



## THE CONSTITUTIONAL BUDGET RULE: KEY PRINCIPLES FOR EFFECTIVE DESIGN

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The House of Representatives this week is slated to consider the “Cut, Cap and Balance Act of 2011” (H.R. 2560) which includes a balanced budget amendment [BBA] to the U.S. Constitution. But what does an ideal constitutional rule look like? What must it accomplish? According to Mercatus Center at George Mason University Senior Scholar David Primo (an Associate Professor of Political Science at the University of Rochester), there are several key principles and goals that should drive legislators’ design of constitutional budget rules.

(Please see Dr. Primo’s Mercatus working paper “Making Budget Rules Work,” and book, *Rules and Restraint: Government Spending and the Design of Institutions*, for an in-depth discussion of this issue.)

### KEY PRINCIPLES OF CONSTITUTIONAL BUDGET RULE DESIGN

**Change the Terms of Debate.** It has long been easy for Washington to defer—or simply to avoid—difficult budget decisions. A Constitutional budget rule should force difficult fiscal issues to be addressed, regardless of the political climate or other external influences. Negotiations between Democrats and Republicans would look very different right now if both sides knew they were *bound* to cut the budget by a certain amount in the next few years.

**Focus on Spending.** A budget can be balanced and still include excessive spending, if revenues are high enough. It is important, therefore, for budget rules, even if they require budget balance, to place constraints on spending or make tax increases difficult.

**Apply to Entire Federal Budget.** Budget rules that focus just on discretionary spending, or only on entitlements, are inadequate since they do not address the country’s overall fiscal health. Budget rules should place constraints on overall spending, but leave decisions about how funds are spent to elected officials.

**Have Limited, Carefully Constructed Emergency Provisions.** There are situations, such as war, when it makes sense to increase spending in ways that would violate a Constitutional budget rule; thus, the rule should allow for such demands. The threshold for waiving a rule, however, must be *very* high—perhaps even as high as a 90% supermajority—to ensure Congress cannot waive the Constitutional rule as a matter of course. With a very high threshold, a rule would not have to specify what an emergency is, since only in rare cases would Congress be able to muster the supermajority required to waive the rule.

**Be Precise and Prevent Loopholes and Gimmicks.** Most rules leave implementation details to later, but the risk in doing so is that Congress, when it fills in those details, will create loopholes that eviscerate the rules. For this reason, terms need to be defined as clearly as possible in the Constitutional rule to give Congress as little “wobble room” as possible.

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