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As Policymakers Search for the Right Fiscal Tool, Peterson-Pew Commission's New Fiscal Toolbox Can Help
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In recent weeks, there has been significant talk about using targets, triggers, caps, and failsafes in order to get our fiscal situation under control – in particular as policymakers like those involved in the Biden fiscal talks search for ways to couple a debt limit increase with deficit reduction. There are plenty of tools available to help fix our broken budget, but which should we use? The new Fiscal Toolbox from the Peterson-Pew Commission on Budget Reform (PPC) offers guidance in choosing the right instrument.

"We have lots of tools to choose from here – everything from spending limits to balanced budget rules to debt targets," said CRFB President and PPC Commissioner Maya MacGuineas. "As we look at these various tools to control our debt, it's important we use the right ones."

The Peterson-Pew Commission, (www.budgetreform.org), comprised of a bipartisan group of leading budget experts, has studied process tools like targets and triggers for over two years and recommended a suite of reforms, including debt and savings targets to spur action, and spending caps to enforce a budget deal once it is in place. The Fiscal Toolbox is the latest resource from the Peterson-Pew Commission, which compares the various mechanisms out there on a variety of measures.

"No one knows the perfect process changes to control the debt, and every option has advantages and disadvantages," said MacGuineas. "What we need to do is take the best parts of each plan to design the tool that will best help policymakers to bring the debt under control."

Targets, Triggers and Caps Comparison Grid

	Peterson-Pew Sustainable Debt Act (Medium-Term)	Peterson-Pew Caps (Longer-Term)	Fiscal Commission Debt Stabilization Process	President Obama Debt Failsafe Trigger	Bipartisan Policy Center SAVEGO	Corker-McCaskill CAP Act	Balanced Budget Amendments (S.J.Res. 10)*
Goals	Stabilize the debt to GDP ratio to 60% or below	Limit drivers of the debt	Stabilize the debt-to-GDP ratio	Stabilize the debt to GDP ratio	Save agreed upon amount	Limit federal spending	Eliminate the deficit and limit federal spending
Description	Sets annual savings targets by statute based on glide path intended to bring debt to 60% of GDP by the end of the decade	After a budget plan has been put in place, limits Social Security, health spending, and tax expenditures to the amount that has been budgeted for	Uses rules to force action if budget is projected to fall short of primary balance in 2015, or is projected to (or found to) rise as a share of GDP after 2015	Ensures stable or declining debt to GDP ratio in second half of decade (or average deficit to GDP ratio of 2.8%)	Sets annual savings targets for discretionary spending, health care, and other mandatory/revenue initially crafted to achieve a fiscal target (60% debt/GDP for BPC's illustrative plan)	Limits spending to 20.6% of GDP by the end of the decade (GDP calculated based on average of the first 3 of the 4 previous years)	Balances the budget and limits outlays to 18% of GDP, beginning five fiscal years after ratification (in addition, no legislation can increase taxes)
Enforcement Mechanism if Targets Not Reached	Across the board spending cuts and revenue increases (possibly including tax expenditure reductions)	Automatic adjustments to Social Security, tax expenditures, and health care spending	Prohibition on consideration of any legislation that increases gross spending or reduces gross taxes (Additional fail-safes can be considered)	Across the board cuts on selected spending and tax expenditures	Sequestration for discretionary spending, automatic spending cuts and revenue increases for health care and for other mandatory spending & revenue	Across the board spending sequestration 2/3 vote point of order preventing spending above the cap	3/5 majority requirement to increase the debt ceiling (Congress may enact additional enforcement to ensure implementation)
Specified Exemptions from Enforcement Mechanism	None Adjustments cannot exceed 1% of GDP in a given year	None	None	Exempts Social Security, Medicare benefits, and means- tested programs	Exempts Social Security if scored as solvent	None	Courts cannot require increase in revenue to enforce balanced budget requirement
Specified Escape Valves	Triggers waived after two consecutive quarters of negative real GDP growth or a similar measure of economic weakness	None	Process suspended if nominal GDP grows less than 1% or a joint resolution declares it would exacerbate an economic downturn	Unspecified mechanism to ensure trigger does not exacerbate economic downturn or interfere with national security emergency	None	2/3 supermajority vote allows spending cap to be exceeded Emergency spending is exempt from cap	Majority vote allows additional spending or deficits during war and by 3/5 vote for "serious military threat to national security" 2/3 supermajority vote allows any provision to be waived

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What is Targeted?	Debt/GDP and Savings	Entitlement Spending and Tax Expenditure	Deficit/GDP and Debt/GDP	Debt/GDP and Deficit/GDP	Debt/GDP and Savings	Spending/GDP	Deficits and Spending/GDP
Is the Purpose to Force Action or Enforce Decisions?	Force and Enforce	Enforce	Enforce	Force	Force	Force	Force
Is the Mechanism Temporary or Permanent	Temporary but replaced with new targets once initial goal is met	Permanent until new budget enacted	Permanent	Temporary	Temporary until savings goal is reached	Permanent	Permanent
Does Enforcement Mechanism Include Automatic Changes to Revenue, Spending, Both, or Neither?	Both	Both	Neither	Both	Both	Spending	Neither
Are Tax Expenditures Treated Similarly to Spending?	Yes	Yes	Unspecified	Yes	Yes	No	No
Is Proposal Accompanied by a Process to Facilitate Success?	Yes, opportunity for Congress to revisit policies, and the President to exercise enhanced rescission authority, if targets are not met	Unspecified	Yes, a requirement for both the President's Budget and Congressional Budget Resolution include proposals to stabilize the debt and a fast-track process for legislation that does so	Unspecified	No	No	Yes, a requirement that the President transmits a budget which holds outlays at or below revenue and below 18 percent of GDP

* Numerous balanced budget amendments have been proposed in the current Congress. Used here as an example is S.J.Res. 10, which is co-sponsored by all 47 Senate Republicans. For a more detailed list of balanced budget amendments and their provisions, go to http://crfb.org/blogs/scales-tip-among-senate-gop-balanced-budget-amendment.