



What CRFB Would Like to See in the FY 2011 Budget January 28, 2010

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On Monday, February 1, President Obama will unveil his FY 2011 budget. Although the President offered a preview of some portions of the budget last night, many questions remain. Given the United States' mounting debt, the budget must begin the process of closing our fiscal gap. In particular, CRFB hopes that the administration's FY 2011 budget request:

- 1) Commits to an ambitious, yet attainable, fiscal goal.** Given the nation's current fiscal picture, U.S. creditors need to be reassured that the country intends to take control of our future debt path; to do this, the country needs an aggressive, yet realistic, fiscal goal. The Peterson-Pew Commission on Budget Reform has recommended stabilizing the debt at 60% of GDP by 2018, but this is by no means the only option. The important thing is that a goal be ambitious enough to avert a fiscal crisis, but realistic enough that it is viewed as credible. It is also important that a fiscal goal capture the need to deal with both the medium- and long-term fiscal imbalances – such as the case with a goal of stabilizing the debt so it does not grow as a share of the economy once the target is hit.
- 2) Details specific actions for meeting fiscal goals.** It isn't enough to set a fiscal target; the President must also provide specific policy proposals to achieve the goal. The partial discretionary spending freeze President Obama discussed last night is a good start, but stabilizing the debt likely will require changes to Social Security, Medicare, Medicaid, defense, and tax policy as well.
- 3) Avoids using gimmicks.** The President's budget must be able to meet his fiscal targets without relying on any budget gimmicks. For example, assuming that certain policies will expire when they are unlikely to can make it seem easier to stabilize the debt. Relying on unspecified savings (sometimes called "magic asterisks"), such as those suggested by a fiscal commission, also would be problematic – unless some type of "trigger" were put in place to implement tangible policies if an agreement could not be reached.

- 4) **Enforces fiscal targets through budget rules and process reform.** To codify his proposed targets, we encourage the President to insist on fiscal rules – such as an exemption-free PAYGO, statutory budget caps, and a debt trigger – to help maintain the fiscal path Congress chooses. Other reforms designed to bring transparency, order, and a focus on the long-term to the budget process also would be helpful.

“This is a critical year for the budget,” said Maya MacGuineas, president of the Committee for a Responsible Federal Budget. “As the White House pivots from focusing on economic recovery to reducing the deficit, it needs to start the discussion by presenting an aggressive and credible budget. But the story doesn’t end there. It is an election year and President Obama will have to use a good deal of his political capital to get Congress to work with him on enacting any of the tough measures he is willing to put forth.”