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Chapter 1 : Balanced budget amendment - Wikipedia

A balanced budget amendment is a constitutional rule requiring that a state cannot spend more than its income. It requires a balance between the projected receipts and expenditures of the government.

Fiscal years GDP measurements are derived from December Bureau of Economic Analysis figures which also tend to be subject to revision. The two measures in Fiscal Years , and diverge only slightly. Nixon and Carter[edit] Deficit spending resumed under Richard Nixon , who had become president by the time that the surplus was known. Nixon was famously quoted as saying, " We are all Keynesians now ," with regard to the budget deficit that his administration began to accumulate during years of mild recession. He also imposed the first peacetime wage and price controls , mandatory petroleum allotments, and many other features of a planned economy. With the distractions of the Watergate scandal and the budget deficit relatively small, however, most criticisms were sidelined until the administration of Jimmy Carter. This economic situation had been previously unheard of in the United States where increasing prices and wages had generally been seen during times of economic growth. Republicans began to make much mention of " Democratic deficits" and proposed the Balanced Budget Amendment as a cure. During this time period, many liberal Democrats began to call for a Balanced Budget Amendment, including Governor Jerry Brown of California , who ran for president against Carter in , and then-Congressman Paul Simon , who, upon his election to the U. Senate, would write the version of the amendment that came closest to passing. Passage of the amendment started to seem more possible, though passage of a constitutional amendment requires a two-thirds vote in both houses of Congress. Deficit spending soared in the s. A program agreed to by Administration and Congressional leaders which were supposed to entail two dollars of spending cuts for every dollar of tax increases was an abysmal failure, and deficits soared further. It became apparent that Congress had no intention of passing the Balanced Budget Amendment, and President Reagan never once proposed a balanced budget for adoption by the Congress. They began a plan to make an "end run" around Congress, for the U. Constitution also allows two-thirds of state legislatures to petition for a new constitutional convention to be called for the purpose of writing proposed amendments to the Constitution, a procedure which has never happened at the federal level since the original constitutional convention of Much of this effort was initially organized by the National Taxpayers Union and its President at the time, George Snyder , a former state senate majority leader. Detractors also noted that there was no mechanism in place by which to select delegates to any such convention, meaning that the states might choose to select them in a way which tended to subvert democracy. Backers also produced their own constitutional scholars stating that limiting such a convention was perfectly constitutional, that it could be limited to whatever purpose the states had called it for, and that states would be free to select the delegates to represent them, as was the case in Gramm-Rudman-Hollings Act[edit] Perhaps motivated by the number of state legislatures calling for such a convention approaching the required two-thirds, and recognizing its inability to make sufficient cuts on its own initiative to balance the budget, Congress responded in with the Gramm-Rudman-Hollings Act , named for its Senate sponsors, which called for automatic cuts in discretionary spending when certain deficit-reduction targets were not met. This act soon became a convenient target for opponents of all stripes, who blamed it for government failing to meet perceived needs, for not abolishing the deficit, and anything else that might be wrong with government. When it began to affect popular programs and was partially overturned in the courts, it was first amended to postpone the strength of its effects until later years, and then repealed in its entirety. Bush, in part to help ensure Congressional support for the Gulf War , agreed to turn back on a campaign promise of no tax increases , reportedly in part because he saw disaffection from his conservative base due to the looming deficit. Perot made the deficit, and his plans to eliminate it, the major issue of his campaign, along with his protectionist plans to reduce and then eliminate the trade deficit. Many supporters of the Balanced Budget Amendment flocked to the Perot camp. Despite winning a substantial number of popular votes, Perot failed to carry a single state zero electoral votes. He eventually faded from the political scene and when appearances were made, focused more on the trade deficit issue. Newt Gingrich, Clinton and the budget surplus[edit] President Bill Clinton did not support a constitutional amendment, but in his campaign, he called for balancing the budget through ordinary fiscal policy. He came into office facing a large deficit. Clinton signed into law the Omnibus Budget Reconciliation Act of , which attacked the deficit by raising taxes. Beginning with the budget year, during his second term, the federal government ran a yearly budget surplus through FY However, it has been argued that this official balanced budget only constituted a surplus in the public debt or on-budget , in which the Treasury Department borrowed increased tax revenue from intragovernmental debt namely the Social Security Trust Fund , thus adding more interest on Treasury bonds. The Republican-led Congress immediately engaged in a battle with President Clinton culminating in a vetoed budget and a brief shutdown of the Federal government. Despite negotiations disagreement remained on the pace of spending cuts. Ultimately Republican concessions differed little from what was attainable without shutdown. Bush and Barack Obama[edit] A recession, tax cuts and increases in military and other spending have eliminated late s-era surpluses. Both the deficit and debt grew to the largest in U. By , the last full year of George W. By the end of , a large reduction in tax revenues caused by the Great Recession and the cost of federal stimulus spending began contributing to a rapidly increasing deficit. Responses to the crisis from both the Bush administrationâ€"the bank bailouts and economic stimulus of late â€"and more stimulus spending in the first months of the Obama administration grew the deficit further. The Congressional Budget Office estimated in March that under the Obama administration public debt would rise from Gross debt includes both public debt and Intragovernmental holdings â€" money borrowed from federal funds such as Medicare and Social Security. Recent additions to U.

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Chapter 2 : Balanced Budget Amendment Inc. â€“ Saving the American dream!

Jun 20, Positions on whether the Constitution should be amended to require a balanced budget reflect opposing views about whether such an amendment would be an appropriate solution to the problem of persistent federal deficits and growing federal debt.

Richard Kogan A balanced budget amendment to the U. It would threaten significant economic harm, as explained below. It also would raise a host of problems for the operation of Social Security and other vital federal programs. By requiring a balanced budget every year, no matter the state of the economy, such an amendment would raise serious risks of tipping weak economies into recession and making recessions longer and deeper, causing very large job losses. The amendment would force policymakers to cut federal programs, raise taxes, or both when the economy is weak or already in recession â€" the exact opposite of what good economic policy would advise. When the economy slows, federal revenues decline or grow more slowly and the cost of unemployment insurance and other social programs increases, causing deficits to rise. That would launch a damaging spiral of bad economic and fiscal policy: It would have caused the unemployment rate to double from 9 percent in that year to 18 percent by throwing an additional 15 million people out of work, according to the firm. And while most constitutional balanced budget amendments introduced in Congress would allow Congress to waive the balanced budget requirement with a supermajority vote in both chambers, that hardly solves the problem. Recent experience shows the difficulty of securing a supermajority vote in both chambers for almost any major legislation. Moreover, data showing that the economy is in recession do not become available until the economy has already begun to weaken; it could well take many months before sufficient data are available to convince a congressional supermajority to waive the balanced budget requirement, if it were possible to do so at all. In the meantime, substantial economic damage â€" and large job losses â€" would have occurred. Beyond the economy, a balanced budget amendment would raise other problems. Nor could the Federal Deposit Insurance Corporation or the Pension Benefit Guaranty Corporation respond quickly to bank or pension fund failures by using their assets to pay deposit or pension insurance, unless they could do so without causing the budget to slip out of balance. Amendment proponents often argue that, because states and families must balance their budgets each year, the federal government also should do so. Yet this is a false analogy. While states must balance their operating budgets, they can â€" and do â€" borrow for capital projects such as roads, schools, or water treatment plants. Families often borrow, as well, such as when they take out mortgages to buy homes, dealer-financed loans to buy cars, or government loans to send children to college. The proposed constitutional amendment would bar the federal government from making worthy investments in the same way. This paper outlines the risks of a constitutional balanced budget amendment. Moreover, some balanced budget proposals also would either prohibit any tax increases or restrict federal revenue collections to quite low levels, limit total federal expenditures to levels that would essentially impose a constitutional requirement for deep budget cuts affecting tens or hundreds of millions of Americans, or both; this analysis also addresses those issues see Appendix. One of the two proposals introduced this Congress by Rep. Potential for Serious Economic Harm The nation faces challenging, though manageable, long-term fiscal problems, [3] but a balanced budget amendment to the U. Constitution is an unsound and dangerous way to address them. It would require a balanced budget every year regardless of the state of the economy, unless a supermajority of both houses overrode that requirement. This is an unwise stricture that many mainstream economists have long counseled against because it would require the largest budget cuts or tax increases precisely when the economy is weakest. It holds substantial risk of tipping faltering economies into recessions, making recessions longer and deeper, and precipitating very large additional job losses. When the economy weakens, revenue growth drops and revenues may even contract. And as unemployment rises, expenditures for programs such as unemployment insurance UI â€" and to a lesser but significant degree, SNAP food stamps and Medicaid â€" increase. These revenue declines and expenditure increases are temporary; they largely or entirely disappear as the economy recovers. But they are critical for helping struggling economies avoid falling into recessions and for moderating the depth and length of the recessions that do occur. During economic downturns, consumers and businesses spend less, which in turn causes further job loss. But the increases in UI and other federal benefits that occur automatically help cushion the blow, by keeping purchases of goods and services from falling even more. Increased expenditures for UI, SNAP, and Medicaid benefits during a recession, when jobs are scarce, not only help the families that receive the benefits, but also help preserve the remaining jobs and incomes of those who produce or sell groceries, school supplies, health care, and other essentials. Likewise, during recessions, tax revenues fall faster than wages and business profits, because lower wages and profits push people into lower tax brackets. This means that after-tax incomes decline by less than pre-tax incomes, mitigating the harm to purchasing power caused by the recession. And like the automatic benefit increases, this automatic feature of tax law not only helps those who have lost wages but also helps preserve the remaining jobs and incomes of people who produce or sell goods and services throughout the nation. A constitutional balanced budget amendment, however, essentially suspends the automatic stabilizers. It requires that federal programs be cut or taxes increased to offset the automatic stabilizers and prevent a deficit from occurring â€” pulling money out of the economy at exactly the wrong time, the opposite course from sound economic policy. This is not to say that rising deficits are always good for the economy. To the contrary; when the economy booms, deficits should fall or even turn to surpluses, to prevent overheating and so lengthen an ongoing expansion. And the net of deficits and surpluses over time should, on average, be sufficiently low that the ratio of debt to Gross Domestic Product GDP does not grow to unmanageable heights. Broadly, however, sound fiscal policy is in substantial part about getting the timing of deficit increases and decreases right. Until the Great Depression, presidents and congresses tried, largely successfully, to balance the federal budget every year except during major wars, regardless of the state of the economy. The result has been fewer and shorter recessions. Specifically, from the first year of data on recessions through , the nation suffered an average of 2. But since then, that average dropped to 1. Moreover, the average length of economic expansions grew from 25 months in the earlier period to 63 months in the later one see Figure 1 , with the eight longest expansions on record occurring in the modern era. This automatic stabilizing occurs quickly and is self-limiting â€” it goes away as the economy revives â€” but it temporarily increases the deficit. It is an important factor that dampens the amplitude of our economic cycles. In economic downturns, tax revenues fall and some outlays, such as unemployment benefits, rise. To keep the budget balanced every year would aggravate recessions. The fact that state governments need to work â€¦ against these effects in their own budgets â€” need to take action to raise taxes or cut spending in recessions â€” undoes the automatic stabilizers, essentially, at the state level. Taking those away at the federal level risks making the economy less stable, risks exacerbating the swings in business cycles. Recessions would be deeper and longer. This is the consensus view. The forum reported that 99 percent disagreed with the proposition. Difficulty of Obtaining Waivers Proponents of a constitutional amendment often respond to these admonitions by noting that most of the recent such proposals would allow a vote of three-fifths or two-thirds of the House and the Senate to waive the balanced budget requirement. However, it is difficult to secure three-fifths votes for any major legislation, much less a two-thirds vote. Moreover, much data on the economy are collected and published with a lag of at least several months, and it could well take a number of months after the economy has begun to weaken before sufficient data are available to convince three-fifths of both houses of Congress that economic conditions warrant waiving the balanced budget requirement, if three-fifths were willing to waive the requirement at all. Furthermore, it is all too likely that even after the evidence for a downturn is clear, a minority in the House or Senate would hold a waiver vote hostage to demands for concessions on other, possibly unrelated, matters. By the time a recession is recognized and the required votes are secured in both chambers, extensive economic damage could occur and hundreds of thousands â€” or millions â€” of additional jobs could be unnecessarily lost. A parallel problem is that most versions of the proposed constitutional amendment would make it even harder to raise the debt limit by requiring a three-fifths vote for that in both the House and Senate. This is playing with fire. In recent years, Congress often has struggled to raise the debt limit even by simple majority vote. And since the turn of the century, a substantial number of debt limit increases enacted by Congress failed to receive a three-fifths vote in both houses. Imposing a supermajority requirement would heighten the risk of a federal government default, which would raise our interest costs and could damage the U. Countering Harmful State Actions The fact that states must balance their operating budgets even in recessions â€” which causes the economy to contract further â€” makes it even more important that the federal government not be subject to the same stricture. Few ideas are more seductive on the surface and more destructive in reality than a balanced budget amendment. Nearly all our states have balanced budget requirements. That means when the economy slows, states are forced to raise taxes or slash spending at just the wrong time, providing a fiscal drag when what is needed is countercyclical policy to stimulate the economy. In fact, the fiscal drag from the states in was barely countered by the federal stimulus plan. That meant the federal stimulus provided was nowhere near what was needed but far better than doing nothing. Now imagine that scenario with a federal drag instead. Consider the savings and loan crisis of the s, or the financial meltdown in the fall of A constitutional balanced budget amendment would have hindered swift federal action to rescue the savings and loan industry and people who put their savings into those institutions, or to rapidly put the Troubled Assets Relief Program in place. In both cases, history indicates that federal action helped save the economy from what likely would have been far more dire problems. As explained below, a constitutional prohibition of any deficits unless and until a supermajority of both houses of Congress voted to authorize them could seriously weaken the guarantee that federal deposit insurance provides. That is a risk we should not take. These are illustrations of why fiscal policy should not be written into the Constitution. But under the balanced budget amendment, it would essentially be unconstitutional for Social Security to draw down these savings to pay promised benefits. Instead, benefits could have to be cut, because all federal expenditures would have to be covered by tax revenues collected during that same year. More precisely, Social Security would be allowed to use its accumulated Treasury securities to help pay benefits only if the rest of the federal budget ran an offsetting surplus or if the House and Senate each mustered three-fifths or two-thirds votes to permit deficits. The military retirement and civil service retirement systems, which have their own trust funds, would be affected in the same way. Because all federal expenditures would have to be covered by taxes collected in the same year â€” and the use of accumulated savings thus would be unconstitutional â€” these trust funds would not be able to draw down their accumulated balances unless the rest of the budget ran offsetting surpluses. Effects on the Banking System As noted, the potential effects on the banking system are another cause for concern. These reserves are called upon when banks fail. In general, a constitutional requirement that all expenditures during a given year be covered by tax revenues collected in the same year would undercut all U. Yet the entire purpose of deposit insurance and other U. If banks, thrift institutions, pension funds, small businesses, and mortgagers started to fail during a recession or a financial crisis, the large costs of paying federal insurance and guarantee claims probably could not be met within the confines of the balanced budget amendment. And if deposit insurance were no longer effective, panicked depositors could make runs on banks, causing a chain reaction that could turn a recession into a depression. That is what happened from to Indeed, federal deposit insurance was enacted in â€” after a four-year run by depositors on their banks â€” to halt that collapse. In general, a balanced budget requirement in the U. Constitution would override any and all government guarantees and promises written into law: The availability of reserves and legal guarantees would be superseded by the constitutional bar against any deficit spending on an annual basis. Analogies to States and Families Are Mistaken Proponents of a constitutional amendment sometimes argue that states and families must balance their budgets every year, and the federal government should do so, too. But statements that the constitutional amendment would align federal budgeting practices with those of states and families are not accurate. While states must balance their operating budgets, they can borrow to finance their capital budgets â€” to finance roads, schools, water treatment plants, and other projects.

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Chapter 3 : BBA Campaign Report â€" Balanced Budget Amendment Inc.

The balanced budget amendment is a proposal introduced in Congress almost every two years, without success, that would limit the federal government's spending to no more than it generates in revenue from taxes in any fiscal year.

But true to form, he is attacking Social Security, Medicare, and Medicaid one last time on his way out the door. While it sounds like a vote for mom and apple pie, every politician who supports it will be voting to cut Social Security. Ryan and his caucus have so far been thwarted in their efforts to cut Social Security, Medicare, or Medicaid, because doing so is extremely unpopular. So, enter the BBA. The BBA sounds to some like a vote for good government. After all, families have to balance their budgets without borrowing, right? Families have mortgages and other debt. If Republicans really believed in balanced budgets, they would enact one. A balanced budget amendment is simply a ruse for their desire to force draconian cuts to earned Social Security benefits without facing the wrath of their constituents. The BBA would require federal spending in any given year to be offset by revenues collected in that same year. In practice, that would force cuts to the earned Social Security benefits now received by over 60 million beneficiaries. They would be voting, in effect, to steal the interest earned on those surplus contributions. To repeat, Social Security does not add a penny to the deficit. But if the BBA becomes law, that separation would end. Indeed, that is the true purpose of the BBA. We know this because they have been attempting to cut Social Security, Medicare and Medicaid for years. Throughout his career, soon-to-be former Speaker Ryan has supported voucherizing Medicare, privatizing Social Security, and block granting Medicaid. This is jargon for ending all three programs. Unfortunately for Ryan, voters of all political affiliations strenuously oppose his plans to gut their earned benefits. They want political leaders who will fight to expand Social Security and Medicare benefits, not cut them. That means that any politician who votes for benefit cuts is very likely voting themselves out of office. Social Security is known as the third rail for very good reason! By using the BBA to cut Social Security off from its dedicated trust fund they can force cuts to happen without leaving their fingerprints. It requires the support of two-thirds of both the House and Senate, which the GOP does not currently control. But the mere fact that the majority of Republicans are likely to vote for this abomination of a bill is bad enough. It is a frightening preview of what will happen if they are able to maintain or even strengthen their majority this November: Relentless attacks on Social Security, Medicare, Medicaid and every function of government that benefits working and middle class Americans. It is a vote to end the promise of Social Security, which workers have relied on for over eighty years. It is a vote that says to the American people, in the strongest possible terms, that they should throw the thieves out of office this November.

Chapter 4 : A Balanced Budget Constitutional Amendment - House Budget Committee

The balanced budget amendment introduced by Republican Judiciary Committee Chairman Rep. Bob Goodlatte of Virginia, said Congress can't spend more than it takes in, unless three-fifths of both the.

Richard Kogan A balanced budget amendment to the U. It would threaten significant economic harm while raising a host of problems for the operation of Social Security and other vital federal functions. The economic problems are the most serious, and they would pertain to any version of a constitutional balanced budget amendment. By requiring a balanced budget every year, no matter the state of the economy, such an amendment would raise serious risks of tipping weak economies into recession and making recessions longer and deeper, causing very large job losses. When the economy slows, federal revenues decline or grow more slowly and spending on unemployment insurance and other social programs increases, causing deficits to rise. That would launch a vicious spiral of bad economic and fiscal policy: The fact that states must balance their budgets every year â€” no matter how the economy is performing â€" makes it even more important that the federal government not also face this requirement and thus further impair a faltering economy. And, while the amendment would allow Congress to waive the balanced budget requirement with a three-fifths vote of the House and Senate, that hardly solves the problem. Recent experience shows the difficulty of securing a three-fifths vote in both chambers for almost any major legislation. Beyond the economy, the balanced budget amendment would raise other problems. Social Security could not draw down its reserves from previous years to pay benefits in a later year but, instead, could be forced to cut benefits even if it had ample balances in its trust funds, as it does today. The same would be true for military retirement and civil service retirement programs. Nor could the Federal Deposit Insurance Corporation or the Pension Benefit Guaranty Corporation respond quickly to bank or pension fund failures by using their assets to pay deposit or pension insurance, unless they could do so without causing the budget to slip out of balance. But this analogy is a false one. While states must balance their operating budgets, they can â€" and do â€" borrow for capital projects. Families often borrow, as well, such as when they take out mortgages to buy a home or loans to send a child to college. The proposed constitutional amendment would bar the federal government from making worthy investments in the same way. The problems with a constitutional balanced budget amendment grow even more serious under its more radical versions, such as the version coming to the House floor this week. That version would require two-thirds supermajorities in both the House and Senate to raise any taxes. Tax expenditures predominantly help well-to-do Americans, who tend to get most of their federal subsidies through the tax code, as opposed to low- and moderate-income Americans, who get most of theirs on the spending side of the budget. In addition, the version of the amendment the House will consider this week would cap annual federal spending at 18 percent of the Gross Domestic Product. Such a cap would force program cuts far more draconian than even the severe cuts in the Ryan budget that the House of Representatives passed in April. Federal spending under the Ryan budget would be between 20 percent and 21 percent of GDP over most of the next two decades and would not fall to as low as 18 percent of GDP until after , according to the Congressional Budget Office. Potential for Serious Economic Harm The nation faces serious long-term fiscal problems, but a balanced budget amendment to the U. Constitution is an ill-advised way to address them. It would require a balanced budget every year regardless of the state of the economy, unless a supermajority of both houses overrode that requirement. This is an unwise stricture that many mainstream economists have long counseled against because it would require the largest budget cuts or tax increases precisely when the economy is weakest. It holds substantial risk of tipping faltering economies into recessions, making recessions longer and deeper, and precipitating very large additional job losses. When the economy weakens, revenue growth drops and revenues may even contract. And as unemployment rises, expenditures for programs like unemployment insurance UI â€" and to a lesser but significant degree, food stamps and Medicaid â€" increase. These revenue declines and expenditure increases are temporary; they largely or entirely disappear as the economy recovers. But they are critical for helping struggling economies avoid falling into recessions and for moderating the depth and length of recessions that do occur. During economic downturns, consumers and businesses spend less, which in turn causes further job loss. The drop in tax collections and increases in UI and other benefits that occur automatically cushion the blow, by keeping purchases of goods and services from falling more. A constitutional balanced budget amendment, however, effectively suspends the automatic stabilizers. It requires that federal spending be cut or taxes increased to offset the automatic stabilizers and prevent a deficit from occurring â€" the opposite course from sound economic policy. Over the years, leading economists have warned of the adverse effects of a constitutional balanced budget amendment. This automatic stabilizing occurs quickly and is self-limiting â€" it goes away as the economy revives â€" but it temporarily increases the deficit. It is an important factor that dampens the amplitude of our economic cycles. It is unsound and unnecessary. The proposed amendment mandates perverse actions in the face of recessions. In economic downturns, tax revenues fall and some outlays, such as unemployment benefits, rise. To keep the budget balanced every year would aggravate recessions. Amending the Constitution to require this sort of balance raises risks. The fact that taxes fall when the economy weakens and spending and benefit programs increase when the economy weakens, in an automatic way, under existing law, is an important stabilizing force for the aggregate economy. The fact that state governments need to work â€¦ against these effects in their own budgets â€" need to take action to raise taxes or cut spending in recessions â€" undoes the automatic stabilizers, essentially, at the state level. Taking those away at the federal level risks making the economy less stable, risks exacerbating the swings in business cycles. At the sole congressional hearing this year on the constitutional amendment, they blithely asserted that three-fifths of the House and Senate would override the balanced budget requirement whenever that was truly needed. In support of this assertion, they noted that three-fifths of the House and Senate voted for the TARP legislation in the fall of These easy assurances are unpersuasive. Fortunately, in these cases, a majority vote of those present and voting â€" rather than three-fifths of the entire membership â€" was sufficient for passage. Just last November, the House failed to secure three-fifths support for legislation to extend federal unemployment benefits, despite the fact that the unemployment rate was 9. Even then the legislation secured the support of only Moreover, that was the House of If the circumstances were repeated today, such a measure could well fail to obtain 60 percent support in that chamber. Finally, when the economy weakens and is at risk of falling into a recession, the weakening usually occurs gradually over a number of months and is not touched off by highly dramatic â€" and potentially catastrophic â€" events like credit markets seizing up, the stock market plummeting, and financial markets being on the verge of collapse. And as noted, even in those dire circumstances, TARP barely got 60 percent of the votes of the House. That outcome hardly gives one confidence that Congress would move quickly to suspend the balanced budget requirement when the economy faltered and faced the risk of recession and large job losses. Moreover, hard data on the economy come with a lag of several months, and it could well take many months after the economy has begun to weaken before sufficient data are available to convince three-fifths of both houses of Congress that economic conditions warrant waiving the balanced budget requirement, if three-fifths were willing to waive the requirement at all. Furthermore, it is all too likely that even after the evidence for a downturn is clear, a minority in the House or Senate would hold a waiver vote hostage to demands for concessions on other matters such as new, permanent tax cuts. By the time a recession is recognized and three-fifths votes are secured in both chambers, extensive economic damage could have occurred and hundreds of thousands, or even millions, of additional jobs unnecessarily lost. The fact that states must balance their operating budgets even in recessions â€" which causes the economy to contract further â€" makes it even more important that the federal government not be subject to the same stricture. Few ideas are more seductive on the surface and more destructive in reality than a balanced budget amendment. Nearly all our states have balanced budget requirements. That means when the economy slows, states are forced to raise taxes or slash spending at just the wrong time, providing a fiscal drag when what is needed is countercyclical policy to stimulate the economy. In fact, the fiscal drag from the states in was barely countered by the federal stimulus plan. That meant the federal stimulus provided was nowhere near what was needed but far better than doing nothing. Now imagine that scenario with a federal drag instead. A balanced budget amendment would preclude them from doing so. The amendment would also make it even more difficult to raise the debt limit, by requiring a three-fifths vote of both the House and Senate for that as well. It would be foolhardy to make needed increases in the debt limit harder to enact than they already are. Only two of the last ten debt limit increases obtained three-fifths vote in both chambers â€" and those two instances both occurred amidst the financial crisis in when the debt limit increases were included in larger legislation to respond to the meltdowns already occurring in the housing and financial markets. A three-fifth requirement would be dangerous, as it would heighten the risk of an unprecedented federal default, which could raise interest rates and damage the U. A Host of Other Problems The constitutional balanced budget amendment also could interfere with Social Security and the military and civil service retirement systems. In addition, it could weaken the stability of banks, thrift institutions, and some private pension systems. But under the balanced budget amendment, it would essentially be unconstitutional for Social Security to draw down these savings to pay promised benefits. Instead, benefits could have to be cut, because all spending would have to be covered by tax revenues collected during that same year. More precisely, Social Security would be allowed to use its Treasury securities to help pay benefits only if the rest of the federal budget ran an offsetting surplus or if the House and Senate each mustered three-fifths votes to permit deficit spending. The military retirement and civil service retirement systems, which have their own trust funds, would be affected in the same way. Because all expenditures would have to be covered by taxes collected in the same year â€" and the use of accumulated savings thus would be unconstitutional â€" these trust funds would not be able to draw down their accumulated balances unless the rest of the budget ran offsetting surpluses. Effects on the Banking System The potential effects on the banking system also are cause for concern. These reserves are called upon when banks fail. In general, a constitutional requirement that all spending during a given year be covered by tax revenues collected in the same yearwould undercut all U. The entire purpose of deposit insurance and other U. If banks, thrift institutions, pension funds, small businesses, and mortgagers started to fail during a recession or a financial crisis, the large costs of paying federal insurance and guarantee claims probably could not be met within the confines of the balanced budget amendment. And if deposit insurance were no longer effective, panicked depositors could make runs on banks, causing a chain reaction that could turn a recession into a depression. That is what happened from to Indeed, federal deposit insurance was enacted in â€" after a four-year run by depositors on their banks â€" to halt that collapse. But statements that the constitutional amendment would align federal budgeting practices with those of states and families are not accurate. While states must balance their operating budgets, they can borrow to finance their capital budgets â€" to finance roads, schools, and other projects. Most states do so. States also can build reserves during good times and draw on them in bad times without counting the drawdown as new spending that unbalances a budget. Families follow similar practices. They borrow â€" they take out mortgages to buy a home or student loans to send a child to college. They also draw down savings when times are tight to cover expenses that exceed their current incomes. But the proposed constitutional amendment would bar such practices at the federal level. The total federal budget â€" including capital investments â€" would have to be balanced every year; no borrowing to finance infrastructure or other investments to boost future economic growth would be allowed. And if the federal government ran a surplus one year, it could not draw it down the next year to help balance the budget. But there are serious questions about this and no clear answers.

Chapter 5 : Los Angeles Times - We are currently unavailable in your region

A vote on the balanced budget amendment, first reported by Politico, may be held in early April. Congressional Democrats were quick to rip into the GOP over the proposed amendment.

Chapter 6 : Indiana Public Question 1, Balanced Budget Amendment () - Ballotpedia

The balanced-budget amendment is deeply stupid. The amendment that will be considered is the less severe of the two that Goodlatte has introduced. Instead of requiring a three-fifths supermajority.

Chapter 7 : Balanced Budget Amendment on Indiana ballots

DOWNLOAD PDF THE BALANCED BUDGET AMENDMENT

A balanced budget amendment to the U.S. Constitution â€” including the version that the House is expected to consider this week â€” would be a highly ill-advised way to address the nation's long-term fiscal problems.