Key Points on H.J.Res. 2 (Standard BBA)

- **The BBA would sabotage the economy.** By requiring a balanced budget every year, no matter the state of the economy, the standard BBA would raise serious risks of tipping weak economies into recession and making recessions more frequent, longer, and deeper, causing very large job losses and hurting long-term growth. That's because it would force policymakers to cut spending or raise taxes just when the economy is weak or already in recession — the exact opposite of what good economic policy calls for. Specifically, before 1929, the budget was balanced or close to it in most years (except during major wars), while from 1933 on, the government actively fought recessions by allowing deficits to increase when the economy was weak and then shrink as it recovered — and the latter approach worked better:

	"Balanced budget" period (1854-1929)	"Fight recessions" period (1929-2017)
Average number of recessions per decade	2.8	1.6
Average length of economic expansions	25 months	63 months
Average annual real economic growth per person	1.4%	2.0%

  - We don't need to balance the budget in every year to put the federal budget on a sustainable path. Even with modest-sized deficits, it is possible to stabilize or reduce the debt-to-GDP ratio, which is the best measure of sustainability over the long run.

- **The BBA would undercut the structure of Social Security, Medicare, and other such funds.** The BBA prohibits Social Security, Medicare Part A, the FDIC, the military and civil service retirement funds, and other funds from using their accumulated reserves. That's because the BBA prohibits expenditures from exceeding revenues collected *in that year*. The $2.9 trillion in Treasury securities held by Social Security would not be available to help pay benefits to the baby boomers in retirement since almost all of it was collected in prior years.

- **The BBA is much stricter than state requirements**. Every state is permitted to borrow to finance some or most capital expenditures; state and local governments are currently $3 trillion in debt. But H. J. Res. 2 prohibits all federal borrowing. States also use Rainy Day Funds, but the BBA would prohibit the federal government from doing so, because it prohibits expenditures from exceeding revenues collected *in that year*, as noted above.

- **The BBA is *far* stricter than constraints on families.** Prudent families balance their checkbooks but *not* their budgets, because that would mean no borrowing: no mortgages, no student loans, no dealer-financed cars. And even if a rich family never borrowed, it might use its savings or inheritance to buy a house or pay for college. But if this BBA applied to families, they would have to finance houses entirely out of *current income*: they could not use savings!

- **What can the courts or president do under the BBA?** The BBA and its proponents are silent about the role of the President and the courts. If Congress cannot balance the budget, can the President cut programs or raise taxes unilaterally? Can the courts? No one knows.