TEN PRINCIPLES OF BUDGET RULE DESIGN

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1. Use budget rules to change the terms of the debate. Budget battles will be fought differently if fiscal responsibility is a requirement, not an option.

2. Apply rules permanently and to the entire federal budget. Temporary rules or rules exempting certain programs won’t help in the long run.

3. Focus on spending. Washington cannot address the looming budget crisis without gaining control of the unsustainable spending growth that drives it.

4. Build flexibility into rules by “smoothing.” Tie budget rule targets or limits to a multiyear period or long-term economic performance to accommodate economic downturns or other transitory events.

5. Build flexibility into rules by incorporating limited, carefully constructed emergency provisions. Account for major disruptions like war.

6. Be precise to prevent loopholes and gimmicks. History proves that if there is a way around a rule, a legislator will find it.

7. Pay careful attention to “starting points.” Consider cutting inflated spending levels (e.g., from stimulus) prior to pegging permissible increases to the current budget.

8. Fight against faux fiscal discipline and resist the temptation to compromise on rule design. You are better off with no rule than a badly designed one.

9. Use a commission as a supplement to, not a replacement for, a budget rule. Commissions are great for specifics, but they can’t produce change without some other external pressure.

10. Incorporate well-designed rules into the US Constitution. While there are pros and cons to constitutional rules, without this external enforcement, budget rules will always be vulnerable to legislators’ propensity to break them.

These principles are drawn from Primo, “Making Budget Rules Work,” 2014.