

# It's Time for A Second Commission on Budget Concepts

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# The Congressional Budget Act has not worked well

- Deficits have been too large
- Deadlines are missed routinely
- Partisanship is excessive
- Debates over priorities have little impact
- Spending and tax policies are inefficient
- The public is confused

# The one exception is much better budget information

- CBO and the Budget Committees are worthy competitors for the executive branch
  - Strong leadership and skilled staff
  - Clarity of communications
  - Demanding clients in Congress
- Cooperation between CBO, OMB and Budget Committee staff has led to major improvements, particularly credit reform

# But budget information can still be improved

- Spending advocates often seek to exploit problems with budget concepts
- These problems are more likely when:
  - Financial transactions have long-term impacts
  - The extent of government commitments is uncertain
  - The private sector is involved
  - Policy tools like regulations and tax preferences are used
- Incremental reforms to the Budget Act have not significantly reduced these problems

# Common complaints about budget information, part 1

- Failing to recognize long-lived obligations for Social Security and Medicare
- Ignoring the large implicit subsidies given to government-sponsored enterprises
- Underestimating the likely long-term costs of government insurance commitments
- Underreporting the costs of acquiring assets or the services they deliver, and overreporting revenues from selling those assets

# Common complaints about budget information, part 2

- Assuming that discretionary spending will expand at a rate far lower than historical averages, absent a procedure for ensuring this result
- Using long horizons for scorekeeping to offset current costs with unrealistic future savings
- Failing to highlight the costs of the many tax preferences that are functionally equivalent to spending

# A Commission on Budget Concepts could help resolve those problems

- A byproduct of its advice could be believable U.S. financial statements
- The 1967 Commission contributed the invaluable concept of the unified budget
- Public finance experts have much to contribute now
- We can also learn from practices of other countries

# A new Commission on Budget Concepts could also study how to:

- Reduce budget uncertainties by making spending and tax policies more flexible
- Use multiple bases of accounting for budgeting
- Supplement the unified budget with periodic sectoral reviews
- Better integrate into budgeting information about the outputs and outcomes of spending and tax preferences