

On A Federal Balanced Budget Amendment

Edward D. Duvall

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The idea of adding an amendment to the U. S. Constitution requiring a federal balanced budget has been circulating since the Reagan era. Although it was proposed a few times in Congress over the years, it was never able to attain the required two-thirds affirmation in either House of Congress, which is necessary before any proposed amendment can be sent to the States for consideration. But with the large budget deficits of the past 5 years or so, this concept is coming into fashion again. A recent poll [1] shows that a large majority of Americans now favor such an amendment. Advocates for a federal balanced budget amendment argue two points. First, they point out that most states have this requirement; the logic being, what is good for the states is good for the federal government. Their second argument is that the Congress would be forced to prioritize spending and balance those priorities with tax policies necessary to meet the revenue requirements. It is this lack of restraint, they say, that caused Congress to run up large deficits in nearly every year since the Carter administration. Generally the advocates allow two exceptions to the balanced budget rule: a) when the nation is in a state of war or some emergency; and b) by a supermajority of both Houses of Congress.

It appears to me that a balanced budget amendment is a bad idea whose time has come. First, there is no reason to believe that what is good for the states is necessarily good for the federal government, since they have inherently different duties. States do not have a role in foreign policy; they do not manage wars; they do not manage the currency. All of these pertain to situations relegated to the federal department because they represent existential threats; the cost of combating these, should it ever become necessary, must be paid. More than that, they must be paid regardless of any budget deals made by Congress. As for the stated exceptions, they will either be too restrictive (and thus potentially deadly), or so loose and subject to interpretation as to result in more talk than action. The great fallacy in the whole concept of exceptions is that no mention is made of who shall determine the conditions under which an exception applies consistent with the separation of powers between the President and the Congress. Shall conflicting claims of emergencies be arbitrated by the Supreme Court? If so, we would surrender our fiscal situation to robed masters who may not even understand the question, or who might impose their ideology on the budget. If not, we are back to the usual rhetoric between the President and the Congress -- all pain, no gain.

As to the advocates second line of reasoning, I doubt it will actually restrain Congress. Keep in mind that a considerable portion of the federal government's spending is considered "off-budget". In this context, "off-budget" refers to expenditures that are not called out on any budget document, including, at the present time, a) Social Security, b) the Postal Service, c) some funding for the wars in Iraq, Afghanistan, and Libya, and d) all of the bailouts. Fortunately, both on-budget and off-budget status is included when calculating the impact on the national debt. But under the proposed amendment, balancing the "budget" will be easy: Congress can simply relocate all the excesses to new categories of "off-budget" spending. It will not force Congress to set priorities in the normal sense of the word.

If any "balanced budget amendment" is to be considered, it must first specify that all revenue and all expenditures by the federal government must be included in the definition of "budget". Otherwise, Congress will simply continue to expand the fiscal deceptions and fail to make progress on achieving fiscal stability. In order to force Congress to face the actual facts, we should require, if anything, a "zero-deficit" amendment rather than a "balanced budget" amendment.

[1] Sachs/Mason-Dixon, 27 May 2011. The results indicated that a balanced budget amendment is favored by Republicans and Independents by 81% and 68% respectively; even Democrats favored it by 45%.