

H.J.Res. 24, the Business Cycle Balanced Budget Amendment

*Rep. Justin Amash + Bipartisan Cosponsors**

Balances Spending with Rolling Average of Recent Revenue

Bases yearly spending on the average annual revenues of the three prior years. Adjusts for changes in inflation and population: about 2% and 1% per year, respectively.

- **Balance over the Business Cycle:** Allows deficits during recessions, but surpluses offset them during the good years, just as economists recommend.
- **Predictable/Smooth:** Prior-year revenue is known in advance. Basing spending on a revenue rolling average dampens year-to-year tax collection fluctuations, so the budget balances in the medium term without the uncertainty and volatility of annual balance. This avoids frequent tinkering with fiscal policy, enhancing predictability for both policymakers and the American people.
- **Countercyclical:** Allows spending to peak during recessions when revenue is down. Most recessions are short enough for the economy to recover before fiscal adjustments, if any, would be necessary.
- **Size-of-Government Neutral:** Spending is only constrained by the amount of revenue raised. A robust form of Pay-Go, it simply requires new spending and new tax cuts to be offset.
- **Encourages Prioritization:** Congress must decide whether resources are better left in the private sector or used for public purposes. Makes it easier to resist special interest demands.

Two-thirds Emergency Exception

Two-thirds of both Houses of Congress may declare and describe an emergency and provide funding to meet related needs.

- **Emergencies Can Take Many Forms:** An open-ended exemption gives Congress flexibility to meet unforeseen needs of whatever kind.
- **Consensus Required:** A supermajority requirement encourages reprioritization and creative thinking instead of more deficit spending.

Gradual Transition to Balance

Establishes a gradual ten-year transition from the ratification year deficit to balance.

- **Flexible Process:** Adapts to business cycle ups and downs, avoids creating constitutional fiscal cliff to balance. Deficit reduction can be achieved from any combination of spending and revenue adjustments. Faster deficit reduction gets locked in.
- **Time to deliberate:** Favors changes that make sense instead of those that can happen quickly.

Leaves Enforcement to Implementing Legislation

- **Constitutional Language:** Constitutions set broad, general rules. Statutes are the appropriate place for procedural details.
- **Flexibility and Process Expertise:** A constitutional amendment should be simple to explain and understand. Proper implementation and enforcement require detailed knowledge of the budget process, including congressional appropriations and agency expenditures. Provisions worth debating include restrictions on judicial review, compliance triggers, points of order, defining terms, and others. These provisions are complicated and should be relatively open to improvement.

* H.J.Res. 81 in the 112th Congress had 45 Republican and 14 Democratic cosponsors.

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