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**STATEMENT BY ROBERT GREENSTEIN,
EXECUTIVE DIRECTOR,
ON THE STATUTORY “PAY AS YOU GO” BUDGET PROPOSAL**

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This proposal marks a useful step toward restoring fiscal responsibility.

A well-designed pay-as-you-go (PAYGO) rule can contribute significantly to the fiscal discipline needed to address the nation's serious long-term budget problems, presuming that policymakers abide by it and pay for any new tax cuts or mandatory program increases that they enact.

Putting pay-as-you-go in statute can increase the likelihood that lawmakers will follow this principle. Some may be more hesitant to support waiving a statutory rule that they have supported, and a future Congress would find it harder to eliminate a rule that has been written into statute. Moreover, the process of enacting such a rule may strengthen the commitment to the principle behind it.

That commitment is the key to success of any pay-as-you-go rule. Just as no diet will convince a person to eat less if he or she is not committed to losing weight, no budget process rule can force policymakers to forgo deficit-increasing legislation if they are not committed to bringing deficits under control.

Criticisms of the proposal's exemptions for the cost of continuing certain current policies — such as middle-class tax cuts that are scheduled to expire at the end of this year under current law — are misguided. While we would much prefer that policymakers pay for all extensions of current policies, this clearly will not happen. Thus, policymakers should not make a phony promise to do so as part of a pay-as-you-go statute, which will only lead them to later adopt a series of waivers of the statute, undermining support for the rule and opening the door to waivers for other costly policies.

PAYGO will not close the daunting budget gaps that we face; policymakers will have to take additional steps. Still, it's an important first step. The nation's fiscal situation would be far healthier had policymakers adhered to such policies over the past decade. Supporters of the PAYGO proposal should be commended for pursuing this action.