



U.S. HOUSE OF REPRESENTATIVES

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Extreme Ideology and Political Fear Drive GOP Calls for Balanced Budget Constitutional Amendment

The balanced budget constitutional amendment (H.J. Res. 2) expected to be considered on the House floor this week is a very dangerous proposal that would have dire consequences for the economy and American families. It is the next step in the Republican majority's dangerous plan to starve the government of revenues and use the resulting deficits as an excuse to call for massive reductions in programs that millions of Americans rely on.

Congressional Republicans demonstrated no concern at all for fiscal responsibility last year when they pushed through the so-called Tax Cuts and Jobs Act, which has caused deficits and debt to skyrocket by nearly \$2 trillion over 10 years. But now, like clockwork, they point to these higher deficits and debt to justify the need for a Constitutional amendment to balance the budget. They are trying to use a vote for this amendment as political cover for completely ignoring the budget-busting impact of their tax law. If this Constitutional amendment is approved, it would require a balanced budget each year unless a supermajority in both the House and Senate vote otherwise. This amendment would create a constitutionally mandated process to impose extreme cuts.

Sets false standard for fiscal responsibility — Our country's long-term fiscal path presents significant challenges. If Congress does not change policies to narrow the growing gap between spending and revenues, debt burdens are projected to reach levels higher than our country has ever experienced and continue growing. We all agree that debt burdens cannot rise unchecked indefinitely; policy changes will be needed. There is broad consensus in the economics and budgeting fields that what matters for fiscal and economic sustainability is keeping deficits low enough so that debt burdens relative to the size of the economy do not increase from current levels. In addition, fiscal policy must recognize that federal investments in physical and human capital pay dividends for economic growth far into the future. Underinvesting in these priorities to meet misguided and politically motivated balanced-budget requirements would leave the country economically weaker in the long run.

Requires a balanced budget regardless of economic conditions — Attempting to balance the budget during economic downturns is likely to make those downturns far worse. Cutting taxes and increasing spending are tools the federal government can use to stimulate the economy during those times. For example, the American Recovery and Reinvestment Act of 2009 used both of those tools and is widely credited with limiting the damage of the Great Recession.

Putting obstacles in the way of recovery legislation could slow down or limit the response to recessions, leading to extended and unnecessary hardship for millions of American families. Moreover, many government benefits and provisions in the tax code have some level of automatic response in a downturn. Spending for many programs – such as unemployment compensation, for example – automatically increases when the economy is down and more people need help. Similarly, tax collections go down automatically through lower withholding when incomes fall. These countercyclical measures lessen the impact of job losses and economic hardship associated with economic downturns. The resulting temporary increases in spending and decreases in revenue could cause deficits that would trigger the balanced-budget requirements at the worst possible moment, just as the need is greatest for economic stimulus to lessen or prevent recession. Our government must be able to respond to changing fiscal conditions, without the unnecessary impediments or irresponsible consequences of a Constitutional amendment. If a similar Constitutional amendment had been in place during the 2008 financial crisis, our country would have been in serious jeopardy, facing a higher risk of a full-on, prolonged economic depression with massive job losses, and such a crisis could happen again.

Makes it harder to increase the debt ceiling — The need to raise the debt ceiling – or how much the government can borrow to meet its obligations – bears no relationship to whether Congress produces a balanced budget in the future. Instead, increases in the need to borrow reflect past decisions on how much to spend and how much revenue to raise. It is a fundamental responsibility of Congress to ensure that the federal government pays its bills. Yet, in recent years, raising the debt ceiling has become politically controversial, nearly resulting in default. The proposed Constitutional amendment embraces this political brinkmanship by making it harder to increase the debt ceiling. It would put in place a new rule requiring the approval of 60 percent of Members of the House and Senate for any increase. Making it harder for the government to meet its legal obligations, and jeopardizing the full faith and credit of the United States, is incredibly irresponsible. If Congress fails to increase the debt ceiling when needed – forcing the government to default on its obligations – the consequences would be dire. Interest rates would jump, increasing costs for governments, businesses, and families for years. New investments would come to a standstill, and our economy would likely spiral into a severe recession.

Implementation is not clear and could end up in the courts — The proposed Constitutional amendment calls for Congress to enact implementing legislation. However, it provides no further guidance on how reductions should be made to reach spending and deficit targets, or what happens if Congress does not follow through. This potentially opens the door to federal judges taking on the job of making complex budgetary decisions about revenues and spending. Congress should not abdicate this responsibility to the courts.

War exemption could create new backdoor to increase Pentagon spending — The proposed Constitutional amendment would create a partial exemption from its requirements during a “military conflict which causes an imminent and serious military threat to national security.” Congress would need to vote, by simple majority of each House, to declare that such an event was happening, and the exemption would cover costs related to the military conflict. This has the potential to become a backdoor way to increase Pentagon spending outside the balanced-budget requirements, much like the current discretionary category of “overseas contingency operations” has been used to evade the discretionary caps. This war exemption injects Republican fiscal ideology into the Constitution. Pentagon spending would be protected, while all other funding would be vulnerable to deep cuts even during economic downturns.

This Constitutional amendment is not about fiscal responsibility — H.J. Res. 2 has nothing to do with fiscal responsibility. Instead, it is an obvious attempt to rig the Constitution to favor Republican budget orthodoxy. This amendment would force extreme cuts to vital services that Americans rely on, including Social Security, Medicare and Medicaid. It would place intolerable financial strains on states, which would be forced to do more with far less federal funding. It would make recessions deeper and more prolonged and jeopardize the full faith and credit of the United States. Ultimately, it is a shameless attempt to give GOP members political cover for voting to explode our debt and deficits with more than \$1 trillion in tax cuts that mostly benefit millionaires and corporations. Enshrining a balanced-budget requirement in the Constitution will not put us on a path toward a strong economy or a well-functioning government. Those goals require that Congress directly make responsible choices about our fiscal future.