

The Mistake of a Balanced Budget Amendment



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Welcome to debt ceiling season in Washington, where ideologues try to grind government to a halt and hold hostage our nation's credit. Their latest ultimatum: a balanced budget amendment. To be clear: Congress should absolutely address the country's long-term fiscal problems. But a debt ceiling standoff is not the right time, and a balanced budget amendment is not the right way. Passing a balanced budget amendment is like locking up the economy and tossing out the keys. It would essentially guarantee that the next recession becomes a deep, prolonged depression.

Why? Because deficits are vital to rebounding from economic downturns. When the economy sheds jobs and profits dip, workers and businesses pay less taxes. More file for unemployment and other benefits. As a result, the government takes in less and spends more, without Congress lifting a finger. But Congress often does act. In 2008, as the housing crisis set in, President Bush signed a tax cut for the middle class. As the financial crisis deepened, President Obama followed with the stimulus bill—enacting more tax cuts and new spending—to put people back to work and jump-start the economy.

All of these policies temporarily drive up deficits. But they allow our economy to recover, after which deficits come down. The alternative—keeping a balanced budget every single year—would unleash a ruinous downward spiral. Falling revenue during a downturn would force Congress to cut spending or raise tax rates, squeezing already struggling families and businesses. Job cuts would compound, pushing down revenue and requiring further cuts to vital government services. It's true that states keep balanced budgets during downturns, but they're able to do so because federal policy is picking up the slack. And the federal government is right for the job, because it prints the currency in which the debt is owed.

A balanced budget amendment would simply force future Congresses into mismanaging the economy. Furthermore, those calling for a balanced budget amendment usually also demand immediate, harmful cuts in the present. These calls hold harmless the most expensive parts of the federal budget—entitlement programs—and direct outsized cuts toward programs that educate our kids, maintain our infrastructure, and fund research and innovation. A Third Way [analysis](#) of one balanced budget bill found that in its first year, some 1 million college students would lose Pell Grants, 3,000 miles of planned highways would go unbuilt, and 6,000 fewer NIH and NSF grants would be made.

It's true the federal government faces a long-term debt problem. An aging population and ever-growing health spending will drive up the size and cost of entitlement programs and interest on the debt. Congress should fix these programs for future generations—while also raising tax revenue—so our debt is sustainable. But let's not pretend that debt ceiling brinksmanship or calls for a balanced budget amendment are responsible solutions.

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