

U.S. House of Representatives  
Committee on the Judiciary

The Need for a Balanced Budget Amendment

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Thank you, Chairman Goodlatte, Ranking Member Conyers, and members of the committee for the opportunity to be here. I've enjoyed working with many of you over the years, and I hope this is another place we can find common ground.

The federal government's budget problems are no secret. We all recognize the need for change, but we're faced with the difficulty of prioritizing responsibly without knowing that our work will ultimately pay off—for while this majority may be willing to work to build consensus, forge compromises, and take tough votes, we can have no assurance future majorities will follow suit.

Indeed, as my favorite economist, F.A. Hayek, wrote in *Law, Legislation and Liberty*, “so long as there exist no rules that are binding on those who decide on the particular measures, it is thus inevitable that majorities will approve measures of a kind which, if they were asked to vote on the principle, they would probably prohibit once and for all.”

That's why I support a well-crafted balanced budget amendment to the Constitution. A balanced budget amendment is a binding commitment to be responsible, set priorities, avoid a debt crisis, and lighten the growing burdens of indebtedness.

But not all proposed balanced budget amendments are equal. We should always be cautious about amending the Constitution, and a balanced budget rule in particular must be carefully drafted.

A workable balanced budget amendment must be simple, concise, and general. Most of the Constitution establishes broad principles, leaving the details to be filled in by Congress through legislative enactments. Yet the Constitution is specific when specificity is needed, and it is similarly appropriate to be clear with a balanced budget rule. A well-structured balanced budget amendment will strike the right balance.

A balanced budget amendment also should be narrowly tailored. It should not contemplate the president's budget request or a debt limit, limit spending as a percentage of GDP, address revenue policy, or carve out certain programs from its application. A balanced budget amendment should require overall spending and revenue to balance—that's it.

Keeping such an amendment focused is not only good policy, but also good politics. Ratifying a constitutional amendment requires the support of two-thirds of both houses of Congress and 38 state legislatures. It must be bipartisan to succeed.

And a balanced budget amendment is bipartisan—at least conceptually. In 2011, the last time Congress voted on such a proposal, two-thirds of the Senate voted for at least one of the two dueling versions considered that year. In the House, 61 percent voted for H.J. Res. 2 and another 16 representatives cosponsored at least one other proposal. Together, that was 65 percent of the House. It's clear the right proposal could pass with more than two-thirds support.

But to achieve that support, a balanced budget rule must be workable. In the State of Michigan, the constitution mandates that the budget balance every year; accomplishing this requires multiple revenue estimating conferences and the Michigan Legislature to conduct quarterly budget meetings to adjust programs as those spending and revenue estimates change. It's simply too much uncertainty.

In addition, the federal government needs flexibility to address emergencies. A balanced budget amendment should include a safety valve that's tight enough to avoid abuse but loose enough to be useable.

Finally, a reasonable path to balance is vital. Many of the reforms that bend the cost curve start with small savings that become meaningful only over time. Avoiding a shock to the system and instead setting upon a gradual path to balance also will help build trust and grow confidence in the new budget rule.

Not coincidentally, my balanced budget proposal, H.J. Res. 15, meets the standards I've mentioned and has thus garnered substantial bipartisan support over the last few congresses.

I call H.J. Res. 15 the "Business Cycle Balanced Budget Amendment," or BCBBA, because it requires balance over the business cycle instead of every year. The spending limit is based on the rolling average of revenue from the three prior years. Because averaging softens revenue fluctuations and avoids the need for shifting estimates, policies would stay predictable.

The BCBBA would let Congress choose any level of government spending and revenue. Lower taxes with a smaller government providing fewer services would be possible, as would be a larger government providing more services with higher taxes. The only option taken off the table would be perpetual deficits.

Under the BCBBA, fiscal policy would be countercyclical. When a recession hits, spending would still be based on the prerecession boom years. The higher spending and recession-induced drop in revenues would result in deficits, but that would be okay—as the economy recovers, the spending limit would begin to incorporate the lower recession-year revenues, producing small surpluses in the good years.

Setting spending this way would provide the predictability and stability I've highlighted. In this way, Congress can focus on structural balance and long-term prioritization instead of on constant tinkering to meet immediate desires. Economists overwhelmingly recommend such a model whereby deficits from recessions and emergencies are offset by surpluses in economic upturns.

Based on conversations with Republicans and Democrats, I chose two-thirds—the normal constitutional supermajority—as the necessary support for emergency spending. While there must be a way to provide for emergencies, we should have broad agreement before racking up large debts.

And finally, the BCBBA allows a full decade to reach balance after ratification, because setting national priorities and realizing savings takes time. Phasing out deficits faster would still be an option, but a smoother transition period might be worth taking a little longer.

We need to balance our budget and end the downward spiral into debt. I'm convinced that it will take a binding rule—a constitutional amendment—to accomplish it, and congressional support already exists for the right proposal. We can come together to confront the challenges facing our great nation. But to do so we need the confidence that our return to fiscal responsibility and sustainability will endure. That's why I support a well-crafted balanced budget amendment, and I urge the Judiciary Committee to continue these hearings and ultimately to bring such an amendment to the floor.

Thank you again for having me here today. I look forward to working with you on this important issue.