FISCAL CHALLENGES

Fiscal Challenges: An Interdisciplinary Approach to Budget Policy brings together leading experts from a range of disciplines to explore the problems of budget policy. The authors, including top economists, political scientists, historians, psychologists, and legal scholars, together provide a unique, multidisciplinary introduction to the subject. In addition to an in-depth analysis of congressional budget procedures and the economics of federal deficits and debt, Fiscal Challenges explores important recent developments in budget policy at the state level and in the European Union. The goal of the volume is to offer readers wide-ranging perspectives on the many different academic disciplines and perspectives that bear on the evaluation of budgetary procedures and their reform.

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FISCAL CHALLENGES

AN INTERDISCIPLINARY APPROACH TO BUDGET POLICY

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Preface

How should the government spend society’s limited resources? What rules and procedures should legislative bodies and executive officers follow in making spending decisions? To what extent should the government limit itself to spending that can be financed through current taxes, and to what extent should the government rely on the issuance of public debt that will impose financial burdens on future generations? How can we tell if the government’s deficits are too high and its public debts too large? What role can and should the general public play in monitoring or defining fiscal priorities? To what extent can constitutional or quasi-constitutional constraints on budget-making procedures improve a country’s fiscal decisions? Can we depend on the judiciary to enforce constitutional or other restraints on fiscal policies?

These are deep and difficult questions, and no single academic discipline can provide complete answers. Undoubtedly, economics offers important insights into the implications of annual deficits and the accumulation of public debts. But one must also be versed in the study of political science and the behavior of complicated organizations such as legislative bodies in order to understand the impact and potential consequences of budgetary rules and procedures. The processes whereby the general public forms opinions about matters of public finance – rational and otherwise – also have a place in the study of budget policy. Even some knowledge of the principles of financial accounting is necessary in order to evaluate how the country’s financial condition might best be summarized and communicated to broader audiences.

But theoretical understanding alone will never be sufficient to guide sound decision making on such matters. One must have an appreciation of the manner in which budgetary procedures have actually evolved in practice. A process as byzantine as the congressional budget procedures of the federal government can only be understood as an amalgamation of more than a century of innovations and reforms. Historical perspective is also valuable to understand the efficacy and likely ramifications of budgetary policies. Over the years, reformers have adopted many procedures designed to rationalize the spending decisions across
various governmental functions or constrain overall levels of spending. With surprising consistency, these reforms have failed to work as originally intended. To the extent that one envisions a role for the courts in policing budgetary outcomes – as, for example, may be the case for proponents of constitutional amendments requiring a balanced budget – consideration of the success of the courts in fulfilling similar functions in the past could be illuminating. Those who seek to make recommendations for future budgetary reforms without some appreciation of the lessons of the past proceed at their own peril.

Finally, a comparative perspective on experiences with budgetary reforms in other contexts can deepen our understanding of budget policy. Within our own country, the states have experimented with a host of budgetary reforms stretching back over many decades, and they offer a body of evidence that is potentially susceptible to useful empirical analysis. International comparative studies are also of potential interest to the serious student of budget policy. Recent developments in the European Union, where member states have in theory agreed to abide by specific fiscal guidelines, are an especially fruitful source of comparative study.

Our not unambitious goal in constructing this volume is to introduce the readers to these many different perspectives of fiscal policies. We have assembled a number of the world’s most prominent scholars on budget policy and invited them to address the topic of a variety of disciplinary perspectives. Our authors include leading experts in economics, political science, congressional budget procedures, legal studies, public behavioral economics, governmental accounting, economic history, European fiscal affairs, state budgetary procedures, and federal–state fiscal relations. We have also attempted to provide methodological diversity, including theorists as well as practitioners, econometric empiricists as well as psychological experimentalists. Some chapters take a historical perspective on the evolution of budget policy, while others are chiefly concerned with issues of current policy. While the volume does not purport to offer the last word on any of these perspectives, we hope to provide readers with useful entry points on most of the major disciplinary perspectives relevant to the study of budget policy.

We also hope that this volume will stimulate greater teaching of budget policy in colleges and graduate schools as well as more research and scholarship on the subject. To facilitate classroom discussions, we include at the end of each chapter a series of questions and comments. In connection with the preparation of this volume, the editors also commissioned a series of 32 briefing papers setting forth literature reviews on various aspects of budget policy and including extensive bibliographies. These briefing papers, which were prepared by students at Harvard Law School, are available online at http://www.law.harvard.edu/faculty/hjackson/budget.php. The papers will be updated in the spring of 2008 and periodically thereafter.
Finally, we owe thanks to many people who helped make this volume possible. Many of the chapters in this volume were initially presented at a conference held at the USC Gould School of Law and sponsored by the USC-Caltech Center for the Study of Law and Politics, the USC School of Policy, Planning, and Development through a grant from the James Irvine Foundation, and Harvard Law School. Betsey Hawkins provided expert administrative guidance at that conference and was invaluable in coordinating many months of work on the manuscript. Without her tireless work and good humor, this book would not have been possible. We appreciate the research assistance of the following students: Christopher Craig ('07) and Robert Porter ('08) of Harvard Law School as well as Jeffrey R. Makin ('07), Brent Tubbs ('07), Meegan Maczek ('08), Jennifer Wiegley ('08), Derek Lazzaro ('09), and Daniel Schwartz ('09) at USC Gould School of Law. We also appreciate the support we received from John Berger at Cambridge University Press.

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