

For Immediate Release September 20, 2004

Contact: John S. Irons, Ph. D. (202) 234-8494 x235, jsirons@ombwatch.org
Herb Ettel (202) 234-8494 x213

Balanced Budget Amendment Could Destabilize Economy, Tie U.S. Hands

WASHINGTON, D.C., September 20, 2004 -- The House of Representatives is again set to consider an ill-conceived constitutional Balanced Budget Amendment (H. J. RES. 22). The House Judiciary Committee is scheduled to address the proposal this Wednesday, September 22. Regardless of one's opinions about the wisdom of balancing the budget or running massive deficits, the Balanced Budget Amendment is exceptionally bad economic policy.

Unable to pass a budget this year and having created near-record deficits, some members of the House of Representatives are desperate to create the appearance of being fiscally responsible, and plan a vote on the measure.

Commenting on the proposal, John Irons, Staff Economist at OMB Watch, said, "A constitutionally mandated requirement to balance the budget every year would have terrible economic consequences." He added, "It would destabilize the economy by amplifying downturns in the business cycle; and it would restrict the nation's ability to invest in projects that would yield significant benefits in the future."

Most economists see the measure as bad economic policy. In a letter coordinated by the Economic Policy Institute in 1997, more than 1,000 economists publicly opposed the amendment, including 11 Nobel laureates.¹

"It would be unfortunate if the return of this inherently misguided and economically risky amendment distracts Congress when they have so many other important issues to address," said Gary Bass, Executive Director of OMB Watch. Congress has not yet completed its responsibility to pass annual appropriations bills. Additionally, Congress has shifted the focus away from extending the federal debt ceiling, needed because of tax cuts and rising costs of defense and homeland security, to the constitutional amendment.

Drs. Irons and Bass are available to comment on the proposed amendment. Additional information can be found at <http://www.ombwatch.org/article/articleview/2399/>.

###

OMB Watch is a 501(c)(3) nonprofit organization located in Washington, DC, and was founded to promote government accountability and citizen participation. OMB Watch was formed in 1983 to lift the veil of secrecy shrouding the White House Office of Management and Budget (OMB), which oversees regulation, the budget, information collection and dissemination, proposed legislation, testimony by agencies, and much more. As the years have progressed, tracking OMB activities has led to other concerns about the federal government's institutional responsiveness to public needs. For more information see www.ombwatch.org.

¹ A press release on the letter can be found at <http://www.ombwatch.org/bba/econ.html>.