the so-called modern monetary theorists, who say the deficits and debt don't matter as long as you can borrow your own reserve currency unless and until you have excess inflation.⁷

Newsflash: we have excess inflation all right, and you know they've also been self-dealing in U.S. debt. I mean [the Fed] bought trillions of dollars in U.S. debt, and so you know we don't have market rates. I mean, we're not paying market rates and now we're seeing the result of that unsustainable fiscal policy and monetary policy is worse than stagflation. It's negative economic growth and excess inflation that's worse than stagflation.

Now, we don't have an unemployment problem, but we've got a huge mismatch between the skills and knowledge that we need in our economy and what's available. That's another issue: education. That's training. That's immigration.

You'd think that we'd have a strategic plan to deal with these things, right? No, the United States has never had a forward-looking, comprehensive, integrated, outcome-oriented, results-based, resource constraint plan. Never. We're flying blind in a sea of debt and looking to the next election.

Heartland Daily News: That's the general politics of it in the United States, isn't it?

Walker: We're not the only country like that, but we have a disproportionate opportunity and a disproportionate responsibility because we are the world's largest economy based on nominal dollars, not based on purchasing power parity. China has already passed us on that.⁸ They've already passed us on number of embassies as well. They're dedicated to trying to pass us on military capabilities, and they have a plan. I guarantee you they have a plan, and they are executing that plan. We have no plans.

Heartland Daily News: It is clear that our fiscal problems are scary, but as you mention China and global competitiveness, how do you see this shift affecting our national security and our standing in the world?

Walker: The truth is our K-12 education system is not top-25 in the world. The truth is our immigration system is way out of date and we are lagging regarding changing it. Yes, we want to provide for political asylum, but political asylum is not what's going on right now. We need to do what most other countries have done, and that is to start focusing more on skills and knowledge

with regard to immigration policy. We need to have more temporary visas. We need to provide automatic opportunities for people from outside the United States to graduate with degrees that we need here in the United States.

We need to be spending a lot more on investment and a lot less on consumption, and in that regard I think we needed an infrastructure bill. [The one that passed] wasn't perfect by any means, but we've waited way too long to be able to start investing in infrastructure. I hope it will be effectively executed, but we'll see.

Heartland Daily News: You said there really is no comprehensive plan in the United States to strengthen the economy. Do you have any idea why that is?

Walker: The Defense Department has a National Defense Strategy,⁹ which is updated every four years. On top of that, there's a National Security Strategy,¹⁰ which is broader, also in the Defense Department. That includes the intelligence agencies, the State Department, and other instruments of U.S. power, if you will, but if you want a plan for the United States that deals with economic, diplomatic, military, cultural, all these things we're talking about, there is no plan.

If you ask the White House—and in fairness, this is not just this administration; it's been this way since 1789—they will tell you the plan is the budget. The budget is important. It is setting spending priorities. It is a resource allocation, but it's one year. It doesn't deal with regulation; it doesn't deal with taxes. It also doesn't adequately recognize that more than 70 percent of the budget's on autopilot. We've written a blank check for more than 70 percent of the federal budget.

Heartland Daily News: The discretionary spending is so small at this point it's almost a non-event, right?

Walker: And here's what's interesting, every expressed and enumerated responsibility envisioned for the federal government by our nation's founders is in discretionary spending, and that's what's getting squeezed. National defense, homeland security, the federal judicial system, Congress, the United States Postal Service, etc. Not that these other things aren't important, but we've lost control. We have grown too big. We've promised too much. We've got to regain control.

Heartland Daily News: From what you said earlier in this interview, it does seem that you are hopeful that the states can make the fiscal responsibility amendment happen, as opposed to going through Congress and having to overcome its institutional incentives. What would you say to state legislators about how to get on board with this effort?

Walker: One website they can go to is letusvoteforabba.org.

If your state has done it, stick with it; don't rescind it. If your state hasn't done it, do it. Finally, if you think this is important and your state has done it, then think about authorizing your attorney general to join a mandamus action to file to the Supreme Court to force Congress to do its job.

The states need to assert themselves. This is about states' rights. States' rights have been eviscerated. It started in 1913 when senators became directly elected by the people, rather than

appointed by state legislatures. Before, if senators didn't protect states' rights, they didn't get reappointed. States' rights have gone straight down since then. It's time to reassert ourselves.

Heartland Daily News: This could be the pathway for state's rights in general, right?

Walker: I spoke with a former attorney general from Virginia this morning who's involved in this effort as well, and he believes that the mandamus case is strong, but [the case has] to be brought by an attorney general on behalf of the state legislatures. You have to have standing, and then once you have one or two step forward, lots of others will join and then a bunch of other people can file amicus briefs.

Heartland Daily News: What is stopping people from becoming involved? Why wouldn't more people be interested in fiscal responsibility and securing our future?

Walker: Conservative groups have been very involved in this, but we really want this to be bipartisan. It should not be a partisan issue. Conservatives tend to care about it more. At least they say they're more fiscally responsible, but their actions have not matched their words. But all need to jump on board. We need to help save the country. Seriously, this is the greatest threat to our economic and national security.

Heartland Daily News: Is the situation really that dire?

Walker: Yes, and several former chairmen of the Joint Chiefs of Staff, who are friends of mine, have said that publicly many times and in my latest book, *America in 2040: Still A Superpower?*¹¹ It's a wake-up call. It's a call to action, and it's a way forward. It deals with economic, national security, and other domestic issues because we need a comprehensive approach.

¹ United States Treasury, "Historical Debt Outstanding," accessed June 16, 2022,

<https://fiscaldata.treasury.gov/datasets/historical-debt-outstanding/historical-debt-outstanding>

² St. Louis Federal Reserve, "Federal Debt: Total Public Debt as Percent of Gross Domestic Product, accessed June 16, 2022, <https://fred.stlouisfed.org/series/GFDEGDQ188S#0>

³ An analysis of the federal government's financial condition in 2020 found a \$123.11 trillion public debt burden, when including unfunded Medicare and Social Security benefits. See: Truth in Accounting, "Financial State of the Union 2021," April 15, 2021, <https://www.truthinaccounting.org/library/doclib/Financial-State-of-the-Union-2020.pdf>

⁴ Vermont is the only exception. See: National Conference of State Legislatures, "State Balanced Budget Provisions," Accessed June 16, 2022, <https://www.ncsl.org/research/fiscal-policy/state-balanced-budget-requirements-provisions-and.aspx#:~:text=Even%20the%20number%20of%20states,with%20Vermont%20being%20the%20exception>

⁵ Constitution of the United States, Article V, National Archives, <https://www.archives.gov/founding-docs/constitution-transcript>

⁶ David M. Walker, "A New Plan to Save America's Future," *The Fiscal Times*, May 20, 2022, <https://www.thefiscaltimes.com/Columns/2022/05/20/New-Plan-Save-America-s-Fiscal-Future>

⁷ For a discussion of modern monetary theory (MMT), see: Jeff Deist, "MMT: Not Modern, Not Monetary, Not a Theory," Mises Institute, June 24, 2020, <https://mises.org/power-market/mmt-not-modern-not-monetary-not-theory>

⁸ The World Bank, "GDP, PPP (current international \$)," accessed June 16, 2022, [https://data.worldbank.org/indicator/NY.GDP.MKTP.PP.CD?most recent value desc=true](https://data.worldbank.org/indicator/NY.GDP.MKTP.PP.CD?most%20recent%20value%20desc=true)

⁹ United States Department of Defense, “Fact Sheet: 2022 National Defense Strategy,” accessed June 16, 2022, <https://www.defense.gov/News/Releases/Release/Article/2980584/dod-transmits-2022-national-defense-strategy/>

¹⁰ The White House, “Interim National Security Strategic Guidance,” March 2021, <https://www.whitehouse.gov/wp-content/uploads/2021/03/NSC-1v2.pdf>

¹¹ David M. Walker, *America in 2040: Still a Superpower? A Pathway to Success*, AuthorHouse, September 27, 2020.