

The Thinking Man's Alternative to the Balanced Budget Amendment

Last month, I showed why a Balanced Budget Amendment is such a terrible idea. "Well, what is your alternative," my critics respond. So here it is – the thinking man's alternative to the Balanced Budget Amendment.

The thinking man's alternative is not, absolutely not, to balance the budget. "Businesses balance their budgets. Families balance their budgets" – so the unthinking man claims. But in fact, they don't.

A balanced budget means you spend what you earn, no more, and no less. And who does that? Certainly not a family with a college student, who finance college by taking out loans or by spending their savings. Certainly not a home buyer, who finances the purchase by borrowing most of the home's value. In fact, families routinely fail to balance their budgets, any time they make a major investment, in a home, a car, or education. Similarly, businesses routinely take on debt to finance their capital expansions. As the thinking man will tell you, almost no one balances their budget.

Nor should they. Because if you always balance your budget, you're 100% certain to be in a world of hurt when you retire. The intelligent choice is to spend less than what you earn when you're in your prime, so you can spend more than what you earn when you're retired.

In fact, that's the problem with Wisconsin's balanced budget requirement. Now that the U.S. has mostly recovered from the Great Recession, Wisconsin should be spending less than its taxes bring in, and building up its rainy day fund. We should be preparing for the next downturn. But our constitution doesn't require us to, and our Governor and legislature have irresponsibly cut taxes whenever they could, leaving us not with a savable surplus, but with a looming \$1.8 billion deficit.

So my alternative for the state is to require a "sustainable balanced budget." For the details, see "A Responsible Alternative to Tabor" at http://www.uwosh.edu/faculty_staff/mcgee.

But this alternative won't work for the Federal government. The Responsible Alternative would keep Wisconsin from making downturns worse. But the Federal government is expected to make a bad economy better. And no rigid formula would leave it with that flexibility.

So here's my alternative for the Federal government: let's man up, and make tough choices, and compromise. In particular, let's quit pretending that you can both balance the budget and pledge to not raise taxes. Because the fact is, you can't.

Think I'm wrong? Then go ahead, prove me wrong. Google "balanced budget simulation," and choose one of the programs that appear. (I recommend the Concord Coalition or the New York Times simulations.) Then make your choices, and see whether they'll add up to a balanced budget, without any tax rate increases or tax subsidy cuts. My guess is they won't, even if you make draconian cuts to Medicare and Social Security.

Before Ronald Reagan, before Grover Norquist's no-tax-increase pledge, the Federal debt consistently fell relative to GDP, from about 120% of GDP in 1945, to about 32% of GDP in 1980. Then the Republican party began its Great Charade, and by 1992 the ratio had doubled to 64%. Under Clinton – who raised taxes – it fell to 54%. Under Bush it rose again, hitting 64% right before the economy soured, at which point it exploded.

The Balanced Budget Amendment is just a ruse, a way to sound fiscally responsible when you're not. A real fiscal conservative doesn't need it, doesn't need a pretend solution to the deficit. A real fiscal conservative just needs to be willing to consider all reasonable proposals, and take the best compromise he or she can.

But if you're a Republican, that would make you a RINO – a Republican In Name Only. So don't expect anything close to a balanced budget anytime in the future. Because the unthinking men have taken over the show.