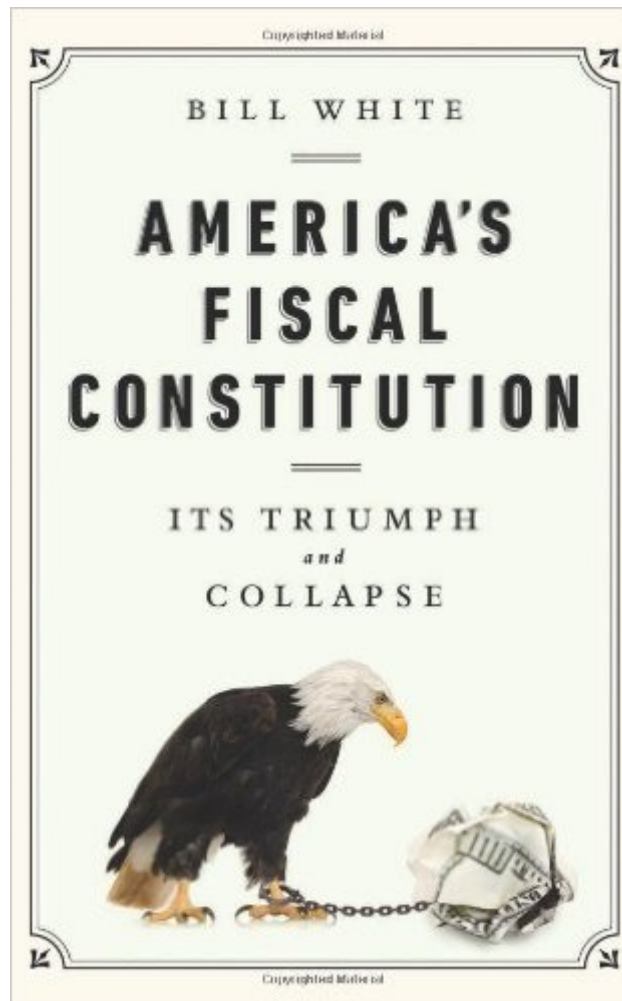


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# America's Fiscal Constitution: Its Triumph And Collapse



## Synopsis

America's Fiscal Constitution: Its Triumph and Collapse (PublicAffairs, April 1, 2014) tells the remarkable story of federal leaders who imposed clear limits on the use of federal debt. For almost two centuries those limits allowed the federal government to borrow for only four purposes. That traditional fiscal constitution collapsed in 2001, when federal elected officials broke the traditional link between federal tax and spending policies. For the first time in history, the federal government cut taxes during war, funded permanent new programs entirely with debt, and became dependent on foreign creditors. With insights gained from original scholarship and an unusual breadth of experience in finance and government, Bill White distills practical lessons from the nation's five previous spikes in debt. America's Fiscal Constitution is an entertaining and objective guide for people trying to make sense of the current and most dangerous debt crisis.

## Book Information

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## Customer Reviews

America's Fiscal Constitution: Its Triumph and Collapse, by Bill White  
By Bill Hobby  
Our traditional fiscal constitution collapsed in 2001. Afterward "for the first time in history" federal elected officials cut taxes during war, funded permanent new programs entirely with debt, grew dependent on foreign creditors, and claimed that the economy could not thrive without routine federal borrowing. Until the beginning of this century Presidents and Congresses of whatever party observed this unwritten constitution which mandated four financial practices: clear accounting, pay-as-you-go budget planning, trust funds financed entirely with dedicated revenues, and explicit Congressional approval of debt for specific amounts and purposes. These practices curbed the

temptation to borrow. Here is how the author would cure the problem: "Congressional procedures now divorce votes on spending from votes on how to pay for that spending. Congress considers amendments to the debt ceiling only after only after it has voted to spend more than available tax revenues. As a result, debates on the debt ceiling have become a form of bad political theater, a bizarre combination of tragedy and farce." "A legal debt limit established apart from specific appropriations breeds cynicism and hypocrisy, since many members of Congress vote against a higher debt ceiling, having already voted for appropriations exceeding tax revenues. Deficit financing is clearly necessary in times of war and depression. Paying off the debt is just as necessary in happier times. Congress should adopt the fiscal procedures of the Texas Legislature: "All bills that call for spending money must have fiscal notes prepared by the Legislative Budget Board.

I liked this book quite a bit. The most important thing I can say upfront to potential purchasers is that it is written in exceptionally clear and lively prose and there is not much in the way of quantitative analysis. I cannot recall a book in this or any related genre that used the active voice so predominantly. I noticed this early on and began scanning pages to see when a sentence in the passive voice would appear and, remarkably, there weren't very many. It was quite a feat and could make the book worthy of assignment to a freshman composition course. As for the substance, it is more of a history book than an explicit policy book. After his introduction, the narrative starts off with the Founding Fathers being unable to pay the bill for George Washington's retirement party for four months because the pre-Constitutional Convention federal government was so broke. It marches forward through American history, touching lightly on the period between van Buren and Lincoln but paying careful attention to many other Administrations, including most surprisingly, those of Grover Cleveland. White repeatedly demonstrates that as a matter of practice, until recently, the Federal government managed its finances according to four basic "pillars" in his words: pay as you go (i.e., balanced budgets, at least at full employment and when not in an economic slump); clear accounting (up until the Johnson administration anyway); raising revenues for specific purposes with specific taxes and dedicating those revenues to those purposes through trust funds; and explicit Congressional approval of new taxes or increasing national indebtedness (the debt ceiling) to fund new spending.

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