

A Constitutional Convention Would Put Rights of Americans and the Economy in Jeopardy

*Position Statement Supporting Senate Joint Resolution 2
Given before the Senate Education, Health, and Environmental Affairs Committee*

A constitutional convention would be an opportunity for great harm and mischief. The danger of a constitutional convention is that the topics available for discussion and alteration are unbounded. Rights and laws that protect Americans would be at stake. Maryland has made a number of calls for a constitutional convention, including one to propose a federal balanced budget amendment, which could lead to longer, deeper recessions because the government would not be able to take the kinds of actions that helped stabilize the economy during the Great Recession.ⁱ For these reasons, the Maryland Center on Economic Policy supports Senate Joint Resolution 2.

A constitutional convention with the purpose to propose a federal balanced budget amendment could cause serious damage to the economy. A balanced budget amendment requires that federal spending in any year must be offset by the revenues collected in the same year. When the economy is weak, a balanced budget amendment would force policymakers to cut spending, raise taxes or both. Lowered government spending would mean millions of lost jobs and higher taxes means hard working Americans would have an even harder time making ends meet.

It would also mean that vital federal programs like Social Security would not be able to rely on reserves built up in previous years to pay for future years. Policymakers would be forced to cut Social Security benefits, despite having ample balances in the Social Security trust fund. Other key organizations like the Federal Deposit Insurance Corporation and Pension Guaranty Corporation also would be crippled by a balanced budget amendment.ⁱⁱ

Macroeconomic Advisers, a leading private economic forecasting firm, found that if a constitutional balanced budget amendment had been ratified in 2011 and enforced in 2012, “the effect on the economy would be catastrophic.” If, in 2012, the budget was balanced through spending cuts, those cuts would be equal to about \$1.5 trillion and the U.S. economy would have lost 15 million more jobs. The unemployment rate would have doubled, reaching 18 percent, and it would have caused the economy to shrink 17 percent versus the 2 percent growth that was expected.ⁱⁱⁱ Spending on some of the most important priorities of both major political parties – national defense, school lunches, veterans’ benefits, and Medicaid -- would all have faced severe cuts.

To tackle the nation’s long-term budget issues, policymakers should reduce the deficit to the point where it is no longer rising faster than the economy. Thus, the interest payments made on the debt would be manageable and programs like Social Security and Medicaid would be protected. This can be done without balancing the federal budget or running surpluses as long as the economy continues to grow more quickly than the debt. ^{iv}

By requiring a balanced budget every year, it would likely place a heavy toll on the economy, American businesses, and workers in the future and would likely make recessions more frequent and more severe.

In addition, because the Constitution does not provide guidance on the ground rules for a convention, a convention could write its own rules and set its own agenda, potentially influenced by powerful interest groups. A convention has not been called since 1787, when the meeting meant to amend the Articles of Confederation instead created an entirely new governing document, the Constitution. This lack of precedent means that a convention could open the Constitution up to radical and harmful changes far broader than what is initially called for.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Senate Education, Health, and Environmental Affairs Committee give a favorable report to Senate Joint Resolution 2.

ⁱ Richard Kogan, “Economic Forecasting Firm Harshly Criticizes Proposed Constitutional Balanced Budget Amendment,” Center on Budget and Policy Priorities, November 8, 2011, <http://www.cbpp.org/cms/?fa=view&id=3611>.

ⁱⁱ Federal Service, Transcript of Senate Budget Committee hearing, January 27, 2011.

ⁱⁱⁱ Kogan, 2011

^{iv} Richard Kogan *et al.*, “CBPP’s Updated Projections Show Long-Term Budget Outlook Is Significantly Improved but Remains Challenging,” Center on Budget and Policy Priorities, May 5, 2014.