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Concord Coalition Warns Against Spending and Revenue Conditions in Balanced Budget Amendment

WASHINGTON -- As Congress considers a balanced budget amendment to the Constitution, The Concord Coalition said today that any such proposal should be thought of as a bold statement of principle: that one generation of Americans should not bind future generations with crushing debt.

The amendment being considered this week, however, is something different. By including an arbitrary limit on spending -- 18 percent of GDP -- while also enshrining a super-majority requirement for tax increases, this proposal departs from the broad principle of budget balance.

"The goal of limiting debt can be achieved at any particular size of government and can be implemented through both spending and tax policies. These decisions are best left to the regular legislative process as they may change over time due to circumstances and the will of the people to set priorities," said Robert L. Bixby, executive director of The Concord Coalition.

"The whole point of a balanced budget amendment is to ensure that future generations are free to make their own fiscal decisions. It is inconsistent with that freedom to forever mandate a particular level of spending or to permanently favor spending cuts over revenue increases as the manner of managing these decisions," Bixby said.

Concord also warned that a protracted ratification debate in the states could have the unintended effect of delaying enactment of the policies needed to eventually bring the budget back into balance. Right now it is incumbent upon Congress and the President to increase the debt ceiling as quickly as possible to avoid a government default and to focus on how to best put the nation on a sustainable fiscal path.

It is encouraging that some members of Congress, along with the President, have been seeking a "grand bargain" that would cut deficits by around \$4 trillion over 10 years.

Ideally, such a plan would include cuts in domestic and defense spending along with structural reforms to the tax code and the major federal entitlement programs. However, even these plans would fall short of balancing the budget.

“Any proposal for a balanced budget amendment, to be taken seriously, should be accompanied by a proposed balanced budget. It is easy enough to sternly instruct future members of Congress and presidents to bring federal revenues and spending into line,” Bixby said. “What’s hard is actually doing it yourself, and so far today’s elected officials have not been up to the task. Right now, that’s clearly the job they need to concentrate on.”

Many of the elected officials who are currently pushing for a balanced budget amendment have recently voted in favor of trillions of dollars in additional deficit spending. While the budget plan prepared by Rep. Paul Ryan and approved by House Republicans this spring includes sharp cuts in some domestic spending, for example, it would also add another \$8.9 trillion in new borrowing over the next decade. It would not achieve balance until around 2040. Senate Democrats, meanwhile, have failed to bring their own budget plan up for a vote.

Properly drafted, a constitutional amendment would contain exceptions to allow deficits during times of serious disruptions to the economy, large-scale military conflicts, and national emergencies. Two of those criteria are applicable at this moment.

The current amendment only countenances exceptions in a time of war; it does not provide for natural disasters or recessions. Furthermore, the super-majority requirement for additional revenue would make it more difficult to actually pay for war or disaster relief.

The revenue requirement also would make it more difficult to balance the budget while perversely incentivizing the continued growth of wasteful tax expenditures, since eliminating them would require super-majorities.

Modifying the Constitution is a serious endeavor that should not be done rashly in response to the debt ceiling crisis, or for short-term political gain. The Concord Coalition urges that any constitutional amendment to balance the budget be drafted with care -- more care than has been shown in the versions now being proposed.

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The Concord Coalition is a nonpartisan, grassroots organization dedicated to fiscal responsibility. Former U.S. Senators Warren B. Rudman (R-NH) and Bob Kerrey (D-NE) serve as Concord's co-chairs and former Secretary of Commerce Peter G. Peterson serves as president.

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