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FISCAL MANAGEMENT FIX: SIMPLE MATH—AND A VERY BIG STICK

The US budget process has been hijacked by partisan politics. The solution? No paychecks for Congress or the president until they agree on a budget.

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The greatest threat facing the United States is its large debt, which is projected to grow even larger over the next decade. The political gridlock in the presence of this debt problem has produced one downgrade of the federal government's bonds already. To avoid another and fix the US federal government, all that is needed is arithmetic: Addition. Subtraction. Sum. Difference.

Specifically, a statute should require that the House of Representatives and the Senate pass, and the president sign, an annual budget that carries the force of law. That is, it should be a requirement that the federal government add up all types of spending, subtract all sources of revenue, and commit as a whole to the difference—the deficit and its contribution to federal debt.

The requirement to determine annually all types of spending and comprehensive sources of revenue is the single best way to bridge the current partisan divide and improve the quality of federal fiscal policy. It is the silver bullet for politics and policy.

At present, the president submits an annual budget request, but it is no more than that. There is no binding requirement for Congress to act on it in any way. Indeed, often it is deemed "dead on arrival" in Congress. More generally, the fact that Congress can ignore the president's budget permits the White House to treat it as an opportunity for political messaging, with no policy intent or operational significance. The system permits US presidents to bypass the obligation to provide any fiscal leadership.

At the other end of Pennsylvania Avenue, the Budget Act of 1974 calls on the House and Senate each to pass an annual budget resolution, reconcile the differences in a conference, and pass the result. Sometimes this happens. But there is no real penalty for failing to adopt a budget resolution, and increasingly Congress does not. Since 2000, Congress has adopted a concurrent budget resolution only seven times, a bit over half the time. In particular, Congress tends to avoid budget resolutions in election years.

The result is that the United States does not have a fiscal policy, that is, a deliberate stance on the composition and level of federal outlays and receipts. Instead it has fiscal outcomes: the president proposes, the House acts, the Senate acts, and the results have no coherent relationship with the various types of spending and revenue.

From a policy perspective, the results have been abysmal. Gross federal debt now exceeds the size of the US economy, and an explosion of spending over the next decade is projected to drive it northward. The core source of this spending is the social safety net. Medicaid, Medicare, and Social Security are currently running cash-flow deficits that will expand as the baby-boom generation retires. These programs will fall under their own financial weight unless reformed. Simply put, the current approach to federal budgeting is a policy failure.

At the same time, this approach exacerbates the political divide. The White House has no need to meaningfully engage Congress, and the House and Senate face no dictate to bridge partisan divides and produce a joint budgetary framework.

Neither the policy nor the political failure should be permitted to continue.

Instituting a legal requirement for a federal budget raises a number of issues: what it would accomplish, how it would be enforced, and what complementary changes would be needed.

The policy accomplishment is straightforward. The budget would constitute an agreed-upon plan by Congress and the executive branch for spending priorities over the subsequent decade, as well as a corresponding plan for tax and deficit finance of that spending. Notice that the requirement to pass a budget does not impose any limitations on the underlying fiscal policy—no balanced-budget requirement, spending limits, or tax requirements. But the requirement to pass such a budget would carry with it an inevitable discussion of these crucial issues. Further, in the process, every program and initiative would come under scrutiny in the competition for budget resources.

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The political ramifications are equally large. In the absence of one party controlling the House, Senate, and White House, each annual budget would require the kind of bipartisan negotiation and compromise that is missing at present. It simply would not be possible to take a nonnegotiable, partisan position and let the budget outcomes just evolve. Regular negotiation and compromise would build greater comity among members from different parts of the ideological spectrum. It would still be possible to stake out preferred positions at the start of the annual negotiations, but the climate of poisonous stalemate would have to become a part of history.

Of course, the Budget Act of 1974 contains many deadlines—for the president's budget, the budget resolution, and the appropriations process—that are regularly ignored. To make sure that this budget law sticks, a greater incentive is needed: money. Specifically, it should not be legal to pay congressional or White House salaries unless a budget is in place for that fiscal year. Period. As the October 1 deadline approaches, members of Congress, the president, and their respective

CRISIS AVERTED—AGAIN
Senate Majority Leader Harry Reid returns from the Senate Chamber after reaching a deal on the federal budget on April 8, 2011, that prevented a government shutdown.

staffs would face a cutoff in pay unless the budget is passed. There is no more targeted incentive imaginable, and the politics of eliminating this provision would ensure its survival.

Finally, the advent of regular scrutiny of each budget item would permit the elimination of two of the most destructive and subterranean practices. At present, Congress regularly includes a conference report along with bills, often adding specific directives that exceed the authorization included in the law itself. In addition, Congress annually demands of agencies an operating plan, which again becomes a vehicle for specific instructions on spending that are not contained in the law.

Both practices engender congressional micromanagement that makes it difficult for the administration to manage agencies and programs. This is at odds with the framers' intention that Congress legislates and the administration executes programs. With the annual opportunity for Congress to engage the administration on the funding and intentions of each program, such tools should not be necessary.

The federal government is inefficient, torn by partisan rancor, heavily indebted, and headed toward even worse. But that is because it is allowed to be, and to still borrow and fund programs that fit political aims. Requiring an annual budget would provide incentives in the search for efficiency and require negotiation and bipartisan compromise. It would not rule out deficits, but they would arise from a plan. ■