



Fiscal Norms and Targets – Week of June 13th

Through most of America's early history, policymakers broadly accepted the aim of balancing the Federal budget in peacetime. During the Nation's first 100 years, the budget was balanced 70 percent of the time and most deficits were short-lived during wars. In the modern era, the budget has been balanced only 15 percent of the years since World War II. The erosion of the balanced budget standard has deprived policymakers of the only consensus for fiscal policy they ever had, and nothing has replaced it. Without such a consensus, budgeting has lost its purpose and allowed the debt to soar. This Wednesday, the House Budget Committee will hold a hearing to re-examine the need for fiscal targets.

Time Period	Times in Balance	Percentage Balanced
1791-1840	35	70%
1841-1890	36	72%
1891-1940	23	46%
1941-1990	8	16%
1991-2016	4	15%

Guarantee Fiscal Sustainability – The most fundamental reason to budget regularly is to ensure that the desired objective is sustainable. This means the Federal budget process must ensure that whatever type government voters choose—whether it is expansive or limited—must be one that can last. A reformed budget process should, therefore, establish a broad consensus on enduring fiscal sustainability targets that can accommodate changes in voters' preferences regardless of the type of government they choose. Such targets should be constitutional or in permanent statute. Two such possible targets are a formal balanced budget requirement and/or a debt to GDP limit.

Express Voters' Will – Other fiscal targets that speak to the proper level of spending and taxation, for what purposes, and who pays should be flexible enough to track the will of voters. Targets such as these belong in a budget resolution or temporary statute, but in any case should contribute to fiscal sustainability. This category of targets might include spending and revenue caps, specific budgets for major government activities, and performance-based budgeting.

Enforce Fiscal Targets – Experience has shown that fiscal targets are only as good as the will to enforce them. Without strong enforcement, targets will be ignored and fiscal policy will become adrift. The hearing will explore what options can better enforce fiscal targets, facilitate allocation of scarce resources and improve the overall budget process.