

"Letter to the Editor: Friedman Supports Balanced-budget Amendment"

by Milton Friedman

*Campus Report*, 6 November 1985

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The Gramm-Rudman-Hollings balanced-budget amendment does three things that are essential to restoring sanity to federal government finance:

First, it sets the right long-run target — a zero deficit;

Second, it provides for reaching that goal gradually by phased reductions of amounts that are clearly feasible;

Third, it shares the responsibility for reaching the goal between the Congress and the president, reducing the opportunity for the kind of buck-passing that has been disfiguring the budget process.

Its enactment would represent a major step in the right direction.

The Gramm-Rudman-Hollings approach could be made even more effective by rectifying two weaknesses. First, what Congress enacts, Congress can repeal, postpone, or modify. That greatly lessens the confidence that the community can place in its actually being carried out. It would be far better to enact a constitutional amendment directed at the same objective, such as the Balanced-Budget/Tax Limitation Amendment that has been approved by the Senate Judiciary Committee, and that has the support of a large majority of the country's voters.

The second weakness is that it calls for phased reductions in deficits rather than equivalent phased reductions in spending. Spending can be more readily controlled than revenue because it is less subject to drastic change from the ups and downs in the economy. Hence, mandated spending reductions would be less likely than mandated deficit reductions to give rise to situations calling for exceptions from the phased program. In addition, our present deficit arises from higher spending, not lower revenue. If spending were today the same fraction of national income as in 1979, the deficit would be one-third its present size.

I hope that these changes can be made. But even if they are not, the Gramm-Rudman-Hollings amendment deserves the enthusiastic support of every friend of fiscal responsibility and limited government.