

# Republican Balanced Budget Amendment

- Requires a balanced budget – unless 2/3 of House and Senate vote to waive
- Caps spending at 18% of prior year's GDP – unless 2/3 of House and Senate vote to waive
- Prohibits any bills that increase revenue – unless 2/3 of House and Senate vote to waive
- Requires 3/5 vote in House and Senate to increase debt limit

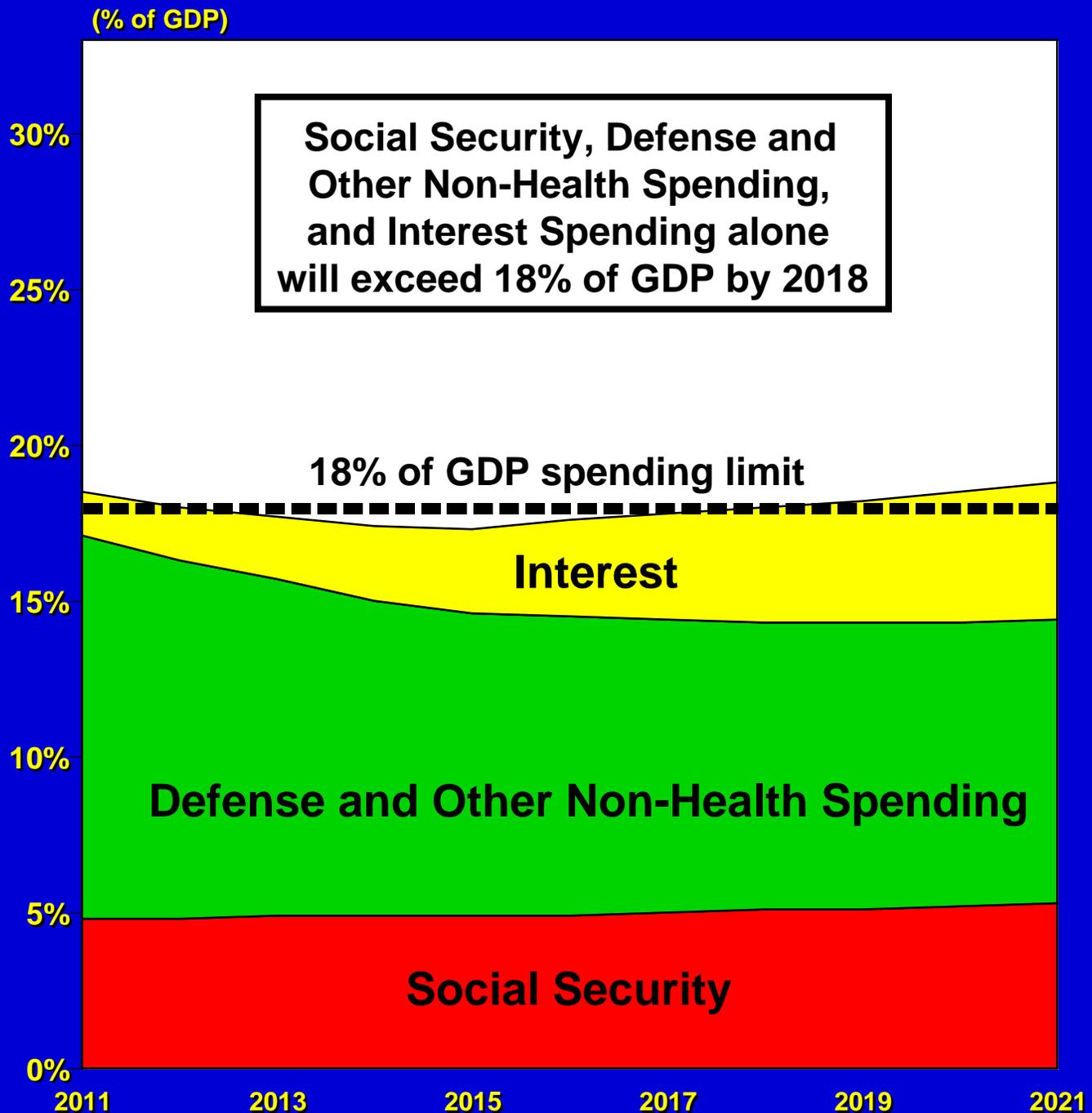
# **Problems With Republican Balanced Budget Amendment**

- **Restricts ability to respond to economic downturns – compounds declines**
- **Uses Social Security funds to calculate balance and subjects program to same cuts as other federal spending**
- **Shifts ultimate decisions on budgeting to unelected and unaccountable judges**
- **State ratification process could take years to complete – need long-term debt reduction plan in place now**

# **Additional Problems With Republican Balanced Budget Amendment**

- **18% of GDP spending cap is draconian and unrealistic level given retirement of baby boom generation**
- **Effectively prevents any increases in revenue, even as part of bipartisan, balanced debt reduction plan**
- **Making it more difficult to raise debt limit increases likelihood of default**

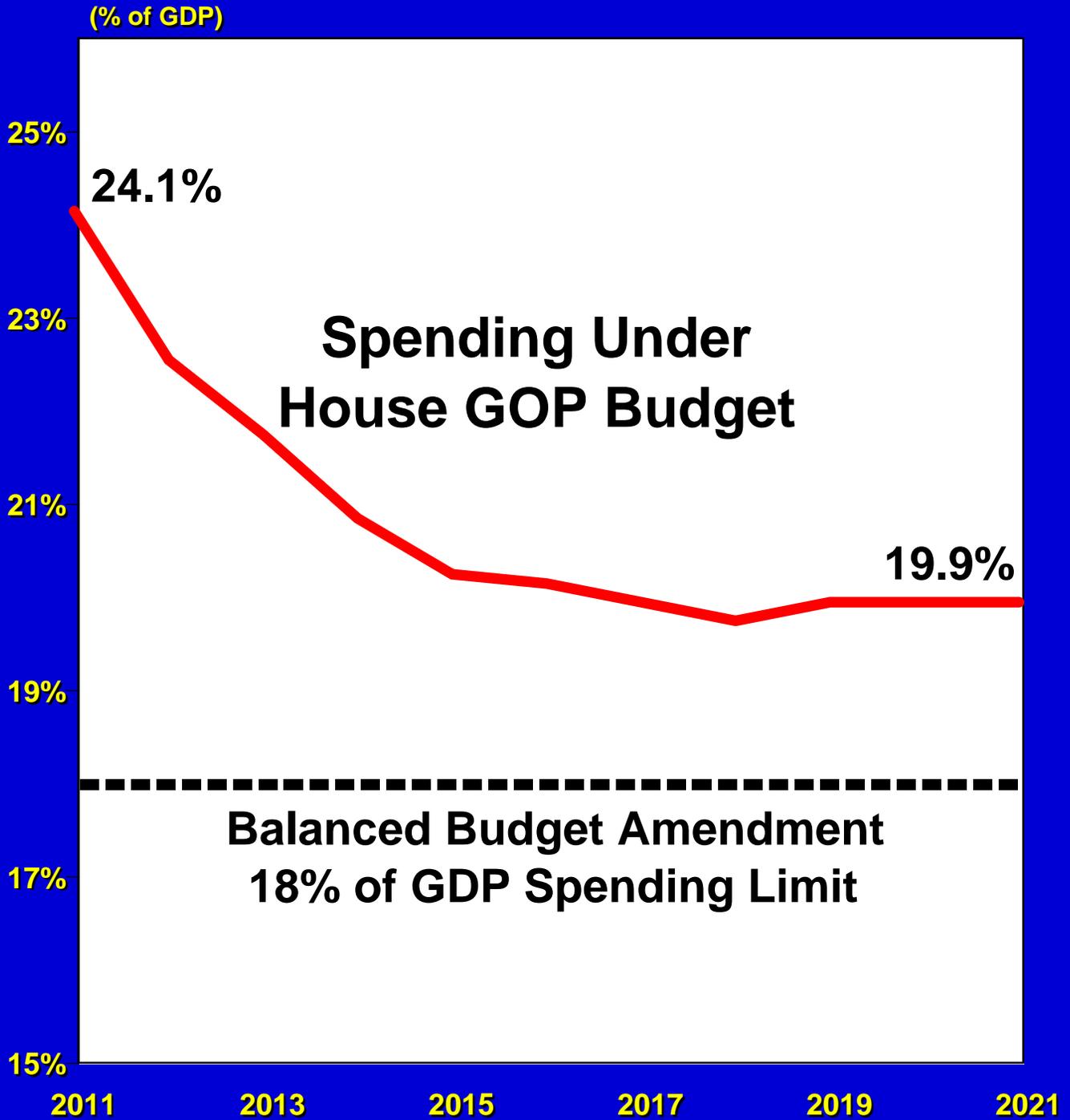
# Balanced Budget Amendment 18% of GDP Spending Limit is Draconian and Unrealistic



Source: CBO

Note: Social Security, Defense and other non-health spending, and Interest spending under CBO Alternative Fiscal Scenario.

# House Republican Budget Would Violate Balanced Budget Amendment Spending Limit in Every Year



Source: HBC

# **American Enterprise Institute Scholar Calls Balanced Budget Amendment a “Really Dumb Idea”**

**“Few ideas are more seductive on the surface and more destructive in reality than a balanced budget amendment. Here is why: Nearly all our states have balanced budget requirements. That means when the economy slows, states are forced to raise taxes or slash spending at just the wrong time, providing a fiscal drag when what is needed is countercyclical policy to stimulate the economy. In fact, the fiscal drag from the states in 2009-2010 was barely countered by the federal stimulus plan. That meant the federal stimulus provided was nowhere near what was needed but far better than doing nothing. Now imagine that scenario with a federal drag instead.”**

**– Norman Ornstein, Resident Scholar  
at American Enterprise Institute  
“Four Really Dumb Ideas That Should  
Be Avoided,” *Roll Call*  
January 26, 2011**

# **Macroeconomic Advisers on Republican Balanced Budget Amendment**

**“If actually enforced in FY 2012, a BBA would quickly destroy millions of jobs while creating enormous economic and social upheaval....**

**“The effect on the economy would be catastrophic.... No model could capture the ensuing chaos and uncertainty, which would make matters far worse.”**

**– MacroAdvisers, The Blog of Macroeconomic Advisers LLC  
“Man Up: AJ(obs)A vs. J(obs)TGA”  
October 21, 2011**

# **Former Reagan Economic Advisor on Republican Balanced Budget Amendment**

**“...[T]he idea of mandating a balanced budget through the Constitution is dreadful. And the proposal that Republican leaders plan to bring up is, frankly, nuts....**

**“The truth is that Republicans don’t care one whit about actually balancing the budget. If they did, they would want to return to the policies that gave us balanced budgets in the late 1990s.... Of course, no Republican favors such policies today. They prefer to delude voters with pie-in-the-sky promises that amending the Constitution will painlessly solve all our budget problems.”**

**– Former Reagan Administration Economic  
Advisor Bruce Bartlett  
New York Times online column, “The  
Balanced Budget Amendment Delusion”  
November 15, 2011**