

November 18, 2020

The Honorable Jim McGovern
Chairman
Committee on Rules
House of Representatives
H-312, the Capitol
Washington, DC 20515

RE: End The House PAYGO Rule

Dear Chair McGovern:

We urge the House of Representatives to exclude the House Pay-As-You-Go (“PAYGO”) point of order adopted in January 2019 from its rules package for the 117th Congress. The House PAYGO rule creates an unnecessary obstacle to legislation our country needs to confront the COVID-19 pandemic, economic inequality, and the climate crisis. The House should abandon this obstructive procedure rooted in flawed economic reasoning.

The House PAYGO rule¹ allows a Member of the House of Representatives to raise a point of order on the House floor against any legislation projected to increase direct spending or reduce revenues unless it is offset by equivalent amounts of direct spending cuts, revenue increases, or a combination of the two, over the specified periods.² This goes far beyond the Statutory Pay-As-You-Go Act of 2010 by requiring every individual bill that increases direct spending or reduces revenue to have offsets before it can pass the House. This requirement needlessly blocks bills from consideration.

The House PAYGO rule contains two main flaws.³ First, it impedes effective policymaking. It creates a procedural bias against investment and forces Members of Congress to navigate additional procedural hurdles in order to enact essential legislation. The PAYGO rule comes into play before the House can even send legislation to the Senate, much less the President. It also does not take into account budget implications of bills that have already passed or will be enacted later in the same Congress. Given the rule’s impracticality, the House has frequently needed to waive it, which calls into question its utility in the first place.

Second, it perpetuates an overly simplistic — and we believe, harmful — sentiment that budget deficits are universally bad and to be avoided at all costs. This viewpoint wholly discounts the underlying conditions of the economy. During periods of high unemployment — as

¹ House of Representatives rule XXI, clause 10, p. 37

<https://rules.house.gov/sites/democrats.rules.house.gov/files/documents/116-House-Rules-Clerk.pdf>.

² See generally “Budget Enforcement Procedures: House Pay-As-You-Go (PAYGO) Rule,” Congressional Research Service (August 12, 2019), https://www.everycrsreport.com/files/20190812_R41510_f3b89615ed278f731538dae2fe0b4485f7e18c1c.pdf

³ “Unrig the Rules: The Case for Repealing Congressional PAYGO,” The Congressional Progressive Caucus Center (October 2020), https://rooseveltinstitute.org/wp-content/uploads/2020/02/RI_TheFlawedEconomicsofPAYGO_UPDATED_FactSheet_202010.pdf

we are in now — the greater risk is not too much deficit spending, but too little. With labor and other productive assets left idle, government spending is the single most effective way to boost economic demand and dig our country out of a recession.

Yet the current PAYGO rule takes no account of the economy's vagaries. Instead it ties Congress's budgetary hands, limiting the ability to respond to changing economic conditions. Taken to its logical conclusion, PAYGO militates against deploying expansionary fiscal policy, even when doing so would help restore economic growth and lead to lower debt in the long run.

This is especially problematic because concerns that deficit spending would result in high interest rates have not borne out in reality. Philip Swagel, the conservative Director of the Congressional Budget Office, testified last month, "Over the long term, the United States is not facing an immediate fiscal crisis. The current low interest rates indicate that debt is manageable for now, and that fiscal policy could be used to address national priorities if the Congress chose to do so."⁴

In conclusion, the PAYGO rule places an unnecessary and harmful constraint on Congress, obstructing the very investments our country needs to grow the economy and create jobs. It is a flawed rule based on a poor understanding of deficits. The House should take a more sensible approach by excluding PAYGO from the next rules package.

We would welcome the opportunity to discuss this further. Please contact Andrew O'Neill, Senior Economic Justice Policy Manager, Indivisible, at andrew.o@indivisible.org or Daniel Schuman, Policy Director, Demand Progress, at daniel@demandprogress.org.

Sincerely yours,

American Family Voices
Asian Pacific American Labor Alliance, AFL-CIO
Bend the Arc: Jewish Action
Business Leaders for Health Care Transformation
Center for Biological Diversity
CEPR
CODEPINK
Demand Progress
Demos
Economic Policy Institute
Economic Security Project Action
Family Values @ Work
Free Press Action
Friends of the Earth U.S.
Groundwork Collaborative

⁴ "Hearing on Fiscal Responsibility and Economic Growth," Senate Finance Subcommittee on Fiscal Responsibility and Economic Growth (October 7, 2020), <https://www.c-span.org/video/?476650-1/hearing-fiscal-responsibility-economic-growth>

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Oil Change U.S.
Our Revolution
People's Action
Progress America
Progressive Democrats of America
Public Citizen
Rachel Carson Council
RootsAction.org
Social Security Works
Sunrise Movement
Tax March
The Center for Popular Democracy
United We Dream

cc: The Hon. Nancy Pelosi
Members of the House Democratic Caucus