



The U.S. Credit Rating Just Dropped. It's Time for Radical Budget Reform.

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Fitch Ratings just downgraded the U.S. government's credit rating due in part to Congress' erosion in governance. Indeed, year after year, we see the same political theater unfold: last-minute deals, deficits, and, all too often, the passage of gigantic omnibus spending bills without proper scrutiny, along with repeated debt ceiling fights and threats of shutdown.

But these are just symptoms of a budget-making process that remains in desperate need of reform. With legislators chronically delinquent about following their own rules, the change may need to be as much cultural as procedural. No matter how good the rules are, they're useless if politicians ignore them. And in a world where politicians are rarely told no when it comes to creating or expanding programs, most simply refuse to have their hands tied or behave as responsible stewards of your dollars.

Adding insult to injury, the budget process has become a winner-takes-all competition, leaving the minority party with little to no voice in budgetary outcomes. Under these conditions, battles over the debt ceiling, continuing resolution votes, and threats of shutdowns are the only ways for the voiceless to state their demands.

Bad processes lead to bad outcomes. The lack of oversight and the general absence of a long-term vision is creating inefficiency, waste, and red ink as far as the eye can see. Without real reform, no one can stop it. So, let's have some real reform.

What we need is a comprehensive budget process under which programs like Social Security, Medicare, and Medicaid are no longer permitted to grow without meaningful oversight. Combined with other mandatory, more-or-less automatic spending items, they make up more than 70 percent of the budget. Thus, they must be included in the regular budget process and subjected to regular review. Only then will our elected representatives be forced to stop ignoring the side of the budget that requires their attention the most.

This would also help deal with the fact that entitlement spending is, as every serious observer knows, unsustainable. Unless reformed, these programs will drain wealth not only from the government but from the economy. Ensuring their sustainability must be part of any serious budget process reform.

Enter a "Base Closure and Realignment Commission (BRAC)"-style fiscal commission, an idea promoted by the Cato Institute's Romina Boccia. This commission would be staffed with independent experts appointed by the president. It would be "tasked with a clear and attainable objective, such as stabilizing the growth in the debt at no more than the GDP of the country, and empowered with fast-track authority, such that its recommendations become self-executing upon presidential approval, without Congress having to affirmatively vote on their enactment," Boccia explains.

I'm uneasy about delegating the president power to appoint "experts." Unfortunately, Congress has proven they will never seriously address the problem unless forced to. The idea is not unprecedented. Congress has already delegated a lot of its legislative power to administrative agencies and the executive branch. It's also how the political class dealt with the closures of military facilities after the Cold War—another set of hard choices they refused to make on their own.

What's more, Congress would retain some veto power. If they disapprove of the proposal, the House and Senate can reject it through a joint resolution within a specified period. Whether it's the best solution to address our fiscal problems remains to be seen, but it's worth considering.

There are many more budget reform ideas out there. I'll leave you with one more. For years now, Congress has failed to pass a budget, and in turn brought the country to the brink of a government shutdown by fighting over the need for a continuing resolution—a temporary measure that extends previous funding levels for a few months.

Making continuing appropriations automatic in case of a lapse could remove the threat of shutdowns. As explained in one senator's proposal, if appropriations work isn't done, "implement an automatic continuing resolution (CR), on rolling 14-day periods, based on the most current spending levels enacted in the previous fiscal year." Further, to avoid overrelying on CRs, "all Members of Congress must stay in Washington, D.C., and work until the spending bills are completed."

The road to reform is never easy. Entrenched interests and complexity, combined with congressional spinelessness, are a daunting challenge. But the stakes are too high to shy away. It's time to completely rethink the way we approach the federal budget, grounding our efforts in the principles of transparency, accountability, and fiscal responsibility.