



The Balanced Budget Amendment: The Wrong Way to a Balanced Budget

Factsheet: September 20, 2004

There's a right way and a wrong way to balance the budget. The right way is to look carefully at the ways in which we can raise adequate revenue, without putting in harm's way the bread and butter of government programs, such as Social Security, education, environmental protection, roads and Head Start. The wrong way to balance the budget is the slash-and-burn approach that a balanced budget amendment to the Constitution would make necessary. In the long run, the amendment would do more harm than good to our nation's economy.

The Balanced Budget Amendment could turn economic downturns into recessions and recessions into depressions.

As working people lose their jobs during an economic downturn, government tax revenue decreases just as demand for certain programs such as unemployment insurance, food stamps and Medicare increases. This mismatch in funds would naturally lead to a budget deficit. The growth in the deficit during an economic downturn helps to stimulate the economy at just the right time.

The Balanced Budget Amendment would require either large spending cuts or increases in taxes to eliminate this deficit; precisely the opposite of what government should do during economic decline. Economists overwhelmingly oppose the Amendment - more than 1,000 economists have publicly opposed the amendment, including 11 Nobel laureates.¹

We need discipline on taxes in Congress, and in the White House, not a Balanced Budget Amendment.

The current deficit situation is, in part, a direct result of revenues that are at their lowest levels as a share of the economy since the 1950's. According to the Congressional Budget Office, just 11 percent of the current deficit is due to economic factors.² Balancing the budget will require discipline and additional revenues – *the hard choices that need to be made will not magically disappear with the passage of an amendment*. It is best to confront these issues head on, rather than hiding behind an amendment that would have disastrous economic consequences for the US economy for years to come.

¹ The letter was coordinated by the Economic Policy Institute in 1997; a press release can be found at <http://www.ombwatch.org/bba/econ.html>.

² See <http://www.cbo.gov/showdoc.cfm?index=5802&sequence=0>.

