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Economist: OECD Says Spending Caps Are Effective At Restraining Government

Bureaucracy has aligned itself with policies that expand government in past

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The Organization for Economic Cooperation and Development, an international group that has supported the expansion of government spending in the past, says that spending caps are effective at restraining government, says Dan Mitchell, an economist at the Cato Institute.

In the OECD's report titled, "The State of Public Finances 2015," they say that the spending cap in the Switzerland's debt brake, which limits spending growth to average revenue increases, is an effective fiscal rule.

"Simple and clear fiscal anchors—e.g., the Swiss and German debt brake rules—appear to have been more effective in influencing effective fiscal management," states OECD.

"A combination of a budget balance rule and an expenditure rule seems to suit most countries well," they said. "They can boost potential growth and hence reduce the recession risk without any adverse effect on debt. Indeed, estimations show that public spending restraint is associated with higher potential growth."

The OECD has a history of promoting policies that expand government. It has advocated for higher business tax burdens and endorsed higher an energy tax on American consumers.

"It is a noteworthy development that even the OECD has embraced expenditure limits," Mitchell states. "And since spending caps also have widespread support among fiscal experts from think tanks, maybe, just maybe, there's a chance for real reform."