Discussion board

Author

Institution

Discussion Board

 The federal government should have a balanced budget like the states have, and the federal government should always strive to have a balanced budget. However, the idea of a constitutional amendment or other legislated means to enforce a balanced budget each year is not practical at the federal level, even though it's a very good idea for the states. The federal government needs the flexibility to be able to engage in deficit spending to conduct unanticipated but necessary military operations and respond to various emergencies (Poterba, 1995). The most common claim against the balanced budget is; the federal government would not be able to build infrastructure or have the money we needed to support a war effort.

 There are two problems with these assertions. The first is a balanced budget doesn't mean the federal government can't borrow money. Tons of people with balanced budgets own homes and cars bought on credit. The second is a balanced budget does not mean the federal government cannot save up for a rainy day. This used to be the way people did things. If federal government wanted to build a house the federal government saved up the money to do so (Poterba, 1995). As far as war is concerned, it may seem ridiculous to squirrel away a trillion dollars in advance in case we have a war but if the federal government were dead set on spending no more than the federal government actually had the federal government might think twice about going to war in the first place.

 In addition, Borrowing and saving are completely allowed with balanced budgets. If corporations kept their financial records the same way the US government does the corporate officers would be put in jail. Balanced budgets, generally speaking, require that when the federal government do borrow money, those loans are for specific purposes and the federal government have a plan for paying them back (Poterba, 1995). The US is borrowing money daily to cover normal budgetary expenses. There is no plan to pay them back. In fact, the plan is to just keep borrowing more and more money.

**References**

Poterba, J. M. (1995). Balanced budget rules and fiscal policy: Evidence from the states. *National Tax Journal*, *48*(3), 329–336.