



Debate Brief

Resolved: The United States should adopt a balanced budget amendment.

“We cannot rely on self-imposed, statutory spending limits that Congress can waive with a simple majority. To restore fiscal responsibility, we must enact a permanent structural spending restraint.”

—Senator Mike Lee, 2023

“A constitutional amendment is not needed to balance the budget. [...] No other major nation hobbles its economy with a balanced budget mandate. There is no need to put the nation in an economic straitjacket. Let the President and Congress make fiscal policies in response to national needs and priorities as the authors of our Constitution wisely provided.”

—Open Letter from Economists from the Economic Policy Institute, 2016

“We must keep our budget balanced for each year. That is the cornerstone of our national credit, the trifling price we pay to command the lowest rate of interest of any great power in the world. Any surplus can be applied to debt reduction, and debt reduction is tax reduction.”

—Calvin Coolidge, Messages and Papers of the Presidents

ABOUT THE COOLIDGE FOUNDATION

The Calvin Coolidge Presidential Foundation is the official foundation dedicated to preserving the legacy and promoting the values of America's 30th president, Calvin Coolidge, who served in office from August 1923 to March 1929. These values include civility, bipartisanship, and restraint in government, including wise budgeting. The Foundation was formed in 1960 by a group of Coolidge enthusiasts, including John Coolidge, the president's son. It maintains offices at the president's birthplace in Plymouth Notch, Vermont, and in Washington, D.C. The Foundation seeks to increase Americans' understanding of President Coolidge, his era, and the values he respected.

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BACKGROUND

Governments require revenues to carry out their functions. Revenues come primarily from taxes paid by businesses and individuals. Governments then use these revenues to fund their programs and expenses.

To estimate revenues and expenses, and show how funds will be spent, governments develop budgets. Typically, a budget is developed for a period of 12 months, or what is often called a **fiscal year** (which simply refers to the 12-month budget period in cases when the budget year does not track the calendar year).

Developing a budget is good for a number of reasons. First, it forces lawmakers to prioritize how funds should be spent. Different people and leaders have different ideas about what the government should spend money on. But since revenues are limited, hard decisions must often be made. Budgeting is the process by which competing ideas and interests negotiate and come to an agreement. A strong budget also provides transparency to citizens and taxpayers, showing them how the government is spending the country's money. If citizens don't approve, they can try to persuade their elected leaders to budget differently in the future or vote for other leaders whose budget priorities are more in line with their own.

A **balanced budget** is when the revenues of the government are sufficient to meet all the expenditures in a given year. When revenues are in excess of expenditures, the budget is said to be in **surplus**. When revenues are less than expenditures – that is to say, the government is spending more money in a year than it takes in as revenues – the budget is said to be in **deficit**.

Currently, the U.S. federal government spends more than it takes in. Appendix F contains an overview of the major components of the federal budget in 2022. You will notice that in 2022 the federal government had total revenues of \$4.9 trillion and total expenditures of \$6.3 trillion. Therefore, the budget had a deficit of \$1.6 trillion.¹

The budget of the federal government has been in deficit most years in modern times, as is evident from the data table in Appendix D. The deficits that accumulate year-over-year add to the **national debt**. The debt of the U.S. federal government was approximately \$30.9 trillion at the end of fiscal year 2022, an amount that is quite high by historical standards for the U.S.²

A balanced budget amendment would be an amendment to the U.S. Constitution requiring the federal government to have revenues at least as large as expenditures. Practically speaking, this

¹ Congressional Budget Office, "The Federal Budget in Fiscal Year 2022," <https://www.cbo.gov/system/files/2023-03/58888-Budget-Infographic.pdf>.

² United States Treasury, "Historical Debt Outstanding," <https://fiscaldata.treasury.gov/datasets/historical-debt-outstanding/historical-debt-outstanding>.

would mean that deficits would not be allowed under such an amendment, but surpluses would.

One view on the budget sees deficits in a negative light, and thus supports tightening spending and/or increasing revenues. Cutting spending would involve eliminating or spending less on various government programs and services. Increasing revenues, generally speaking, would involve increasing tax rates or imposing new taxes entirely. Proponents of a balanced budget argue that the country should live within its means. Furthermore, proponents often argue that the government typically spends resources less efficiently than individuals and businesses, and therefore the government should take on fewer responsibilities and have a smaller budget that leaves more resources in the private sector.

Another view generally dismisses the necessity of reducing deficits. This view reasons that a certain amount of debt is acceptable for a country. Government spending, the argument posits, supports programs and institutions that are critical to society and the well-being of everyday Americans. Government spending, some argue, can stimulate the economy in some cases – helping to spur economic growth – and help manage economic downturns. This view does not support a requirement that revenues and expenses match in a given budget year.

The issue of a balanced budget being required by a Constitutional *amendment* also has implications for this debate. Some proponents of a balanced budget generally might not support a constitutional amendment. An amendment to the Constitution, many argue, is too rigid and would hamper the federal government in its ability to respond to crises. Meanwhile, others think an amendment is needed precisely because it is rigid and may be the only mechanism to constrain the government's propensity to run a deficit. Many attempts at passing a balanced budget amendment have been made over the years. Appendix A features the text of a current proposal for a balanced budget amendment, which is the focus for this debate.

COOLIDGE CONNECTION

[T]he budget idea, I may admit, is a sort of obsession with me. I believe in budgets. I want other people to believe in them. I have had a small one to run my own home; and besides that, I am the head of the organization that makes the greatest of all budgets-that of the United States Government. Do you wonder, then, that at times I dream of balance sheets and sinking funds, and deficits, and tax rates, and all the rest? – Calvin Coolidge, 1924³

Calvin Coolidge held office from 1923-1929, a time between World War I and the Great Depression referred to as “The Roaring Twenties.” Coolidge is known especially for the attention he paid to the federal budget. Coolidge managed a balanced budget every year of his presidency. This was achieved primarily by cutting existing spending and restraining the growth in new spending. Today it is almost taken as given that the federal budget will increase each year. But under Coolidge, expenses shrank, and the budget was indeed lower when he left office than when he became president in 1923 (see data in Appendices C and D).

In order to accomplish this feat, Coolidge had to organize his administration around cutting costs. When Coolidge served as Vice President under President Warren Harding, Harding signed a bill called the Budget and Accounting Act of 1921 which required the President to submit a budget proposal to Congress at the start of each session, and established the Budget Bureau to help him compile those proposals. When Coolidge became President, he took this new executive responsibility of budgeting very seriously. He met weekly with his budget bureau director General Herbert Lord to find places to cut government costs.⁴ Coolidge took the principle of staying within one’s means very personally. In his autobiography, Coolidge wrote: “I know very well what it means to awake in the night and realize that the rent is coming due, wondering where the money is coming from with which to pay it. The only way I know of to escape from that constant tragedy is to keep expenses low enough so that something may be saved to meet the day when earnings may be small.”⁵

Another important point is that Coolidge balanced the budget while also cutting taxes. In fact, through multiple tax cut bills (the Revenue Acts of 1921, 1924, and 1926), the top marginal rate on the federal income tax was brought down to 25% (even lower than Reagan’s famous 28%)⁶ from a top rate over 70% at the end of World War I. It perhaps seems counter-intuitive, but the lower tax rates of the 1920s did not lead to dramatically reduced government revenues. The reason was that by lowering tax rates, individuals and businesses were able to keep more of their earnings and reinvest them in the private sector. This allowed the economy to grow, providing a larger tax base. Thus, even with lower tax rates, federal tax revenues remained

³ Calvin Coolidge, "Discriminating Benevolence," 26 Oct 1924, <https://coolidgefoundation.org/resources/discriminating-benevolence/>

⁴ <https://coolidgefoundation.org/news/coolidges-fiscal-triumph/>

⁵ (Autobiography of Calvin Coolidge, p. 94)

⁶ <https://coolidgefoundation.org/coolidge-facts/>

strong in the 1920s – indeed strong enough that Coolidge was able to run a budget surplus every year.

These budget surpluses enabled the Coolidge administration to pay down the national debt. Harding and Coolidge inherited a national debt of about \$24 billion when they came to the White House in 1921. By the end of Coolidge’s time in office at the end of the decade, the federal debt had been cut to \$16.9 billion, a reduction of around one-third.⁷ Coolidge himself reflected that “Perhaps one of the greatest satisfactions of my administration lies in the very marked reduction of the national debt since I have been President.”⁸

Coolidge demonstrated that balancing the budget in the wake of a World War was not only possible, but beneficial to the economy. Under Coolidge’s thrift, the economy boomed. According to historian Burton W. Fulsom Jr., Coolidge “finished his second term with the lowest misery index (unemployment plus inflation) of any president in the last one hundred years.”⁹

⁷ <https://www.coolidgeandthebudget.com/>

⁸ Calvin Coolidge, “Press Conference,” 4 Oct 1927, <https://coolidgefoundation.org/resources/press-conference-october-4-1927/>

⁹ https://coolidgefoundation.org/blog/budget-and-tax-lessons-from-president-calvin-coolidge/#_ednref11

KEY TERMS

Budget — A budget is an estimate of how much a person, organization, or government plans to spend on various expenditures over a certain period of time, such as one year. A family might make a budget to determine how much of its money it should spend on food, clothing, education, leisure, and entertainment in a given month or year. Governments make budgets to determine how to allocate spending to various programs and functions.

Deficit — An occurrence where total spending exceeds the total revenue in a given fiscal year.

Surplus — An occurrence where total revenue exceeds total spending in a given fiscal year.

Balanced Budget — A budget plan where no deficit occurs, i.e., total spending does not exceed total revenue over a given fiscal year.

Constitutional Amendment — A Constitutional Amendment is a formal change or addition to the United States Constitution. There have been 27 amendments made to the Constitution. The first ten amendments were adopted and ratified at the same time that the Constitution was adopted and are known as the Bill of Rights. The other 17 amendments were gradually adopted later. More than 11,000 amendments have been proposed in U.S. history, but only 27 have been ratified. The most recent amendment, ratified in 1992, deals with rules surrounding compensation for members of the U.S. Congress. Passing a constitutional amendment is a more permanent way of instituting a change in the way government works compared to passing an ordinary law. Ordinary laws can be repealed relatively easily, sometimes with a simple majority vote. The process for amending the Constitution first requires that a proposal earns a two-thirds vote in both the House of Representatives and the Senate, and then it must further be approved (“ratified”) by three-fourths of the states.

Federal Debt or National Debt — The accumulated deficits of the U.S. federal government. Whereas a deficit is a budget shortfall in a single year, the debt is the total amount of all deficits over time that have not yet been paid back.

Welfare — Government programs that provide financial assistance and support for housing, food, or healthcare for low-income individuals or families. Recipients must meet certain guidelines and qualifications, such as being below the federal poverty level, in order to be considered for welfare. The U.S. government offers a number of welfare programs. Primary ones include: Earned Income Tax Credit, Housing Assistance, Medicaid, Supplemental Nutrition Assistance Programs (SNAP), Supplemental Security income, Temporary Assistance for Needy Families (TANF).

Entitlements — Government programs that are offered to all qualifying citizens. Unlike welfare programs, eligibility for entitlement programs is not typically contingent on income. The major

federal entitlement programs include: Medicare, Social Security, Unemployment insurance, and Worker's Compensation.

Gross Domestic Product (GDP) — The total market value of goods and services produced by a country in a given year. GDP provides a measure of the overall size and condition of the economy.

AFFIRMATIVE ARGUMENTS

1. A balanced budget amendment is necessary to resolve America's spending and debt problem.

The United States was once celebrated for its financial stability and for the strength and dynamism of its economy. Today, however, the U.S. federal government has a spending and debt problem of monumental proportions. The most glaring evidence of this problem is the staggering national debt, which is over \$33 trillion and rising.¹⁰

When a government takes on too much debt, economic activity slows. A large amount of debt makes lenders worry that the government might not be able to repay its loans, so lenders start to demand higher interest rates on new loans. When interest rates rise, the cost of borrowing money becomes very expensive for the government. With high interest rates, the purpose to which the government is putting that borrowed money needs to be very important for it to be worth it for the government to keep borrowing.

To stop interest rates from rising indefinitely (or to avoid the situation in which lenders stop being willing to lend the government money at all), the government has to collect money from taxpayers in order to pay down its debt obligations. Individuals and businesses are the main taxpayers in the United States. The more money that they must pay in taxes, the less money they have to invest in the economy. It is individuals and businesses who are the drivers of economic growth, through their entrepreneurial activities such as producing goods and services, building offices and factories, and so on.

In a study on the relationship between debt and growth, economists Carmen Reinhart, Vincent Reinhart, and Kenneth Rogoff found that large levels of debt lead to lower economic growth. For instance, the economists' study found that median economic growth rates fall by 1 percent for countries with debt levels above 90 percent of their GDP.¹¹ The authors also found that the effects of having high national debt can affect a country for many years—their study, the average debt overhang lasted 23 years.

Over the past fifty years, the U.S. has experienced a fiscal year-end budget surplus only five times (most recently in 2001). The U.S. federal government is not disciplined enough to be trusted not to run up the debt any higher. Congress needs to be governed by stronger rules. Adopting a balanced budget amendment will not erase the national debt, but it *will* prevent this particular threat to prosperity from becoming any more serious than it already is.

¹⁰ U.S. Debt Clock. <https://www.usdebtclock.org/>. Accessed September 25, 2023.

¹¹ Carmen Reinhart, Vincent Reinhart and Kenneth Rogoff, "[Debt Overhangs: Past and Present](#)" NBER Working Paper No. 18015. Issued in April 2012.

2. A balanced budget amendment would force the government to reevaluate its spending and cut waste.

If the federal government were required to balance its budget, it would have to meet this obligation either by spending less or raising taxes. Raising taxes is usually politically unpopular. Sure, we often hear politicians boast that they plan to pay for new government programs by raising taxes on the wealthiest Americans. (Wealthy Americans are villainized, and politicians claim to be a sort of Robinhood who will redistribute the wealth to those who need it more.) But even if politicians raised taxes on the relatively small number of the wealthiest Americans, that revenue wouldn't be enough to pay for current levels of spending. Much of the revenue would have to come from ordinary middle-class Americans. Because this would be unpopular, our elected leaders would likely reevaluate their spending and find new ways to cut waste.

Coolidge recognized that a nation's tax revenue comes from the wages and wealth of its citizens, and that the more the government takes, the less that citizens have. This negatively affects poor and middle class Americans by taking away money that they could have used for their living expenses. It affects all Americans, rich and poor alike, by diminishing private investment and charitable giving.

At root, Coolidge wanted taxes to be lower for not just economic but moral reasons. In his view, the money that people earn is property that belongs to them. He viewed taxation as necessary for securing government revenue, but endeavored to obtain through taxation only that which was absolutely required to cover the necessary expenses of the government, not more.

As Coolidge wrote in 1924 in a message to Congress:

"The property of the people belongs to the people. To take it from them by taxation cannot be justified except by urgent public necessity. Unless this principle is recognized our country is no longer secure, our people no longer free."¹²

Coolidge was a champion of eliminating wasteful programs during his term.¹³ Coolidge brought the top tax rates even lower than former president Ronald Reagan,¹⁴ an astonishing feat that kept more money in the hands of everyday Americans.

Many argue that if the federal government will not be able to provide necessary services if it decreases its spending. In reality, when the government is forced to spend less money, lawmakers will prioritize funds in more useful endeavors and ensure programs are effective. One does not have to look far for examples of government largess and waste. The Government Accountability Office, for example, recently released a report that found "the amount of fraud

¹² Calvin Coolidge, "Quotations" <https://coolidgefoundation.org/quote/quotations-t/> Accessed on August 08, 2023.

¹³ Library of Congress, "Prosperity and Thrift: The Coolidge Presidency." <https://memory.loc.gov/ammem/coolhtml/ccpres02.html> Accessed on August 08, 2023.

¹⁴ Calvin Coolidge Presidential Foundation, "Coolidge and the Budget." <https://www.coolidgeandthebudget.com/> Accessed on August 08, 2023.

in unemployment insurance programs during the COVID-19 pandemic was likely between \$100 billion and \$135 billion. This is about 11 percent and 15 percent, respectively, of the total amount of UI benefits paid during the pandemic.”¹⁵ A balanced budget amendment will put useful pressure on the government to be sure it spends money wisely and effectively, rather than carelessly and in such large amounts that so much could be captured by fraud.

The waste-cutting that would come with a balanced budget amendment could avoid inflammatory tax hikes.¹⁶ Self-imposed spending limits have failed due to the lack of restrictions they places on politicians. A balanced budget amendment would force politicians to spend more wisely, avoiding tax increases now and in the future.

3. A balanced budget amendment would help combat inflation.

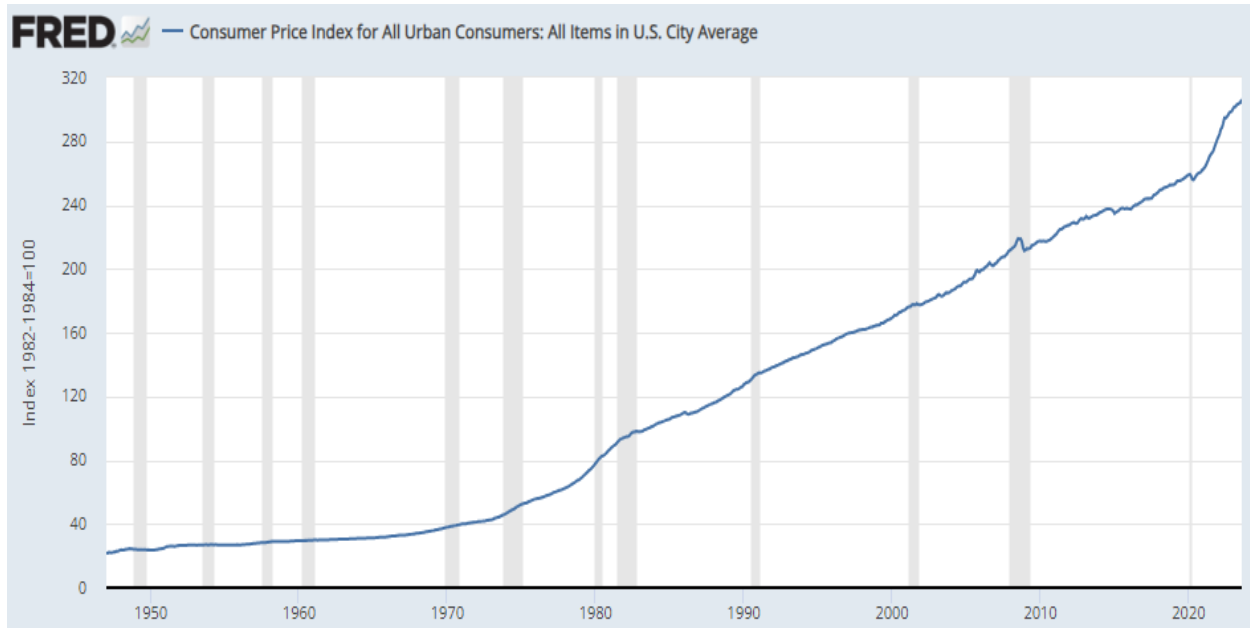
After the inflation that we have experienced, cost of living is a major concern for many Americans. When an economy experiences inflation, prices rise. The prices for ordinary things you purchase—food, clothing, fuel for your car, and so on—increase, even though those products aren’t necessarily any better or different than they were before.

Figure 1 below shows the consumer price index from 1950 to the present. The consumer price index measures the price of a basket of commonly-bought goods and is intended to be a rough gauge for all prices in the economy generally. Notice how the increase in price level coincided with the dramatic increase in federal debt since the 1970s.

¹⁵ U.S. Government Accountability Office, “Unemployment Insurance: Estimated Amount of Fraud During Pandemic Likely Between \$100 Billion and \$135 Billion,” Published September 12, 2023, <https://www.gao.gov/products/gao-23-106696>.

¹⁶ Ivan Illan, Forbes Finance Council, [Tax Increases To Reduce The Government Debt Load: What Business Owners Should Consider \(forbes.com\)](https://www.forbes.com), Accessed July 2, 2021

Figure 1. United States Consumer Price Index, 1950-2022



Source: [St. Louis Federal Reserve Economic Data \(FRED\)](https://fred.stlouisfed.org/). Accessed September 25, 2023.

Data from the U.S. Bureau of Labor and Statistics.

A balanced budget amendment would combat inflation in various ways. First, by promoting fiscal responsibility and stability, a balanced budget amendment can create a more predictable business environment. When businesses have confidence that government policies won't contribute to inflation, they are more likely to invest, expand, and hire, which can help drive economic growth without undue inflationary pressures.

Another way that a balanced budget amendment would combat inflation is by keeping spending—and the borrowing that often comes with it—low. In the absence of a balanced budget, governments often resort to borrowing to cover budget deficits. This borrowing increases the money supply in the economy. Through the federal reserve, the government creates more money to pay off lenders, which contribute to inflation. A balanced budget amendment would limit the government's ability to accumulate more debt, reducing the need for borrowing and, in turn, curbing the expansion of the money supply.

4. Practically all states have a balanced budget amendments or requirements in their state constitutions—why shouldn't the federal government, too?

Every state other than Vermont has some form of balanced budget requirement.¹⁷ Some states have provisions that allow for temporary deficits that might arise from emergencies or special circumstances. This widespread adoption of balanced budget requirements at the state level serves as a powerful precedent and a testament to the effectiveness of such measures in maintaining fiscal discipline.

The states' balanced budget requirements have proven to be a cornerstone of sound financial governance. Researchers have found that, when faced with a deficit, states with strong balanced budget requirements cut their budgets more than states with weaker rules.¹⁸ By mandating that their budgets must be in balance, states are forced to prioritize spending, make tough decisions, and live within their means. This approach has enabled states to weather economic downturns and maintain a level of fiscal responsibility that has often eluded the federal government. The consistency of these balanced budget provisions across state constitutions underscores the bipartisan recognition of their importance and effectiveness.

Extending this principle to the federal government makes logical sense. Just as states are required to manage their finances responsibly, the federal government should also be held to a similar standard. A federal balanced budget amendment would encourage Congress to carefully consider and prioritize spending decisions, promoting fiscal responsibility and accountability. It would help prevent the accumulation of unsustainable national debt, which threatens the nation's economic stability and future prosperity. Adopting a balanced budget amendment is a practical step toward ensuring that the federal government lives within its means, just as states have done successfully for decades.

¹⁷ Walczak, J. "[State Strategies for Closing FY 2020 with a Balanced Budget](#)" Tax Foundation. April 2, 2020.

¹⁸ Reuben, et al. "[Budget Processes and the Great Recession](#)" Tax Policy Center. October 10, 2018.

NEGATIVE ARGUMENTS

1. A balanced budget amendment would result in greatly reduced entitlement and welfare spending. Millions of Americans rely on this type of spending.

In 2022, 19% of the federal budget was spent on Social Security, while another 27% of the budget was put towards Medicare, Medicaid, and other healthcare programs.¹⁹ In other words, nearly half of all government spending last year was directed towards these major programs, which have significant benefits for millions of Americans.

For example, Social Security—called “the most successful anti-poverty program in our country’s history”²⁰—provides benefits to retirees, disabled workers, dependents, and survivors. Nearly 20% of the population—67 million Americans—will receive Social Security benefits in 2023.²¹ According to the Social Security Administration, this program makes up “about 30% of the income of the elderly,” with almost 90% of Americans aged 65 or older receiving Social Security benefits.²² Further, according to the Center on Budget and Policy Priorities, Social Security keeps 21.7 million adults and children above the poverty line, including 5.4 million people under age 65 and an additional 1 million children.²³

Federal health insurance programs like Medicare and Medicaid are similarly impactful. Almost 66 million people are enrolled in Medicare,²⁴ a federal health insurance program for Americans 65 and older as well as those with certain disabilities. More significantly, over 87 million low-income Americans are enrolled in Medicaid, with an additional 7 million enrolled in the Children's Health Insurance Program.²⁵ These two programs help provide health cost coverage to millions of Americans who are unable to afford private health insurance.

A balanced budget amendment would require a large reduction in government spending in order not to exceed government revenue. As the biggest category of federal spending, the funding for these entitlement programs would almost certainly be reduced, jeopardizing the wellbeing of millions of Americans who could lose their health insurance or an important part of their income. Further, most Americans continue to support these programs despite the costs. A 2013 study by the National Academy of Social Insurance found that among respondents, “77% say it is critical to preserve Social Security benefits for future generations

¹⁹ [“Where Does All the Money Go?”](#) Federal Budget in Pictures, 16 May 2023.

²⁰ [What Is Social Security?](#), www.ssa.gov/people/materials/pdfs/EN-05-10230.pdf. Accessed 6 Aug. 2023.

²¹ [Social Security Basic Facts](#), www.ssa.gov/news/press/factsheets/basicfact-alt.pdf. Accessed 6 Aug. 2023.

²² [Social Security Basic Facts](#), www.ssa.gov/news/press/factsheets/basicfact-alt.pdf. Accessed 6 Aug. 2023.

²³ Romig, Kathleen. [“Social Security Lifts More People Above the Poverty Line than Any Other Program.”](#) Center on Budget and Policy Priorities, Accessed 6 Aug. 2023.

²⁴ [“Medicare Enrollment Numbers.”](#) Center for Medicare Advocacy, 29 June 2023.

²⁵ [“April 2023 Medicaid & CHIP Enrollment Data Highlights.”](#) Medicaid. Accessed 6 Aug. 2023.

even if that means increasing Social Security taxes paid by working Americans.”²⁶ The government cannot adopt a balanced budget amendment because it would negatively impact millions of Americans who rely on entitlement programs.

2. A balanced budget amendment ties the hands of the federal government to respond to emergencies such as wars, pandemics, and natural disasters.

Disasters and emergencies, such as wars, floods, wildfires, and pandemics are an unfortunate fact of life. It is the responsibility of any good government to assist its citizens in times of crisis, but how can a government know how much it will need to spend in a given fiscal year when these types of events are unpredictable? Having flexibility with disaster response is critical for the government to be able to supply adequate relief.

The Covid-19 pandemic showcased the need for this type of funding. In fiscal year 2020 alone, the U.S. spent \$29.6 billion on disaster relief—far more than it usually does.²⁷ In addition to global pandemics, the number of natural disasters has been steadily increasing since the 1980s, and the average cost and death toll of each disaster has been rising at the same rate.²⁸ Due to this, there is a pressing need for an increase in disaster relief spending.²⁹

International affairs can also be highly unpredictable. Although the government can budget carefully for national defense, one never knows when America’s homeland may be attacked or the country may need to come to the defense of an ally. In wartime, the government must act quickly and decisively—there is no time to wait for the next year’s budget cycle to appropriate more funds for the military. A balanced budget amendment would leave our country vulnerable and threaten our safety and national security.

It should be noted that the lack of a balanced budget *amendment* does not mean the government cannot balance its budget. The government can strive for balanced budgets in years when there are not unexpected emergencies. But keeping a balanced budget requirement out of the Constitution will ensure the federal government has the flexibility to respond to emergencies when they arise.

²⁶ [“Hard Choices on Social Security.”](#) National Academy of Social Insurance. Accessed 6 Aug. 2023.

²⁷ [“Disasters and Emergency Relief”](#) USA Facts Accessed August 6th, 2023

²⁸ [“Are Major Natural Disasters on the Rise Due to Climate Change?”](#) USA Facts, October 10, 2022.

²⁹ American Action Forum. [“Federal Disaster Relief and the Federal Budget”](#) October 22, 2018.

3. A balanced budget amendment would hamper the government’s ability to help manage economic downturns.

Economic downturns and recessions are painful, but the federal government can play an important role in alleviating the pain. Indeed, many economists argue, as John Maynard Keynes did, that during economic downturns the government should engage in expansionary policy. This means the government should use the tools at its disposal to encourage economic growth. These tools include increases in government spending, tax cuts, and the lowering of interest rates. Such policy actions all seek to put money into the private sector—individuals and businesses—to stimulate an economic recovery and help Americans through the downturn.

Expansionary economic policy during downturns is not necessarily incompatible with the goal of balanced budgets. The logic is that during downturns the government should have the flexibility to run a deficit in order to stabilize and stimulate the economy. But then during years when the economy is strong, the government will use larger tax revenues to pay down the debt accumulated in recession years.

If the government were to adopt a balanced budget amendment, the ability of the government to manage the economy would be greatly limited. The Center on Budget and Policy Priorities summarizes the impact of a balanced budget amendment in times of economic crisis by saying, “Rather than allowing the “automatic stabilizers” of lower tax collections and higher unemployment and other benefits to cushion a weak economy, the amendment would force policymakers to cut programs, raise taxes, or both. That would launch a damaging spiral of bad economic and fiscal policy: a weaker economy would lead to higher deficits, which would force policymakers to cut programs or raise taxes more, which would further weaken the economy.”³⁰ In short, a balanced budget amendment could damage national economic growth and lead to more severe recessions.

4. A balanced budget amendment would result in higher taxes for citizens and businesses.

If the U.S. adopted a balanced budget amendment, substantial tax hikes would likely be necessary to generate enough revenue to balance the federal budget. Some political leaders hope to balance the budget through spending cuts alone; however, estimates by the Committee for a Responsible Federal Budget show that would be exceedingly difficult, if not impossible. Balancing the budget by 2033 “would require \$16 trillion in spending cuts — the

³⁰ [“Constitutional Balanced Budget Amendment Poses Serious Risks”](#) Center on Budget and Policy Priorities. March 16, 2018.

same size as all of Social Security, or all of Medicare plus every anti-poverty program.”³¹ Balancing the budget over the next decade without raising taxes would require government spending to be reduced by 26%.³² If the government were to prevent budget cuts for spending on defense, veterans, and welfare, remaining spending would have to be cut by 85%.³³ To say that the government could balance the budget through spending cuts alone is unrealistic.

Thus, along with reducing spending, the government would have to increase taxes to balance the budget. The government is already projected to increase its revenue from \$4.838 trillion in 2024 to \$7.098 trillion by 2033.³⁴ Over the same time frame, the yearly deficits are projected to rise from \$1.655 trillion to \$2.702 trillion.³⁵ In order to help balance the budget, the government will have to increase taxes by even more than is already projected.

Nearly half of government revenue comes from individual income taxes.³⁶ Taxes on corporations and small businesses are another large source of revenue for the government. When the government raises taxes, consumers have less money to spend on goods and services while businesses have less money to invest, hire, and innovate. Numerous studies have shown that even small tax increases have significant negative impacts on the economy. The Tax Foundation summarizes the findings of one such study³⁷ as follows: “If taxes are increased by 1 percent of GDP, personal consumption expenditures and private domestic investment consistently decline for approximately two years. Nine quarters after the change occurred, personal consumption expenditures were estimated to fall by 2.6 percent. Likewise, 10 quarters after the tax increase, private domestic investment was estimated to fall by 12.6 percent.”³⁸ The study also found that an increase in taxes by 1% of GDP led GDP to drop by roughly 3% after 3 years.³⁹ Consequences of negative GDP growth include higher unemployment, lower real income, lower production, and lower sales — all of which led to a lower quality of life for Americans everywhere.

³¹ Kaplan, Juliana, and Ayelet Sheffey. “[If You Want to Balance the Budget...](#)” Business Insider. March 7, 2023.

³² “[What Would It Take to Balance the Budget?](#)” Committee for a Responsible Federal Budget, January 12, 2023.

³³ Ibid.

³⁴ York, Erica. “[Deteriorating Federal Budget to Run \\$1.4 Trillion Deficit in 2023](#)” Tax Foundation, February 16, 2023.

³⁵ Ibid.

³⁶ “[Fiscal Data Explains Federal Revenue](#).” Treasury.gov. Accessed 6 Aug. 2023.

³⁷ Romer, Christina D., and David H. Romer. “[The Macroeconomic Effects of Tax Changes: Estimates Based on a New Measure of Fiscal Shocks](#).” *American Economic Review*. June 2010.

³⁸ Vermeer, Timothy. “[The Impact of Individual Income Tax Changes on Economic Growth](#).” *Tax Foundation*, June 14, 2022.

³⁹ Ibid.

Because spending cuts alone would not be enough to eliminate deficits, the government would also have to raise taxes significantly if Congress adopted a balanced budget amendment. Proponents of such an amendment claim that it would have positive effects on the economy; however, the consequences of raising taxes to balance the budget would greatly reduce, if not cancel out, the economic benefits of a balanced budget.

APPENDIX A. Example of a Proposed Balanced Budget Amendment

Many balanced budget amendments have been proposed over the years. Often, they contain provisions for emergency spending and allow other exceptions to the rule, but they do not have to. Below is an example of a balanced budget amendment proposed by Utah Senator Mike Lee.

118TH CONGRESS
1ST SESSION

S. J. RES. _____

Proposing an amendment to the Constitution of the United States requiring that the Federal budget be balanced.

IN THE SENATE OF THE UNITED STATES

Mr. LEE (for himself and Mr. GRASSLEY) introduced the following joint resolution; which was read twice and referred to the Committee on _____

JOINT RESOLUTION

Proposing an amendment to the Constitution of the United States requiring that the Federal budget be balanced.

1 *Resolved by the Senate and House of Representatives*
2 *of the United States of America in Congress assembled*
3 *(two-thirds of each House concurring therein), That the fol-*
4 *lowing article is proposed as an amendment to the Con-*
5 *stitution of the United States, which shall be valid to all*
6 *intents and purposes as part of the Constitution when*
7 *ratified by the legislatures of three-fourths of the several*
8 *States:*

1 "ARTICLE —

2 "SECTION 1. Total outlays for any fiscal year shall
3 not exceed total receipts for that fiscal year.

4 "SECTION 2. Total outlays shall not exceed 18 per-
5 cent of the gross domestic product of the United States
6 for the calendar year ending prior to the beginning of such
7 fiscal year.

8 "SECTION 3. The Congress may provide for suspen-
9 sion of the limitations imposed by section 1 or 2 of this
10 article for any fiscal year for which two-thirds of the whole
11 number of each House shall provide, by a rolleall vote, for
12 a specific excess of outlays over receipts or over 18 percent
13 of the gross domestic product of the United States for the
14 calendar year ending prior to the beginning of such fiscal
15 year.

16 "SECTION 4. Any bill to levy a new tax or increase
17 the rate of any tax shall not become law unless approved
18 by two-thirds of the whole number of each House of Con-
19 gress by a rolleall vote.

20 "SECTION 5. The limit on the debt of the United
21 States held by the public shall not be increased, unless
22 two-thirds of the whole number of each House of Congress
23 shall provide for such an increase by a rolleall vote.

24 "SECTION 6. Any Member of Congress shall have
25 standing and a cause of action to seek judicial enforce-

1 ment of this article, when authorized to do so by a petition
2 signed by one-third of the Members of either House of
3 Congress. No court of the United States or of any State
4 shall order any increase in revenue to enforce this article.

5 “SECTION 7. The Congress shall have the power to
6 enforce this article by appropriate legislation.

7 “SECTION 8. Total receipts shall include all receipts
8 of the United States except those derived from borrowing.
9 Total outlays shall include all outlays of the United States
10 except those for repayment of debt principal.

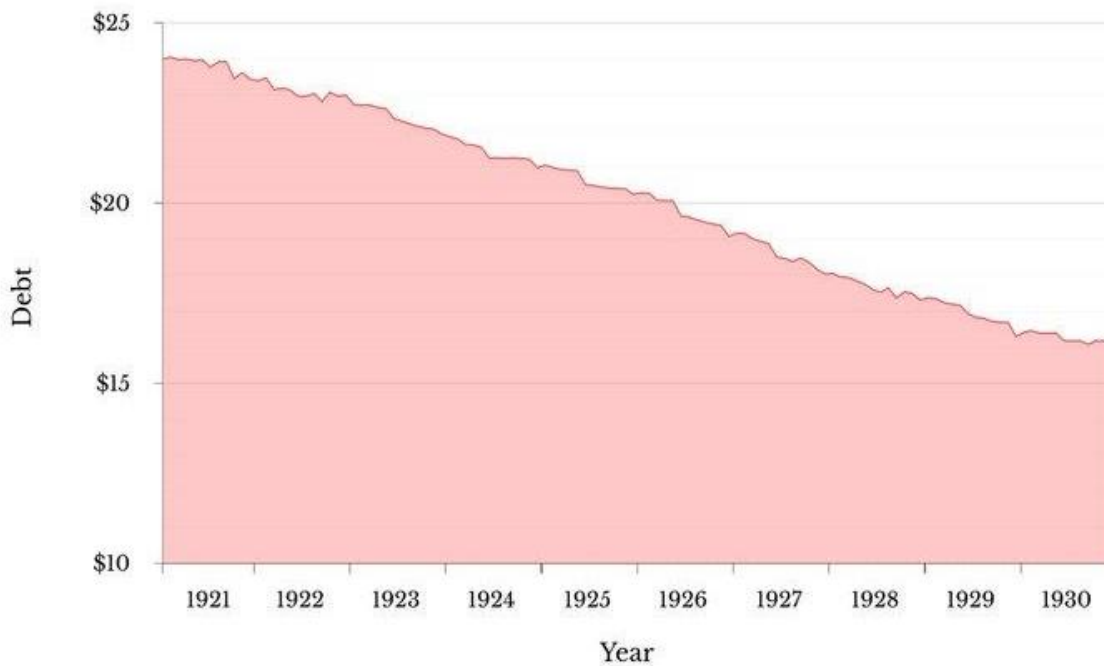
11 “SECTION 9. This article shall become effective begin-
12 ning with the second fiscal year commencing after its rati-
13 fication by the legislatures of three-fourths of the several
14 States.”.

Source: [U.S. Senate](#). 118th Congress.

APPENDIX B. Federal Debt in the 1920s

The federal debt, or national debt, is the sum of a nation's annual budget deficits to date, minus any surpluses. When the government spends more than it brings in via taxes and other sources of revenue in a given year, we say that it runs a deficit. When it brings in more money in taxes and other sources of revenue than it spends in a given year, it runs a surplus. To spend money that it does not have, the federal government can borrow money, just like individuals can borrow money in order to go to college, or buy a house or a new car.

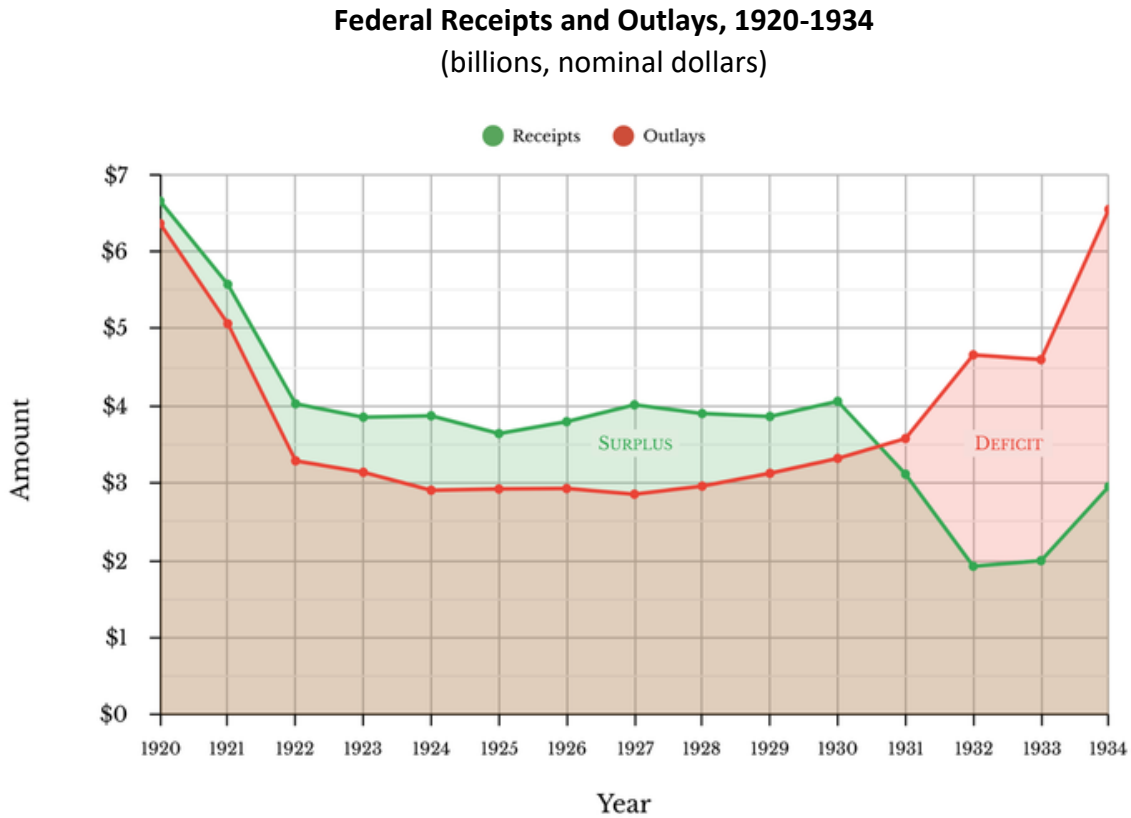
Federal Debt, Measured Monthly, 1921-1930
(billions, nominal dollars)



Source: Bureau of the Fiscal Service, U.S. Department of Treasury.
["Historical Debt Outstanding."](#) Fiscal Data, September 30, 2021.

APPENDIX C. Federal Receipts and Outlays, 1920-1934

Federal receipts refer to money coming into the government, typically in the form of tax receipts and revenues from fees. Federal outlays refer to money spent by the government, for instance money spent on the military, veteran support, pay for government employees, agriculture subsidies, and so on. When receipts are higher than outlays, there is a surplus. When outlays are higher than receipts, there is a deficit.



Source: U.S. Office of Management and Budget. "Historical Table" in *Budget of the U.S. Government for Fiscal Year 2023*. OMB. 2022.

APPENDIX D. Federal Surpluses and Deficits

The table below summarizes the federal receipts, outlays, and surpluses or deficits (in millions of dollars) from 1915 to 2021.

Year	Receipts	Outlays	Surplus or Deficit (-)
1915	683	746	-63
1916	761	713	48
1917	1,101	1,954	-853
1918	3,645	12,677	-9,032
1919	5,130	18,493	-13,363
1920	6,649	6,358	291
1921	5,571	5,062	509
1922	4,026	3,289	736
1923	3,853	3,140	713
1924	3,871	2,908	963
1925	3,641	2,924	717
1926	3,795	2,930	865
1927	4,013	2,857	1,155
1928	3,900	2,961	939
1929	3,862	3,127	734
1930	4,058	3,320	738
1931	3,116	3,577	-462
1932	1,924	4,659	-2,735
1933	1,997	4,598	-2,602
1934	2,955	6,541	-3,586
1935	3,609	6,412	-2,803
1936	3,923	8,228	-4,304
1937	5,387	7,580	-2,193
1938	6,751	6,840	-89
1939	6,295	9,141	-2,846
1940	6,548	9,468	-2,920
1941	8,712	13,653	-4,941
1942	14,634	35,137	-20,503
1943	24,001	78,555	-54,554
1944	43,747	91,304	-47,557
1945	45,159	92,712	-47,553
1946	39,296	55,232	-15,936
1947	38,514	34,496	4,018
1948	41,560	29,764	11,796
1949	39,415	38,835	580
1950	39,443	42,562	-3,119
1951	51,616	45,514	6,102

1952	66,167	67,686	-1,519
1953	69,608	76,101	-6,493
1954	69,701	70,855	-1,154
1955	65,451	68,444	-2,993
1956	74,587	70,640	3,947
1957	79,990	76,578	3,412
1958	79,636	82,405	-2,769
1959	79,249	92,098	-12,849
1960	92,492	92,191	301
1961	94,388	97,723	-3,335
1962	99,676	106,821	-7,146
1963	106,560	111,316	-4,756
1964	112,613	118,528	-5,915
1965	116,817	118,228	-1,411
1966	130,835	134,532	-3,698
1967	148,822	157,464	-8,643
1968	152,973	178,134	-25,161
1969	186,882	183,640	3,242
1970	192,807	195,649	-2,842
1971	187,139	210,172	-23,033
1972	207,309	230,681	-23,373
1973	230,799	245,707	-14,908
1974	263,224	269,359	-6,135
1975	279,090	332,332	-53,242
1976	298,060	371,792	-73,732
TQ	81,232	95,975	-14,744
1977	355,559	409,218	-53,659
1978	399,561	458,746	-59,185
1979	463,302	504,028	-40,726
1980	517,112	590,941	-73,830
1981	599,272	678,241	-78,968
1982	617,766	745,743	-127,977
1983	600,562	808,364	-207,802
1984	666,438	851,805	-185,367
1985	734,037	946,344	-212,308
1986	769,155	990,382	-221,227
1987	854,287	1,004,017	-149,730
1988	909,238	1,064,416	-155,178
1989	991,104	1,143,743	-152,639
1990	1,031,958	1,252,993	-221,036
1991	1,054,988	1,324,226	-269,238
1992	1,091,208	1,381,529	-290,321
1993	1,154,334	1,409,386	-255,051
1994	1,258,566	1,461,752	-203,186
1995	1,351,790	1,515,742	-163,952

1996	1,453,053	1,560,484	-107,431
1997	1,579,232	1,601,116	-21,884
1998	1,721,728	1,652,458	69,270
1999	1,827,452	1,701,842	125,610
2000	2,025,191	1,788,950	236,241
2001	1,991,082	1,862,846	128,236
2002	1,853,136	2,010,894	-157,758
2003	1,782,314	2,159,899	-377,585
2004	1,880,114	2,292,841	-412,727
2005	2,153,611	2,471,957	-318,346
2006	2,406,869	2,655,050	-248,181
2007	2,567,985	2,728,686	-160,701
2008	2,523,991	2,982,544	-458,553
2009	2,104,989	3,517,677	-1,412,688
2010	2,162,706	3,457,079	-1,294,373
2011	2,303,466	3,603,065	-1,299,599
2012	2,449,990	3,526,563	-1,076,573
2013	2,775,106	3,454,881	-679,775
2014	3,021,491	3,506,284	-484,793
2015	3,249,890	3,691,850	-441,960
2016	3,267,965	3,852,615	-584,650
2017	3,316,184	3,981,630	-665,446
2018	3,329,907	4,109,045	-779,138
2019	3,463,364	4,446,956	-983,592
2020	3,421,164	6,553,603	-3,132,439
2021	4,047,112	6,822,449	-2,775,337

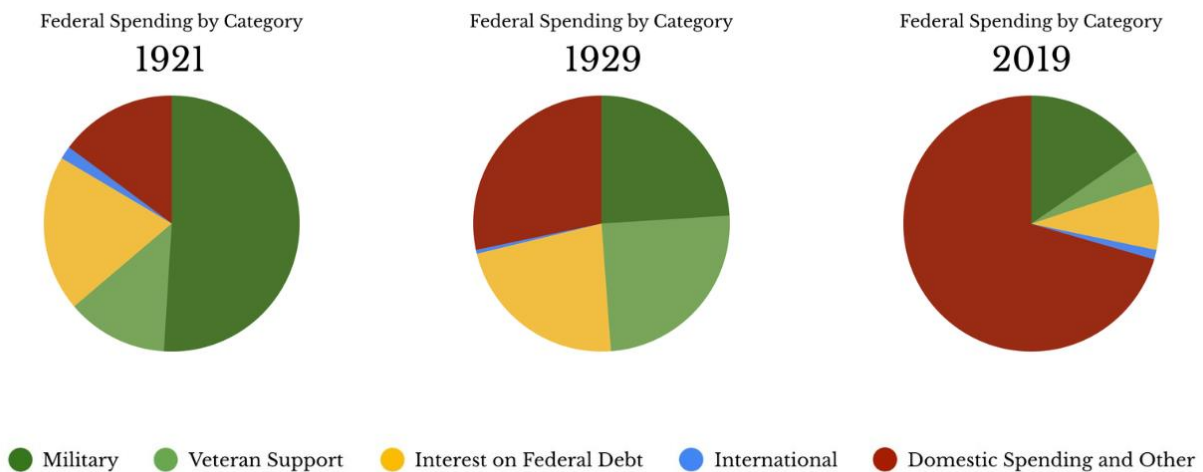
Note: Note: Budget figures prior to 1933 are based on the "Administrative Budget" concepts rather than the "Unified Budget" concepts.

Source: Office of Management and Budget. Table 1.1 of <https://www.whitehouse.gov/omb/budget/historical-tables/>.

APPENDIX E. Budgets Over the Years: 1921, 1929, and 2019

Expenditures for World War I reached a peak in 1919 before spending came back down in the early 1920s. Between 1921 and 1929, several trends emerged. As a share of total spending, military spending dropped by about half. Yet veterans returning home from war needed support. In the 1920s, Congress responded by upping spending on veterans' support—over Coolidge's protests and veto. In the 1920s, interest payments stood steady at 20 to 30 percent of total spending. Our budget today looks different. Today, domestic spending includes entitlements created in the New Deal of the 1930s and the Great Society of the 1960s and 1970s (Medicare and Medicaid, for example) along with other benefits.

Income Statement



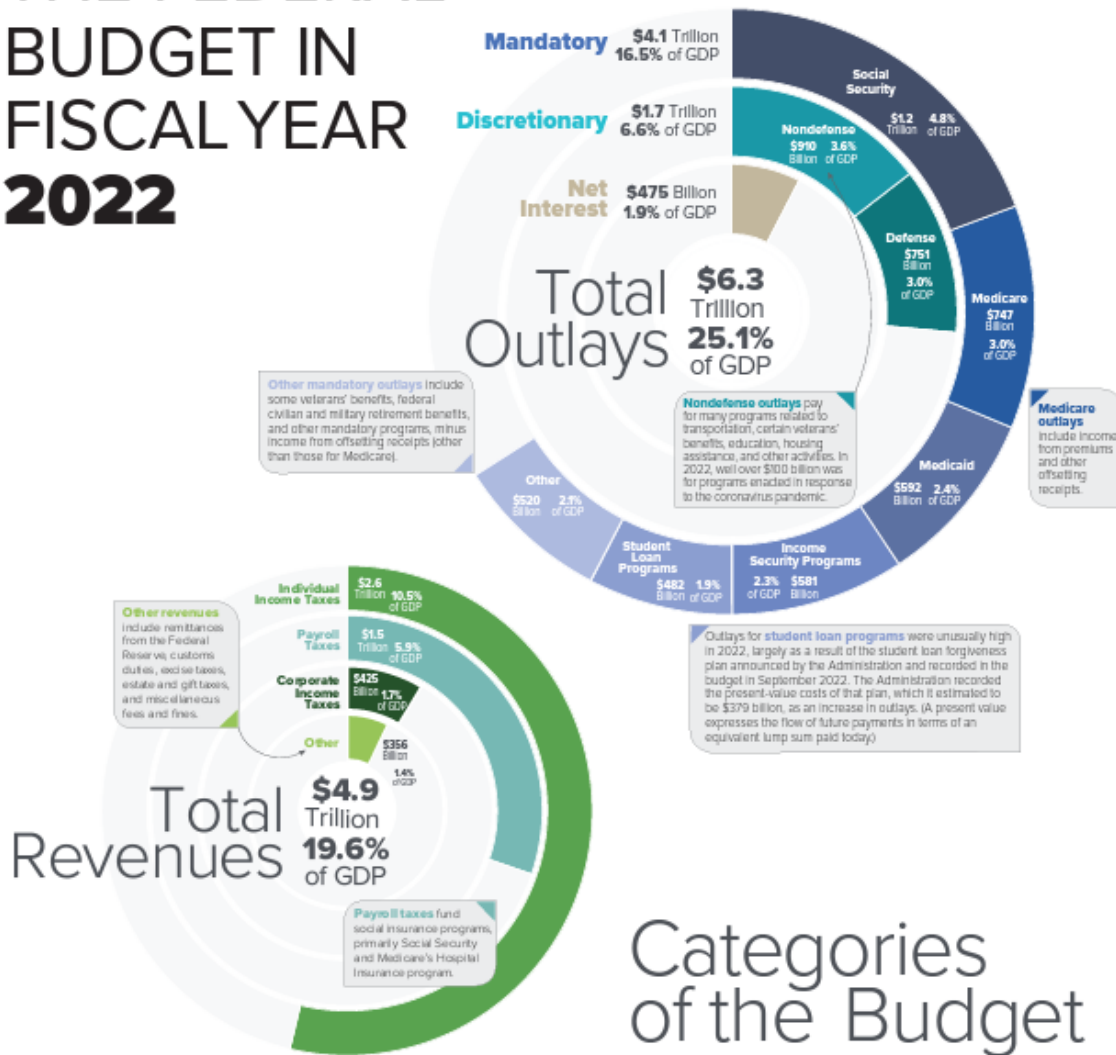
- *Military* — This category approximates the costs of the War and Navy Departments, separate in the old days, mobilization, and deployment, training and other costs related to defense.
- *Veteran Support* — In federal budgets, spending on veterans has shifted over time. In our charts, this category seeks to approximate the cost of all outlays for veterans as a class, including hospitals, various services, direct payments, and pensions.
- *Interest* — Like any borrower, the federal government must pay interest on its debt. This category seeks to approximate the relative scale of such payments for a given year.
- *International* — This category seeks to capture payments to other governments for both military and nonmilitary purposes, often called foreign aid. In the 1920s, this category was labeled “foreign.”
- *Domestic Spending and Other* — This category seeks to capture spending on domestic work, including pay for government employees and entitlements, such as Social Security, Medicare, and Medicaid.

Source: “[Budgets](#)” Coolidge and the Budget. Calvin Coolidge Presidential Foundation.
Accessed October 23, 2022.

APPENDIX F. Overview of the 2022 Budget of the U.S. Federal Government

The figure below shows the components of the government’s revenues and outlays for FY 2022.

THE FEDERAL BUDGET IN FISCAL YEAR 2022



Source: [Congressional Budget Office](https://www.cbo.gov/)