Better budget targets can help Congress balance near- and long-term needs

BY KURT COUCHMAN

Executive summary

Federal budgeting doesn't work well. It doesn't coordinate or streamline related policies. It sidelines most members. It fails to shift resources out of lower-value programs, and it doesn't control the deficit and debt.

Well-designed budget goals can help Congress get better outcomes. These goals can complement other fixes like preventing government shutdowns and putting all spending and revenue in the annual budget.

Congress has enacted or members have proposed numerous statutory fiscal targets that have not been effective or would not work. Understanding their flaws helps us do better next time.

Sound proposals must reflect careful attention not only to policy considerations, but also to politics and process. Good budget targets should apply broadly, be able to accommodate a range of visions, work well with congressional practices, minimize policy volatility, and be resilient to shocks. In general, they should promote policy and economic stability over the business cycle and debt sustainability in the long run.

Structural primary balance and medium-term debt-to-GDP targets are two promising options. For the former, the new Responsible Budget Targets Act would balance over the business cycle while allowing emergency spending. For the latter, Congress could require itself to reduce the debt-to-GDP ratio by some specified amount compared to the baseline in each budget cycle.

Statutory budget goals can adapt as the country changes. Sound enforcement strategies can support budget targets, as this paper briefly discusses.

America's fiscal rules frequently fail

Facing down fiscal challenges and crises, Congress has enacted or considered many budget goals and targets. They haven't worked, or they wouldn't if tried. This section examines major proposals and their shortcomings.

Debt limit: The debt limit has been in law for a century, but it does not directly control spending, revenue, or deficits. The Government Accountability Office (GAO) says that the debt limit does not count as a fiscal rule at all: "It does not restrict Congress's ability to pass spending and revenue legislation that affects the level of debt."

Increasing the debt limit is an unpleasant vote for members of Congress. Some have proposed eliminating or otherwise defanging it.

The debt limit is, however, an opportunity to highlight chronic deficits and rapid federal debt growth, wasteful spending, program complexity and duplication, federal overreach, and more. The need to raise it has helped enact budget reforms, and the federal government's budget outlook requires new reforms.

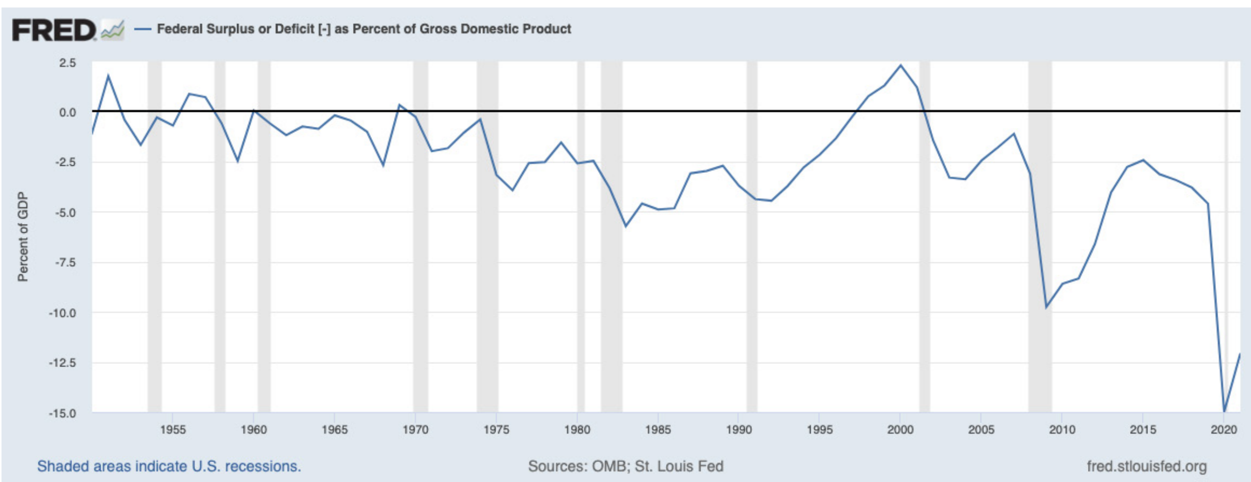
Annual balance: A long-forgotten and toothless provision of law says, "Congress reaffirms its commitment that budget outlays of the United States Government for a fiscal year may be not more than the receipts of the government for that year." Most constitutional proposals for a budget rule would likewise require annual balance. Many budget experts and policymakers, however, rightly have concerns with this pro-cyclical approach.

Spending and revenue are volatile over the business cycle. Annual balance, strictly enforced, would require some combination of spending cuts and revenue increases when the economy is weakest. During recessions, less economic activity produces lower revenue collections, and safety net programs such as unemployment, food stamps, and Medicaid automatically increase spending. This combination automatically increases deficits during recessions, even without new legislation, as Figure 1 shows.

Adding fuel to the fire, strong revenue growth during booms combined with an annual balance goal can tempt policymakers to make excessive spending commitments during the good years.

Tying spending and revenue tightly together with annual balance creates program volatility: This would undermine congressional support for the balance rule and encourage legislators to either cheat or to set it aside regularly. Either choice undermines the rule of law for budget targets. If Congress tried to swim against the tide, members would quickly rediscover how exhausting it is and give up.

Figure 1: Federal deficits increase during recessions



Source: St. Louis Federal Reserve Bank

Deficit limits: The Balanced Budget and Emergency Deficit Control Act of 1985, the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987, and the Budget Enforcement Act of 1990 set annual, nominal limits to phase out deficits. As Table 1 shows, Congress did not follow them.

Table 1: Congress failed to control deficits directly

Fiscal Years, $billions										
	1986	**1987**	**1988**	**1989**	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**
BBEDCA 1985	$172	$144	$108	$72	$36	$0				
BBEDCRA 1987			$144	$136	$100	$64	$28	$0		
BEA 1990						$327	$317	$236	$102	$83
Actual	*$221*	*$150*	*$155*	*$153*	*$221*	*$269*	*$290*	*$255*	*$203*	*$164*

Source: CBO, Congress.gov

Annual deficit targets are subject to the same business cycle volatility that dooms annual balance. Similarly, annual deficits reflect the size of the national debt and the interest rates paid on those bonds. Congress can't influence either piece much each year, nor does it control the spending and revenue fluctuations from a dynamic economy.

Discretionary spending caps: The Budget Enforcement Act of 1990 (Title XIII of the Omnibus Budget Reconciliation Act of 1990) supplemented deficit caps with nominal limits on discretionary spending categories for FY1991-95 and with statutory pay-as-you-go rules to discipline direct spending and revenue. The peace dividend from the end of the Cold War let Congress cut discretionary spending and meet the caps by FY1994.

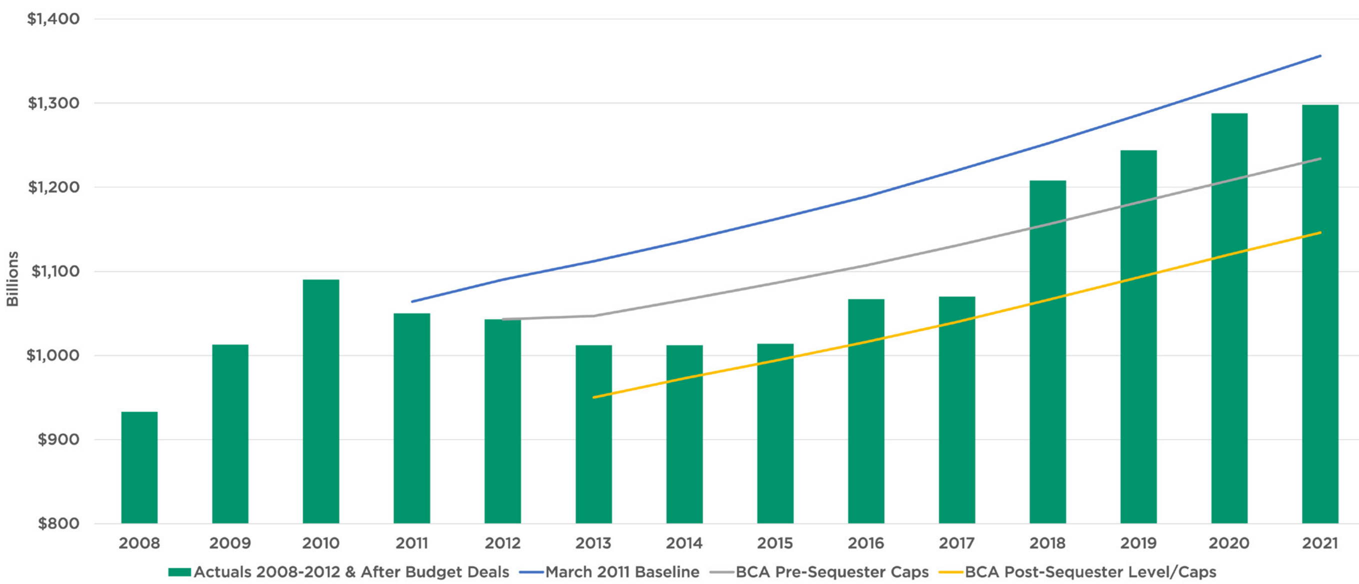
Discretionary spending growth was modest until FY1999 and then grew sharply as the caps expired and the budget ran surpluses. Military missions in Afghanistan and Iraq combined with domestic initiatives in education, health policy, and transportation — as well as rampart earmarking — contributed to spending growth throughout the 2000s. The 2008 financial crisis and the Great Recession that followed, combined with unified control of Congress and the White House, produced a spending bonanza and laid the groundwork for the return of fiscal controls.

Among other provisions, the Budget Control Act of 2011 revived discretionary caps for fiscal years 2013 through 2021. The caps were meant both to constrain discretionary spending directly and to motivate the super committee — formally, the Joint Select Committee on Deficit Reduction — to meet targets for budget savings through mandatory spending reductions and revenue increases. This and a vote on a balanced budget amendment (BBA) was the price of increasing the debt limit. Yet after the super committee and the BBA vote failed, only the caps on discretionary spending and modest spending reductions in some mandatory spending programs remained.

The super committee's failure meant that the original caps — the "pre-sequester caps" — would be reduced through a complicated formula. The "post-sequester caps" ended up about $55 billion less each year than the pre-sequester version for defense and roughly $40 billion less each year for non-defense discretionary. Reducing spending suddenly on a relatively narrow base of politically sensitive programs without reducing the activities involved was bound to unravel over time — and it did.

Figure 2 shows that Congress progressively loosened the Budget Control Act caps. Even so, discretionary spending has declined to only 30 percent of total spending over that period. **Controlling deficits and debt cannot be done effectively on a narrow base.**

Figure 2: Budget Control Act caps didn't hold



Source: CBO

Nominal overall spending caps: The discretionary caps were written in dollar-amount terms. When appropriate, their authors tried to build in growth to accommodate inflation and population changes, yet Congress changed the caps every few years. The periodic changes in the BCA caps set up spending cliffs and budgeting by brinkmanship.

If spending caps had applied to all spending, they might have been more sustainable, as mandatory savings could have offset relief for discretionary spending. Perhaps not, however. Mandatory savings are usually phased in to minimize disruptions to existing beneficiaries, so savings tend to start small and grow over time. The appetite for more discretionary spending, on the other hand, is mostly for this year or next year.

Fixed, nominal dollar caps are inflexible, for example, when inflation is faster than expected, such as in 2021 and 2022. Other changes in domestic dynamics, the business cycle, other economic shocks, or the security environment may likewise put pressure on nominal caps, even without meeting the criteria for emergencies. Including debt service costs within overall nominal caps would transfer interest rate volatility to current services policies.

Spending caps as a percentage of GDP: Capping spending as a percentage of GDP is another common proposal. Sen. Mike Braun (R-IN) and Rep. Kevin Brady (R-TX) introduced legislation to step down primary (non-interest) spending to 17.5 percent of GDP in the Maximizing America's Prosperity Act. Proposals for balanced budget amendments to the U.S. Constitution often include a similar cap. Sen. Mike Lee's (R-UT) S. J. Res. 5, for example, would limit spending to 18 percent of the prior year's GDP.

Such limits are vulnerable to challenges already noted. Moreover, it would be difficult to choose a level that would remain durable through shifts in political power. The Congressional Budget Office (CBO) projected in May 2022 that total (primary) spending would fall to 21.9 (20.0) percent of GDP in FY2024 before rising to 24.3 (21.0) percent of GDP by 2032 under current laws. Some members want a bigger federal government and would want a higher cap or no cap. Others want the federal government to do less and would want a lower cap or no cap because they think a cap would become a floor as well. But spending caps can have other shortcomings.

Stand-alone spending caps: In general, **spending caps that aren't connected to revenue don't assure fiscal responsibility.** They may constrain what falls within the definition of spending, but this pushes Congress to use less transparent ways to make policy. These methods may include special tax breaks, regulatory preferences, or unfunded mandates. CBO estimates that "tax expenditures" total about 8.3 percent of GDP in 2022, although caveats beyond this paper's scope apply.

One ambitious proposal, Sen. Rand Paul's (R-KY) Penny Plan would require a 1 percent across-the-board cut in all federal programs each year until the budget balances. It would take about five years to balance. Applied equally to all programs, Social Security benefits would decline by at least 3 percent in real terms *each year* between the 1 percent cut and the absence of the normal cost-of-living adjustment to account for inflation. So would everything else. Excluding some categories — like servicing the debt, which would have to be excluded — would require larger cuts elsewhere.

Revenue ceilings: Capping revenue instead of spending is a new twist on the starve-the-beast strategy. Proponents think that locking in lower revenue will force spending to decline. Though the evidence remains inconclusive, spending without full financing from real-time taxation may create a "fiscal illusion" that makes government seem cheaper than it is. When the price of something declines, the quantity demanded rises. Starve-the-beast strategies could defeat themselves by hiding the pain of real-time taxation from the voters. Such a rule may also polarize members of Congress over the rule and increase the difficulty of deliberating on policy.

Revenue caps are unlikely to be politically sustainable as political power shifts anyway. When they took the majority in 2019, House Democrats didn't hesitate to scrap a provision in the House Rules that required a 3/5th supermajority vote to increase certain taxes. That's easier than changing or evading a statute, but it indicates that support for capping revenue is unlikely to be broad-based at the federal level.

PAYGO: Congress included the first version of the Statutory Pay-As-You-Go Act (Statutory PAYGO) in the Budget Enforcement Act of 1990. After a lapse, Congress revived it in 2010. It tracks how much new legislation affects deficits over both a five-year and a ten-year period. At the end of each calendar year, the larger of the average deficit increase (if any) compared to the baseline over either of those periods is supposed to be cut from mandatory spending programs that haven't been exempted from those cuts.

Statutory PAYGO can be improved in many ways. Its greatest flaw is that Congress finds its enforcement design intolerable. It would impose across-the-board cuts on "non-exempt" direct spending programs. When Congress enacts major deficit-increasing legislation like the American Rescue Plan Act of 2021, the required savings swamp *available* savings, as CBO explained in a letter to House Minority Leader Kevin McCarthy (R-CA). "Non-exempt" programs would be wiped out. Even in less dramatic situations, Congress "wipes the scorecards" for Statutory PAYGO and gives itself a fiscal mulligan.

Full balance: Balancing all spending — including interest costs — and all revenue, at least over the business cycle, is a worthy long-term goal. Budget balance is what most Americans have in mind when they think about fiscal responsibility.

Yet the degree of policy change that full balance would require puts it out of reach for the foreseeable future. In May 2022, the CBO projected that the deficit in 2032 would be $2.253 trillion. If Congress enacted phased-in changes to meet this target over a decade, the savings would have to compound by an average of $225 billion every year for ten years. Of course, faster economic growth would make it easier to reach budget goals and is worth pursuing in any case. But balancing the budget through economic growth alone would require roughly tripling the real (inflation-adjusted) growth rate indefinitely. This isn't realistic for an advanced economy.

Full structural balance can remain an aspiration for future leaders to pursue after enough progress toward today's viable targets is achieved. Absent a sizeable debt-driven shock, however, it is difficult to imagine Congress enacting so much change so quickly.

Nonetheless, a flawed fiscal goal may be better than none. A directionally good idea or even one with shortcomings can be redesigned. This can happen when problems arise and policymakers seek solutions, as Sweden has done over the last 30 years.

Building better budget goals

The federal government's fiscal future is bleak. Even in the unlikely case that the U.S. economic growth rate exceeds interest rates, projected structural deficits are too large to avoid a debt crisis indefinitely. Changing course will require a multi-faceted reform agenda that includes well-crafted budget targets.

Retired Congressional Research Service analyst Judy Schneider counseled that legislative success comes from careful attention to policy, politics, and process. They can't be separated — each affects the others. Let's take them in reverse order.

Process: The formal process for legislation to enact statutory budget goals is straightforward. The legislation can stand on its own. It can be part of a package of budget reforms.

It can ride along on an unrelated bill, as long as the House adopts the typical "special rule" to waive committee-jurisdiction rules, among others. Even if vulnerable to a point of order in the Senate, 60 senators can overrule the point of order and keep the legislation in the bigger package.

The formal process is just the start of the conversation. Veto points exist along the way in committees, with influential members of Congress, and with the president.

Politics: Members of Congress differ on ideology, constituency, committees, experiences, and much more. They are nearly united in awareness of public opinion, however. Their priorities shift as they see opportunities, threats, costs, and benefits change.

Budget reform goes on the backburner during an emergency — except perhaps a debt crisis — but it can come to the forefront during more normal times, especially after a big jump in the debt burden. Whether a political opening leads to policy change, however, depends on whether today's members believe a proposal is fair, reasonable, and practical and whether members of Congress and advocacy organizations are well-enough organized to advance them. After enactment, tomorrow's members must agree that it makes sense for it to endure.

Policy: It helps to know what doesn't work and why not, as the prior section covers. It's also useful to see what works, especially in similar settings.

Learning from others

The International Monetary Fund, the Organisation for Economic Cooperation and Development, and other international organizations do high-quality surveys of budget rules and practices around the world. Many view Switzerland's balance-over-the-business cycle "debt brake" as the gold standard, although its success may depend as much on Swiss norms and political culture as the well-designed formal rules.

Other countries often have substantially different institutions of government, security environments, and social differences that limit our ability to copy directly from them. American governance may be able to benefit from adaptations and inspiration, however.

Here at home, most states look much more like the federal government. Many states adopted annual balance targets in the 1840s — or copied those that did — following debt crises and creditor reluctance to buy new debt without such rules.

The modern business cycle did not yet exist in the 1840s, however. In reality, nearly all state budget outcomes fall somewhere between their formal annual balance requirements and balance-over-the-business-cycle practices through a combination of federal bailouts, rainy day funds, and other rule-based or ad-hoc deviations. The American Legislative Exchange Council's recent adoption of a "statement on principles on balancing budgets over the business cycle" indicates that state policymakers are considering updating these rules for modern times.

Budget reformers can also draw on extensive U.S.-specific resources from the CBO, the Library of Congress, the GAO, advocacy groups, think tanks, academics, and more.

Characteristics of well-designed budget targets

Members of Congress have tried or proposed many ways to control deficits and debt. Some have been enacted, and some even appeared to work for a few years. But none has been effective for the long haul. This section explains what is necessary for enduring success.

Comprehensive: Budget goals should apply to all — or nearly all — spending and revenue. That means a rule based on balance, deficits, and/or debt, where other features support that overall goal.

Comprehensive goals are easier to explain to the public, and they are more meaningful. The public tends to reward policymakers who practice fiscal responsibility (see section six), contrary to the impression legislators usually get from the organized special interests that petition them regularly. It's easier for the public to reward responsible legislators with one yardstick instead of having to stack up several to get the full picture.

Including everything allows more combinations of ways — more options — to reach the goals. More degrees of freedom mean more possibilities for assembling congressional coalitions. Adopting a unified budget each year as described in another AFP paper for the congressional budget process could provide an effective vehicle for the annual budget process to meet these goals.

By contrast, the Budget Control Act's discretionary caps failed in part because they only applied to about one-third of spending and not at all to revenue. Among other issues, the inability to shift savings across discretionary spending, direct spending, and revenue policies eroded political support for the savings initially projected under the caps.

Two exceptions might make sense. First, the rule could exclude interest on the national debt. That assumes that the ultimate budget objectives can be reached, such as stabilizing and reducing the debt-to-GDP ratio. Second, a trust fund program with sufficient dedicated funding like Social Security could operate independently, although it should still be reported in the budget. Unfortunately, Social Security is currently far from solvency. Even so, setting budget targets that include everything does not require automatic enforcement — if included — to apply equally to everything within the target's scope.

Neutral: A sustainable fiscal rule must reflect consensus. It is tempting to seek secondary outcomes like controlling the size and scope of the federal government, but this can undermine support as political coalitions shift and as times change. A fiscal rule should focus on the fiscal sustainability objective, an exemption for emergencies, and, when necessary, an initial transition to the rule.

In other words, policymakers with different views about the proper size and scope of the federal government should not think the rule precludes their vision of good government. In practice, the tradeoffs may make certain outcomes harder to reach, but that's politics, not barred by the rule itself.

Practical: Budget rules don't work if busy policymakers — especially legislators — don't understand or can't explain them. They must be simple and clear enough for reporters and the public to reward or punish them for meeting or missing targets.

An independent budget entity can do the necessary calculations and reporting. The non-partisan, technically sophisticated CBO already evaluates legislation, produces annual budget outlooks, and issues various other reports. CBO could provide the independent measurement for a budget rule, which news and advocacy organizations, among others, could share with the public.

Simple enough to understand and explain does not mean as simple as possible. Full, annual balance is simple to explain, but it is difficult to implement faithfully, as state loopholes and gimmicks have shown. Annual balance produces policy instability and uncertainty, especially during recessions.

Minimizing policy changes from economic volatility over the business cycle is another practical consideration. Having to tinker with budget policies as jobs and economic data come in distracts policymakers from addressing long-term imbalances and other challenges. A budget goal should either dampen the effect of economic volatility on policy or focus more on the medium- to long-term in the first place.

Finally, budget goals must work with the federal budget timeline. Policymakers need information about budget performance and objectives with enough time to develop and vet proposals to meet the requirements. This applies to presidents' budget requests, CBO's Budget and Economic Outlook, committee views and estimates to the budget committees, the budget resolution, budget reconciliation legislation, and appropriations legislation — or a real budget that includes all spending and revenue.

Expect the unexpected: Budget goals must be able to adapt. As mentioned, nominal budget caps like the debt limit, deficit caps, and discretionary spending caps are easily overtaken by circumstances. Annual targets must "float" and be based on recent actual outcomes. They must allow emergency response without letting it become a budget loophole.

Illustrative options for federal statutory budget goals

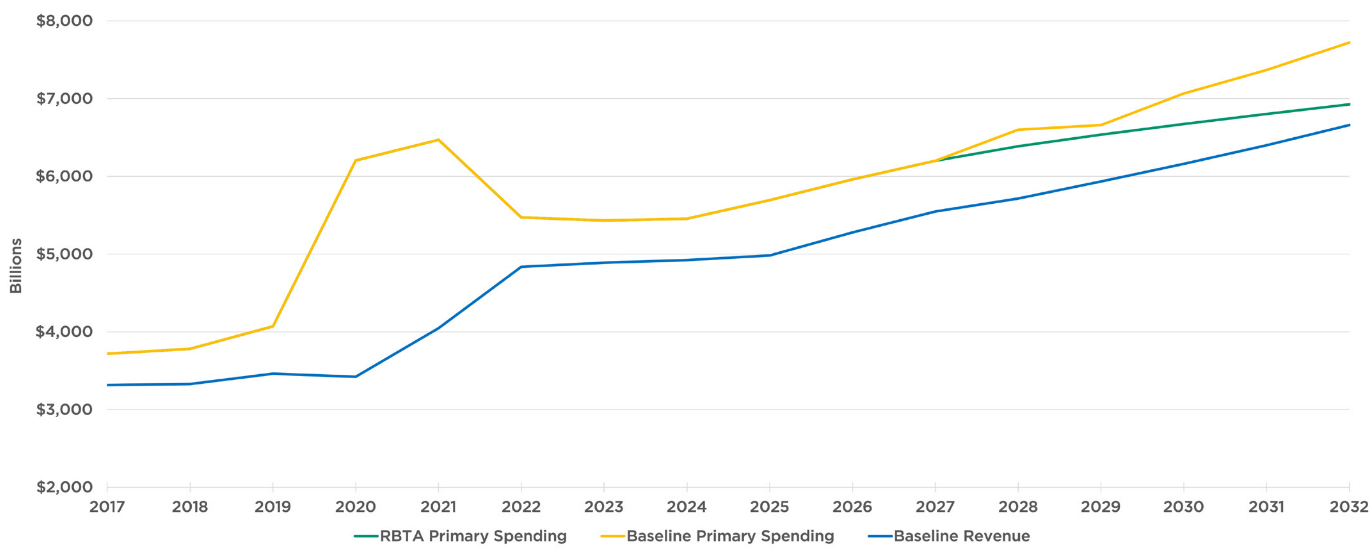
At least two kinds of fiscal goals can reasonably meet these criteria: primary structural balance and medium-term debt targets. The details can vary, and emergency allowances could be similar for both. Enforcement options are discussed briefly below but merit greater discussion elsewhere.

Primary structural balance: Primary spending (excludes interest on the debt) and revenue would balance over the business cycle instead of every year. Primary surpluses during the good years would offset anticipated primary deficits during recessions. This would provide policy stability and countercyclical fiscal policy. Several other countries already do it, and state legislators are exploring it as well. For the federal government, several contributors to *A Fiscal Cliff: New Perspectives on the U.S. Federal Debt Crisis* independently recommended structural balance, consistent with international best practices.

On April 6, 2022, Sen. Mike Braun and Rep. Tom Emmer (R-MN) introduced legislation to create a gradual transition to primary structural balance. **The Responsible Budget Targets Act (RBTA, S. 4016/H.R. 7420) would make federal fiscal policy stable, predictable, and countercyclical while phasing out primary deficits in about 12 years.** It generally requires emergency spending to be offset over the following six years — not right away — and Congress could extend the pay-back period in the case of major emergencies. The major features of the RBTA bear resemblance to the successful and popular "debt brake" in Switzerland.

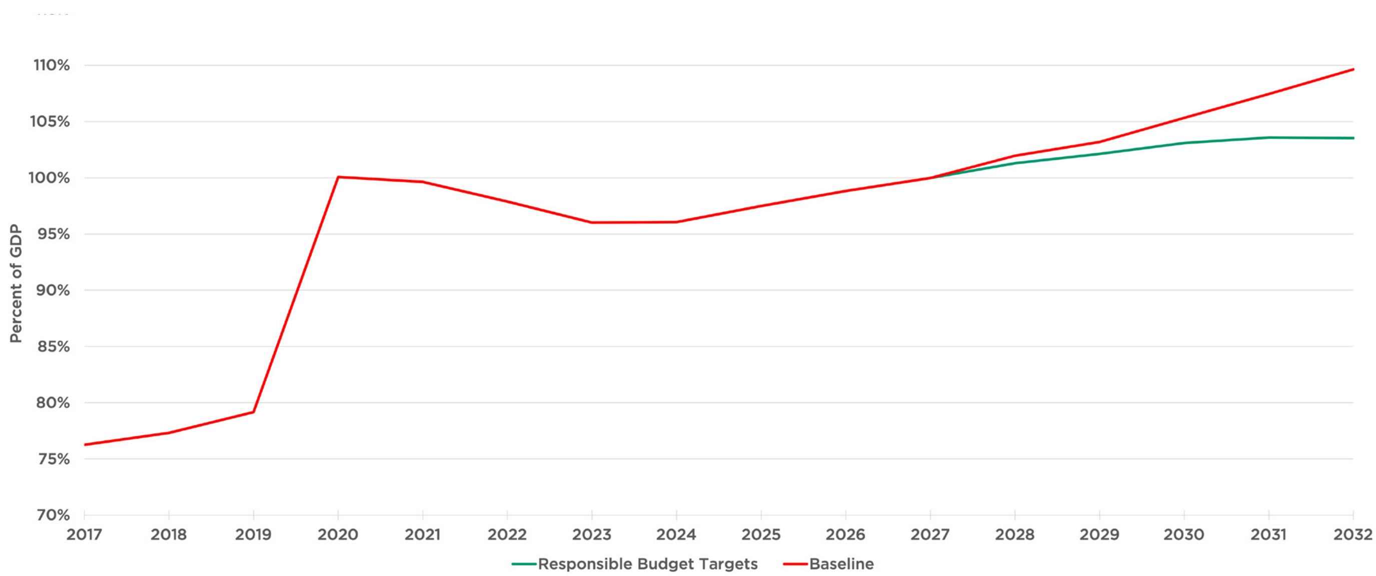
Figure 3 models the RBTA, taking the revenue baseline as given. Savings therefore appear on the spending side in the figure, but the bill would let deficit reduction come from any combination of spending reductions and revenue increases. Even so, "expenditure-based fiscal adjustments are notably more successful at lowering debt levels than tax-based adjustments." This projection doesn't include emergency spending, the possibility of revenue increases that would increase the spending cap, or the option for Congress to reach primary structural balance faster. It also takes the lower of the primary spending baseline or the RBTA limit during the immediate post-pandemic period while applying the primary deficit brake.

Figure 3: Responsible Budget Targets Act – A glide slope to structural primary balance



Even excluding the costs of interest on the national debt from the rule, Figure 4 shows that the debt-to-GDP ratio would peak in about eight years and decline thereafter. Reducing the primary deficit more rapidly or running primary surpluses thereafter would naturally reduce the debt burden faster.

Figure 4: The Responsible Budget Targets Act would keep debt from growing



Under the Responsible Budget Targets Act, primary spending could grow as fast as a five-year rolling average of GDP growth. Each primary deficit would cause primary spending to grow 0.2 percentage points slower, and primary surpluses would let it rebound to the growth rate from the rolling average of GDP growth. Increasing the deficit-linked adjustment rate would accelerate progress toward reaching primary balance.

The RBTA allows immediate emergency spending without requiring offsets that year. Instead, the spending caps in the following six years would each be lower by one-sixth of the emergency spending amount. Neither the emergency spending nor its subsequent offsets would affect the spending cap growth. That keeps Congress from gaming it in either direction, and it discourages Congress from larding up emergency legislation with unrelated items.

The RBTA caps also automatically adjust for timing shifts — when a scheduled payment shifts into another fiscal period due to a weekend or holiday — and for automatic stabilizers, thus providing even more accommodation for safety net programs during recessions.

The spending cap would automatically adjust to reflect enacted changes in revenue, similar in concept to the Statutory Pay-As-You-Go Act. Proponents of either spending increases or tax cuts would be free to advocate for them, but they'd have to come up with real offsets in real time.

Finally, reaching primary balance is easier than reaching full balance, as it requires only about half as much policy change. As primary structural balance gets closer — or if external forces intervene — future Congresses would have a solid foundation on which to build for primary structural surpluses, full balance, or even full structural surpluses.

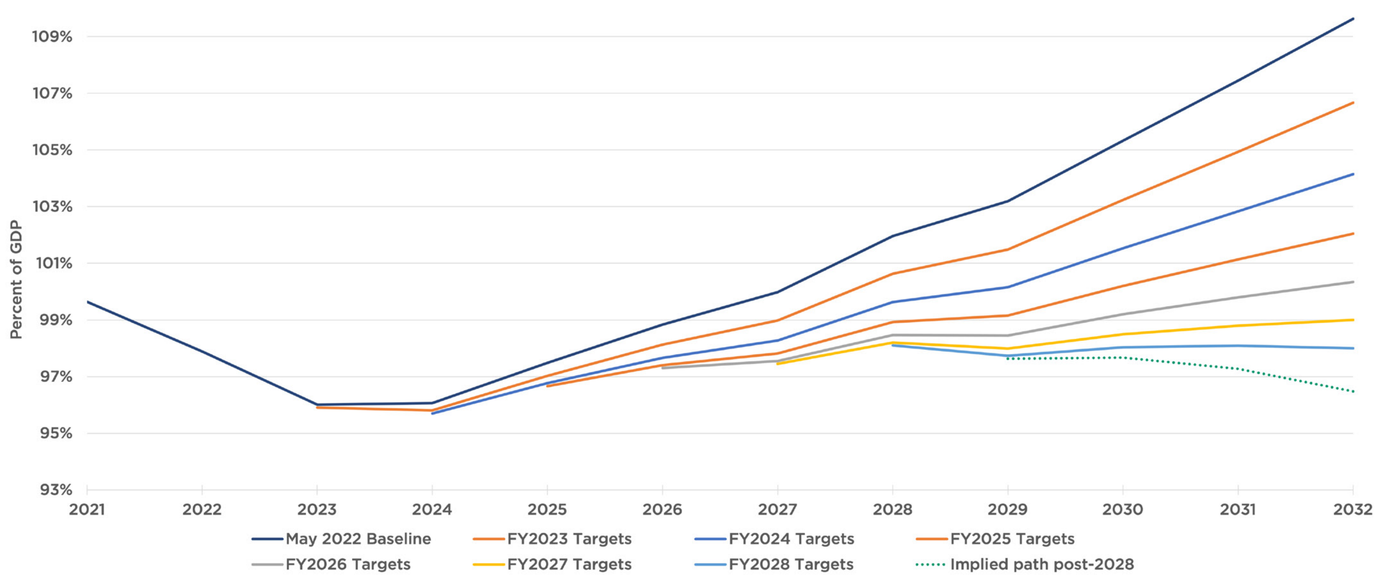
Medium-term debt targets: As an alternative to setting a flexible spending target for each budget year, Congress could require each year's budget cycle to reduce the debt-to-GDP ratio after a certain number of years compared to current law projections. Setting and meeting a target several years away would minimize the influence of the present state of the economy on the policies needed to achieve it.

Congress could, for example, set a standing goal to reduce the debt-to-GDP ratio by 1 percentage point by the end of each five-year period. Let's call it the "Debt Penny Plan" as a viable and reasonable adaptation of a similarly named proposal mentioned above.

If, as in CBO's May 2022 baseline, the debt-to-GDP ratio would be 100 percent by the end of FY 2027, Congress' FY 2023 budget process during calendar year 2022 could make changes to hold the end-of-FY-2027 debt-to-GDP ratio to 99 percent. The FY 2024 process in calendar year 2023 would similarly reduce the debt-to-GDP ratio by one percentage point by the end of FY 2028 compared to the projection in CBO's Budget and Economic Outlook in early 2023. Each year's new savings would build on prior savings. And so on. It could include emergency spending requirements like those in the RBTA.

Reducing the debt-to-GDP ratio by one percentage point over five years doesn't sound like much. It compounds, however, depending on the policies adopted. Figure 5 models such a scenario, although it is sensitive to assumptions. Increasing the savings target could naturally promote a more rapid reduction in the debt-to-GDP ratio as well as budget balance.

Figure 5: Medium-term debt-to-GDP targets and the debt burden



Source: CBO, author's calculations

As with the RBTA, Congress could reduce the debt-to-GDP ratio faster than the minimum requirements of the Debt Penny Plan. Congress would similarly retain many degrees of freedom to meet the targets.

Enforcement

Budget goals are not self-enforcing. Congress has been willing to waive statutory enforcement if members think the consequences are too severe. Congress has often done so with the Statutory Pay-As-You-Go Act of 2010 and the standing rules of both houses of Congress. Even so, plausible automatic enforcement and other well-designed rules can encourage Congress to meet the goals.

Tie to debt limit: The debt limit isn't an effective fiscal rule. The brinkmanship it sometimes facilitates is usually meant to focus Congress on controlling spending and debt.

A smart deal would be to establish "overall budgetary goals — such as debt-to-GDP targets — that would reduce debt limit brinkmanship as long as the budget remains on a responsible path," as 30 Republicans and 30 Democrats wrote in a letter to House leaders in June 2020. Specifically, the debt limit could increase automatically as long as the targets in a reasonable budget rule are met.

Only if the budget misses the targets would members of Congress have to vote on the debt limit again. In that case, the debt limit vote would serve a similar purpose as today — focusing attention on getting the budget back on track — but the rule would give members of Congress a common understanding about what "on track" means.

Some may wonder why the debt would continue to grow under a set of budget targets. They may think it would start falling, and the debt limit could just remain where it is. It's understandable but not accurate.

No reasonable rule would reach balance immediately, so the debt would continue to grow as deficits decline. Under primary structural balance, the nominal debt — which is how the debt limit is set —would continue to grow, even as the debt-to-GDP ratio drops as GDP growth exceeds debt growth. Even under full balance, the nominal debt could grow slowly due to scoring practices for federal credit programs, especially education and housing loans.

A unified budget: Today's ineffective annual budget process involves a partisan budget resolution for messaging, 12 appropriations bills that usually pass together (and late) with a package of leader-negotiated riders, and sometimes deficit-increasing reconciliation legislation that passes with only majority-party support. A unified budget — a real budget — is superior in every way.

A unified budget would include all spending — discretionary and mandatory — as well as all revenue in a single annual budget bill. Authorizing committees would send proposed changes and all mandatory spending and revenue line-items in their jurisdictions to the Appropriations Committee, which would add them without substantive changes to the appropriations bills and report the comprehensive budget and appropriations bill to the floor.

A unified budget would give Congress an effective legislative vehicle to meet budget targets. It provides many ways to achieve overall results. Putting everything together with a robust amendment process would let members grapple with tradeoffs in an annual, iterative process and be more responsible for the outcomes.

Automatic budget enforcement: The Budget Control Act discretionary caps and the Statutory Pay-As-You-Go Act (Statutory PAYGO) of 2010 controls on deficit increases from direct spending and revenue changes have relied on across-the-board automatic enforcement. Former Defense Secretary and House Budget Committee Chair Leon Panetta (D-CA) described them as a "goofy meat axe." They cut indiscriminately, it's easy to build coalitions against the cuts, and Congress has had a habit of increasing the caps (BCA) or waiving enforcement (Statutory PAYGO).

Another approach to automatic enforcement could rely on specified, incremental adjustments to program parameters. These parameters could already exist in statute or be added for these purposes. They could apply against both spending and revenue policies, and they could allocate proportions of savings to each category.

For example, the spending cut and revenue raiser lists could each have a number of specific changes. If Congress wanted three-fourths of savings from spending reductions and one-fourth from revenue, the Office of Management and Budget could take the overall savings target, allocate it between the spending and revenue savings lists, and work down each list of congressionally pre-specified changes in each category to meet the savings sub-targets.

It would be complicated to draft. It would, however, make automatic budget enforcement more surgical, would make coalition-building against it more difficult, and would be more likely to achieve savings. These features could improve congressional budget discipline on the front end when legislation is developed.

A version of this approach could also promote trust fund solvency. Social Security, Medicare, and the Highway Trust Fund are scheduled to spend far more than their dedicated revenue will allow in the coming decades. Adopting automatic fiscal stabilizers for trust fund programs could improve their solvency while reducing bailouts from the general fund.

Other options are possible. Commissions, privileged votes on the most popular deficit-reducing legislation, and other forms of automatic enforcement could encourage members of Congress to keep budgets on track or to get them back on track.

Conclusion

U.S. states and many other countries have effective fiscal targets. The U.S. government does not currently have them, but it can.

Congress has tried or proposed many options, but each has fallen short or would fall short if tried. Learning their lessons and drawing inspiration from other countries and from the states illuminates several promising directions for new approaches to federal budget targets.

Sen. Braun and Rep. Emmer's new Responsible Budget Targets Act would provide a gradual transition to primary structural balance and build a strong foundation for adapting to future needs. It would produce an annual spending limit to guide each year's budget process with adjustments for emergencies and revenue changes. Its design would improve policy stability over the business cycle by allowing primary deficits during recessions and building in primary surpluses most of the time otherwise.

Incorporating medium-term debt-to-GDP targets into the budget cycle is another appealing possibility. The power of compounding interest can produce big long-term results from regular small changes. Enforcement can come from not having to vote on the debt limit as long as the budget is on track, from an annual budget process that includes all spending and revenue while otherwise encouraging legislators to produce better results, and from a surgical approach to automatic enforcement, among others.

Other countries and many states have recovered from growing debt burdens and political dysfunction. Sound fiscal rules and practices have helped them do so. The federal government — and Congress in particular — can as well. **Well-designed statutory budget targets and related reforms can help restore the shine to America's system of representative government.**

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