

Business Cycle Balanced Budget Amendment, H.J.Res.73

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Balances Spending with Past Tax Revenue

Balances yearly spending to the average annual revenues of the three prior years. Adjusts those revenue levels for changes in inflation and population: usually about 2% and 1% per year, respectively.

- **Countercyclical:** Permits spending to peak during recessions when revenue is down. Most recessions are short enough for the economy to rebound before any cuts, if necessary, would take place.
- **Predictable/Smooth:** Prior-year revenue is known in advance. A three-year revenue average dampens fluctuations in yearly tax receipts, so spending and revenue balance in the medium term without the uncertainty and short-term volatility of annual balance.
- **Focus on Spending:** The spending level is finalized before a budget year begins, so revenue adjustments cannot be used to close a gap in the current fiscal year. New revenue would take several years to build into spending—sufficient for long-term needs.
- **Surpluses over the Business Cycle:** Although deficits can be run during recessions, the spending rule will catch up to revenue within a few years. Over the business cycle, the BCBBA creates structural surpluses for debt reduction.
- **Encourages Prioritization:** Taxes can be trimmed without affecting current year spending, but the demand for government services will remain. This will require Congress to decide whether resources are better left in the private sector or used for public purposes.

Three-Fourths Emergency Exception

Three-fourths 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 high supermajority requirement encourages reprioritization and creative thinking instead of just more deficit spending.

Gradual Transition to Balance

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

- Accounts for business cycle ups and downs, locks in progress towards closing the fiscal gap
- Nothing prevents Congress from making more rapid changes in spending or revenue

Leaves Enforcement to Implementing Legislation

- **Constitutional Language:** Constitutions are meant to set broad, general parameters. 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 (sequestration?), points of order, defining terms, prohibiting debt issued without congressional approval, structuring of a rainy day fund once debt is eliminated, and many others. These provisions are complicated and should be relatively open for reform when improvements are possible.