

# WebMemo



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## Balanced Budget Amendment: Cut Spending Later, Cut Spending Now

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Two key principles should govern congressional consideration of an amendment to the U.S. Constitution that requires the federal government to balance its budget:

- **First Principle:** A Balanced Budget Amendment (BBA) is *important to help bring long-term fiscal responsibility to America's future* when the BBA takes effect after ratification by three-quarters of the state legislatures; it is equally important for Congress to *cut spending now* to address the current overspending crisis.
- **Second Principle:** An *effective BBA will include three elements* to: (a) control spending, taxation, and borrowing, (b) ensure the defense of America, and (c) enforce the requirement to balance the budget.

**Cuts for the Future, Cuts for the Present.** Federal spending is out of control—both obligations for the future and spending right now.

Congress must get spending under control in the *long term*. America cannot raise taxes to continue overspending, because tax hikes shrink our economy and grow our government. America cannot borrow more to continue overspending, because borrowing puts an enormous financial burden on the American children of tomorrow. A BBA will help address this long-term problem because, after the multi-year process for securing ratification of the BBA by three-quarters of the states, the BBA will keep federal spending under control in subsequent years.

Congress also must get spending under control in the *short term*. Federal overspending is not simply about the future, but also about the present. Under the President's Fiscal Year 2012 Budget Submission, measured by the Congressional Budget

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Office, the federal government will spend \$1.2 trillion more than it will take in, a gargantuan burden of additional debt forced on future generations to pay current bills.

Thus, America needs *both* a Balanced Budget Amendment for the long term and deep cuts in federal spending starting right now, without waiting for a BBA to take effect. As Congress considers budget resolutions, appropriations bills, appropriations continuing resolutions, and debt limit bills, Congress should take every opportunity now to cut federal spending, including for the biggest overspending problem: the ever-growing entitlement programs.

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This paper, in its entirety, can be found at:  
<http://report.heritage.org/wm3208>

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Congress should recognize that the best way to encourage state legislatures to ratify a BBA is to demonstrate, through consistent congressional cuts in spending, that the American people have the will to accept spending cuts to balance the budget.

**Elements of a Successful Balanced Budget Amendment.** A successful BBA will:

- **Control spending, taxing, and borrowing through a requirement to balance the budget.** The BBA should cap annual spending at a level not exceeding either: (a) a specified percentage of the value of goods and services the economy produces in a year (known as gross domestic product, or GDP), or (b) the level of revenues. To ensure that Congress cannot simply balance the budget by continually raising taxes instead of cutting overspending, the BBA should require Congress to act by supermajority votes if Members wish to raise taxes. Any authority the BBA grants Congress to deal with economic slowdowns, by waiving temporarily the requirement that spending not exceed the GDP percentage or revenue level, should specify the amount of above-revenue spending allowed and require supermajority votes.
- **Defend America.** The BBA should allow Congress by supermajority votes to waive temporarily compliance with the balanced budget

requirement when waiver is essential to pay for the defense of Americans from attack.

- **Enforce the balanced budget requirement.** The BBA should provide for its own enforcement, but must specifically exclude courts from any enforcement of the BBA, so unelected judges do not make policy decisions such as determining the appropriate level of funding for federal programs. A government that spends money in excess of its revenues must borrow to cover the difference. Therefore, to enforce the requirement to balance the budget, the BBA should prohibit government issuance of debt, except when necessary to finance a temporary deficit resulting from congressional supermajority votes discussed above.

America is in a fiscal crisis. Our government spends too much. Overspending must stop immediately. Overspending will stop only if Congress *cuts spending now*, including with respect to the ever-expanding entitlement programs. For the future, Congress and three-quarters of state legislatures can adopt and ratify a Balanced Budget Amendment to the U.S. Constitution to anchor the American willingness to live within a balanced budget.

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