

## Chapter 12

### Trump's Destructively Aberrant Approach to Federal Budgeting

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#### Introduction

President Trump's budgetary behavior has been a strange blend of orthodox and unorthodox. Trump's advocacy for tax cuts has been orthodox for his party, similar to the actions of Presidents Ronald Reagan and George W. Bush. His rhetoric about spending policies, mostly tweets, has at times been *heterodox* to his party, opposing cuts to popular entitlements yet frequently attacking major Democratic spending priorities via his administration's budget policies and regulatory actions. But unorthodox is an accurate description of President Trump's budgeting style, which is quite unlike previous presidents' approaches to their budgetary responsibilities.

The extent of this unorthodox style has been so great that it may be even more accurate to label his approach as destructively aberrant. The timing could not be worse. There is a widespread consensus that the federal budget process is broken or, to attach blame more directly, that recent Congresses and presidents have often failed in their duty to budget responsibly and intelligently. The extensive partisan polarization that so afflicts national politics is no doubt part of the cause, though it has not been the only reason why the norms that once supported the process have lost much force. Trump's actions have added to this problem by supporting policies that increased budget deficits even though the economy was strong and by reducing the effectiveness of the executive budget preparation and execution processes. Trump's personal financial behavior has often been irreconcilable with fundamental principles of good budgeting.

In addition, Trump acted to weaken the power of the purse held by Congress, in part through violations of the Antideficiency Act during the longest partial government shutdown in history. More important were the transfer of funds appropriated for defense to border-wall construction, even though his previous appropriations request for that purpose had been denied by Congress, and the withholding of appropriated security assistance to Ukraine.

### **Trump: Not Like Ike**

Describing what has been unorthodox about Trump's approach to budgeting requires defining orthodox budgeting behavior by presidents. In the budget world, the budget absent any changes in policy is defined as the "baseline." And like developing a budget baseline, projecting what presidents are expected to do is more complicated than many might think.

A starting point is provided by a personal anecdote related to President Eisenhower. After my grandmother passed away, my father went through her effects and found a letter, which he framed and sent to me; it now hangs on my office wall. Dated March 19, 1957, it was signed by Sherman Adams, the former chief of staff to Eisenhower; Adams later resigned for having accepted a vicuna coat and an oriental rug from an influential businessman. My grandmother did not have such elite status, but she was not shy—in his response, Adams thanked her for what he called "a forthright expression of your views." Her letter to Eisenhower had demanded that her taxes be reduced.

Tax reduction has long been central to Republican Party strategy, especially after California's Proposition 13 property tax revolt in 1978. But Adams did not give in to my grandmother's demand. Instead, he wrote:

Few things could give the President greater pleasure than to be able to recommend tax reductions over and beyond the \$7.4 billion reduction accomplished in 1954. That reduction, incidentally, was the largest in our history and gave relief to millions of taxpayers who had suffered unusual hardships and inequities under old tax laws. Just as soon as the budgetary situation permits, he will recommend such reductions to the Congress. Of course, tax cuts must give way under present circumstances to the cost of meeting urgent national responsibilities. Substantial cuts now without a corresponding reduction in Government expenditures would renew deficit financing and gravely risk renewed inflation which, in the fifteen years before 1953, cut in half the purchasing power of the dollar. In the meantime, I can assure you this administration will continue to work diligently to keep spending under tight control and to increase the efficiency of Government operations.

Adams expressed the orthodox Republican view about the danger of budget deficits. Concern about inflation being caused by government policy was particularly strong in the year before Eisenhower was elected; due in part to Korean War spending, inflation was in double-digit territory. This was also the result of a long-standing policy that the Federal Reserve would support the sale of Treasury bonds during wartime by keeping interest rates low. The 1951 “accord” between the Treasury and the Fed freed the latter from having to monetize government debt over the long run. Thus the Eisenhower era began with the view that both monetary and fiscal policy had to be cautious in order to keep inflation in check. Throughout his administration, Eisenhower was committed to the control of spending, denying agencies budget increases and using his veto power on spending bills (Penner 2014).

As the rest of this chapter will show, Trump's budgetary policies and style have been the reverse of Eisenhower's. Consider Trump's August 23, 2019, tweet that asked: "My only question is, who is our bigger enemy, Jay Powell or Chairman Xi?," which rejected the strong norm against presidents publicly pressuring the Fed.<sup>1</sup> Ike conducted a "hidden-hand presidency"; its documentation was a revelation to observers of the presidency (Greenstein 1994). In contrast, it should surprise no one that Trump's continual public pronouncements, featuring itchy trigger thumbs for unrestrained tweeting, would be inconceivable to his predecessor.

### **Disregard of Budgetary Expertise**

Another fundamental difference of style between Trump and all of his predecessors, rather than just Ike, has been Trump's willful isolation from executive branch budgetary expertise. Since the 1920s, presidents have been supported by a central budget office, which is now called the Office of Management and Budget. It is one of the legacies of a report issued by President Taft's Commission on Economy and Efficiency in 1912, twenty-five years before the Brownlow Committee's declaration that "the President needs help." The commission was chaired by Frederick Cleveland, a leading advocate of the "executive budget" approach that was being adopted by reformist cities and states.

An important argument for the executive budget was that it would promote government accountability to citizens, empowering the executive to prepare a comprehensive budget request

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<sup>1</sup> Powell was chair of the board of governors of the Federal Reserve System of the United States, and Xi was the general secretary of the Communist Party of China and president of the People's Republic of China.

for transmission to the legislature and to oversee agencies' execution of the legislatively approved budget so that spending limits would not be exceeded. This model assumed that either the chief executive would have sufficient character and skill to promote "economy and efficiency" or, if lacking those qualities, the public would punish that deficiency by replacing the chief executive in the next election (Meyers and Rubin 2011).

While it took nearly a decade for Congress to agree to the reform, after passage of the 1921 Budget and Accounting Act, the executive lost no time in building its technical capacity to support the president. Since then the presidential budget office has been an elite institution of career staff who have served presidents regardless of their partisan affiliations (Mosher, 1984). That ethos was expressed well in a speech by the agency's former deputy director, Paul O'Neill, a copy of which is routinely given to new hires.

It is of the greatest importance that there be a point of institutional memory and neutral competence, better yet, neutral brilliance, available to the President and the Presidency. We are doomed to repeat the mistakes of the past if we lack a trusted cadre of experts who can span the issues of partisan politics and survive the transition between parties in power. This is the role that is the *raison d'être* of this office. If it slips further from your grasp it will, I suspect of necessity, be placed elsewhere. If that should happen, OMB will become another point of special interest, yet another office the President must protect himself from rather than one he can count on as his own. (O'Neill 1988)

Presidents prior to Trump, either at their inauguration or shortly thereafter, have understood what a valuable asset their budget professionals were. In the Trump administration, the role of OMB has instead been downgraded, but not because of the failure of staff to aim for "neutral brilliance." Rather, that supply of insightful advice has no demand from #45. As

someone who is convinced of his own genius, Trump regularly rejects new information, especially when it conflicts with his own prior beliefs. Averse not only to briefings that last longer than a few minutes but also to reading of any kind, by all reliable reports he usually does not consider advice generated through a typical executive branch policy review process (Rucker and Leonnig 2020; Dionne et al. 2017). This situation is far worse than previous turns toward an anti-analytical presidential style (Williams 1990; Rocco 2017). One of the results is that the impact of OMB career staff has decreased; their work, which is traditionally filtered through political staff, is less likely to make it to the top, where it really matters. Anticipation and recognition of this malign neglect may have contributed to the quit rate of OMB staff in fiscal 2017: from the base number of career staff at the end of fiscal year 2016, in the next fiscal year 31 percent left OMB, with 71 percent of those quitting the federal government. That's extraordinary turnover.<sup>2</sup>

Another important change has been with how OMB agency leaders have been treated. Mick Mulvaney served as director during 2017–2018, before being appointed acting White House chief of staff in January 2019, where he continued to exercise influence over budget policy at the president's direction. This fit with Trump's predilection for having his leadership corps in "acting status," with Mulvaney's ostensible replacement, Russell Vought, being named only as acting OMB director. Also notable was that during much of Mulvaney's formal direction of OMB, more than a full-time job in itself, he was also acting director of the Consumer

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<sup>2</sup> Calculated from the Office of Personnel Management's FedScope separation database. Thanks to Michael Hassett and Ryan Wilkens for accessing these data.

Financial Protection Bureau, where he worked to eviscerate that agency (Thrush and Rappeport 2018).

But arguably the most important leadership within OMB is its top civil servants, the deputy associate directors (DADs) and branch chiefs who are the organization's institutional memory and quality control experts. OMB works well only when the agency's program associate directors (PADS), who are political appointees, empower their subordinates, as a transition report put it: "Behind every good PAD there is a great DAD or two" (Redburn and Posner 2017). A troubling example that the legitimate functions of DADs have not been honored came to light in the withholding of Ukraine security assistance, where the PAD atypically took over the DAD's highly technical responsibility for apportioning appropriated funds to agencies (see below).

It is difficult to specify the extent to which the executive branch's overall budgeting capacity has suffered because of Trump's indifference. There are, of course, still many competent budget staff members across the diverse agencies of the executive branch, and much of the executive branch budget process has rolled on from year to year. On the other hand, it is not unreasonable to be concerned that the Trump administration, which Michael Lewis has shown is injuring the government's general administrative capacity, will leave the next president with an impaired ability to budget (Lewis 2018; Hiatt 2018).

### **The Bullshit Pulpit and Financial Corruption**

A related issue is the need for honesty in budgeting. A common saying among budget professionals is that "the numbers don't lie." Accurate data is the base of good budget analysis. This is not to say that budget forecasts and estimates should be viewed as indisputable. Most

budget analysis includes some level of uncertainty, which should be estimated and described. When uncertainties are concealed, and worse, when budget projections are intentionally biased, decision-makers and the public are ill-served.

Previous presidents have not been blameless in this regard. But the problem here is that Trump is a serial liar without compare in American political history.<sup>3</sup> This extensive dishonesty could create the peripheral damage that public trust in government budget information will decline. This is the opposite of what the country needs, for public confusion about budget realities, created in part by the messaging from both parties, makes it more difficult to agree on sustainable policies. To counter this, some advocates of budget reform have suggested that presidents be charged with the duty of speaking annually on the fiscal state of the nation. While that proposal may be overly optimistic about the potential of using the bully pulpit, a continuation of Trump's bullshit pulpit is certain to worsen the budget process.<sup>4</sup>

Finally, a man who cannot be trusted to tell the truth should be expected to be untrustworthy with other people's money. There was voluminous evidence in Trump's history before he became president: multiple declarations of bankruptcy, numerous complaints by contractors whom Trump had stiffed out of bills he owed, and an exceptional record of litigation over money matters. In 2016, David Fahrenthold of the *Washington Post* reported a series, which the next year won a Pulitzer Prize, on Trump's fraudulent operation of his charity. Attentiveness

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<sup>3</sup> For one compilation of lies, see <https://projects.thestar.com/donald-trump-fact-check/>.

<sup>4</sup> The president has repeatedly used this profanity in public, including in a public event held on the day after the Senate voted to find him not guilty of impeachment charges.



to these facts signaled that candidate Trump would be unlikely to adhere to government norms of good budgeting and financial management.

Those signals were confirmed by the candidate's often bizarre claims about his financial wizardry that went far beyond the puffery that is common among those from the real estate industry. Fact-checkers did their duty here, such as Glenn Kessler's "four Pinocchio" takedown of Trump's ridiculous assertion that he was so skilled in renegotiating contracts that he could eliminate the nation's \$19 trillion in debt in just eight years (2016). However, those corrections had little influence with many voters who had been conditioned by Trump's celebrity from *The Apprentice*, believing the fiction that he had the business acumen needed in spendthrift Washington (never mind Trump's ostentatious personal consumption).

More damning evidence about the president's financial past came to light as he was president, including a deeply sourced *New York Times* investigation that showed Trump and his family had cheated on their taxes; no penalty would be paid because of the statute of limitations that applied (Barstow et al. 2018). Trump had controversially refused to release his tax returns during the campaign and fought off numerous suits while president in order to keep them secret. He refused to withdraw from influence over his real estate operations, one of which, the Trump Hotel on Pennsylvania Avenue, was leased from the Government Services Administration, which reports to the president. It became a popular hangout for Trump supporters and a venue that billed at top dollar to foreign and state government clients, producing charges that Trump was violating the two clauses in the Constitution that forbid presidential acceptance of emoluments. Trump's other refuges: golf course resorts in New Jersey and Virginia and the Mar-A-Lago Club in Florida, where Trump spent about one-third of his presidency, were handsomely compensated for Secret Service expenses (Fahrenheit 2020).

Historians will have the opportunity to compare the Trump administration's corruption to those of Grant, Harding, and other presidents. For now, the damage assessments could begin by asking by how much Trump's behavior has signaled to taxpayers that they should not comply voluntarily with the tax code and to contractors and government employers that they should not observe legal standards for federal financial management. Those signals do not meet the constitutional standard that a president must take care that the laws be faithfully executed. But meeting that standard is not all that we expect from a president regarding the budget. Particularly since the Budget and Accounting Act of 1921, the executive budget has allowed presidents to show foresight and leadership by how they proposed to allocate funds. Trump's cavalier approach to budgeting has prevented him from exploiting that opportunity.

### **From Reagan to Trump: The New Orthodoxy of Constrained Budget Opportunism**

While Trump's *style* in dealing with the budget clearly differs from that of his predecessors, comparing his budget *policy* to those of his predecessors is more difficult. Eisenhower's balanced budget orthodoxy was partially rejected soon after he left Washington, beginning with President Kennedy's advocacy of a stimulative tax cut. The redefinition of what presidents were allowed to do with their budget policies continued to evolve in succeeding administrations.

This is not to say that presidents fully rejected the ideal of a balanced budget, both as a symbol and as a real policy goal, for remnants of that ideal were endorsed and reinterpreted by Ike's successors in various ways, as has happened throughout the country's history (Savage 1988). Yet from Kennedy through Obama, acceptance of large deficits was converted from unorthodox to orthodox status, aside from the interregnum of the late 1990s when deficits were surprisingly converted to surpluses.

The clearest examples are Republican presidents' advocacy of large tax cuts, beginning with Reagan in 1981. (Developments from LBJ through Carter are not covered here because of space limits.) Supporters argued at first, using the guise of supply-side economics, that tax cuts would pay for themselves, with induced economic growth offsetting initial revenue losses. But even if that didn't work, as Representative Jack Kemp put it, "We Republicans no longer worship at the altar of the balanced budget." Deficit hawk Republican senators disagreed, leading the effort that scaled down tax cuts in 1982 and 1984 legislation. They later joined with Reagan and Democrats to adopt the 1986 Tax Reform Act, which reduced tax expenditures and lowered marginal rates, in turn keeping the law deficit neutral. On the spending side of the budget, though Reagan pushed big domestic cuts through Congress in 1981, overall his spending policies did not match his small government rhetoric, particularly because of a major buildup of the defense budget.

Reagan was followed by two presidents who reversed the country's fiscal course. In 1990, the landmark Budget Enforcement Act established caps on discretionary spending and required that new mandatory spending and/or tax cuts be offset through the "PAYGO" procedure. This happened only after President George H. W. Bush abandoned his 1988 nominating convention pledge of "Read My Lips No New Taxes"; his deal with congressional Democrats reduced deficits by about half a trillion dollars over five years, with the savings roughly split between tax increases and spending cuts. That action also split his party, helping Newt Gingrich set the unyielding path that congressional Republicans have followed in many years since, weakening support for the incumbent president who was parodied by comedian Dana Carvey for rejecting policies because they "wouldn't be prudent." However, Bush's action

was reflective of popular concern about deficits, as represented by the 19 percent of the 1992 popular vote given to deficit hawk independent candidate Ross Perot.

The winner, Bill Clinton, had campaigned on a stimulative platform, but in 1993 he convinced his party to adopt a similarly sized deficit reduction plan that relied heavily on tax increases. It garnered no support from Republicans, who in 1994 ousted some Democrats from swing districts who had voted for the plan, contributing to the GOP's capture of the House.

The remaining years of divided government were far from routine, with government shutdowns in 1995 and 1996 because of differences between the parties followed by the bipartisan Balanced Budget Act of 1997. Aided by abnormally high economic growth and the dissolution of the Soviet Union, which made it possible to downsize the military, budget balance then was reached. That result was also due to the restrictive budget policies and deficit control-oriented procedures adopted earlier in the decade. Adhering to those policies and procedures hurt Clinton's attempt to expand government health insurance but helped his opposition to the tax cuts that Republicans pushed once surpluses appeared.

Election of the next Republican president, George W. Bush, broke the impasse, enabling major tax cuts in 2001 and 2003. In internal debates about the latter, when faced with opposition from the Treasury Secretary (the same Paul O'Neill who is quoted above), Vice President Cheney riffed on Kemp's abandonment of a balanced budget declaration by stating "Reagan proved that deficits don't matter," adding "We won the midterms. This is our due" (Suskind 2004, 291). After the 9/11 attack, large increases in military spending from war fighting in Afghanistan and Iraq also generated deficits. Bush also supported the Medicare Modernization Act (MMA) that created Part D of Medicare, providing coverage for prescription drugs without offsetting the added spending.

And then with the election of Obama, history repeated itself again, but only in part. As did George W. Bush, Obama expanded government spending on health care when his party had unified control of Congress, using the reconciliation process after the party lost its filibuster-proof majority in the Senate. The difference from the MMA was that the Affordable Care Act (ACA) did not add to the deficit (Elmendorf 2014). And as did Clinton, Obama reversed some of the tax cuts previously adopted under Republican predecessors. Obama's presidency was like Clinton's in another respect, in that both saw their party lose control of Congress in their first midterm elections, followed by strident opposition by an influential House Republican leader. Obama's antagonist was Budget Committee chair Paul Ryan, the author of a series of plans, none of which became law, that would have substantially reduced entitlement spending.

Obama's election and actions had stimulated the mobilization of Tea Party Republicans, who renewed the party's rhetorical opposition to large deficits. Deficits had already increased substantially because of the Great Recession. That downturn began at the end of the Bush second term; preventing the collapse of the financial system required extraordinary actions by the Fed and Treasury and difficult votes in Congress for a bailout plan. Bush's leadership on those remedies was followed by President Obama's 2009 advocacy of a countercyclical stimulus bill, the size of which was limited by pivotal Republican senators who voiced concern about growing deficits. Much of that deficit growth was the natural result of the budget's automatic stabilizers; the additional deficits were layered over the baseline deficits created during the Bush #43 administration.

To deal with this situation, in 2010 Obama created by executive order a National Commission on Fiscal Responsibility and Reform, a bipartisan group intended to produce a "grand bargain" between the parties that would reduce deficits. A proposal by its chairs failed to

gain enough support and was followed by difficult negotiations between Obama and Speaker Boehner (R-OH) that also failed. Then, at the last minute, before brinksmanship would have led to default, the parties agreed on the Budget Control Act of 2011 (BCA), which has structured budgeting since then. The law established tight caps on discretionary spending, created a bipartisan “supercommittee” in another attempt at a grand bargain, and reincarnated a “sequestration” process that would automatically reduce discretionary spending caps, and cut Medicare, if a grand bargain wasn’t made.

Sequestration was central to the 1985 “Gramm-Rudman-Hollings” budget law, but it failed to force Reagan and Congress to agree on deficit reductions, because the parties agreed instead to avoid that hard penalty. This time a partisan impasse over the spending cap reduction led to a government shutdown in October 2013. Cooler heads then prevailed with adoption of the Bipartisan Budget Act of 2013, which split the difference between Republican- and Democratic-preferred appropriations levels for two years. With that agreement, the political steam went out of this approach to deficit reduction, though fiscal austerity policy continued for another two years.<sup>5</sup> In 2015, Obama and the Republicans again increased the discretionary spending caps. As the economy recovered slowly but steadily, the net effect was that by fiscal year 2016, the deficit had declined from its fiscal 2009 high of 9.8 percent of GDP to 3.2 percent of GDP.

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<sup>5</sup> The Hutchins Center Fiscal Impact Measure shows that in the second quarter of 2011, the combined effects of government spending and taxing became contractionary. A stimulative trend didn’t emerge until 2018–2019. <https://www.brookings.edu/interactives/hutchins-center-fiscal-impact-measure/>.

That was as low as the Obama administration wanted to go, particularly as its advisors in the economics profession had concluded real interest rates were also likely to stay low, which made the debt burden less worrisome (Summers 2016). And despite the sustained criticism of “Obama’s deficits” from Republicans through most of his administration, many Republicans also went silent on the issue as Trump ran on a platform that would increase deficits, primarily by cutting taxes (Zeller 2016).

Long before then, the Nobel economist and liberal columnist Paul Krugman had repeatedly complained about the “fiscal hypocrisy” of Republicans for their persistent blaming of Democrats for deficits when Republicans didn’t hold the presidency and their credit claiming for deficit-increasing tax cuts when they did hold the presidency (for a recent version, see Krugman 2020). His colleague David Leonhardt provided data in support: Republican presidents’ periodic success in cutting taxes is a major reason why deficits, beginning with the Reagan administration, increased during each Republican presidency and decreased during Democratic ones (with the deficits calculated excluding the effects of automatic stabilizing policies that result when the economy is operating below its potential capacity) (Leonhardt 2018).

During the 2016 presidential campaign, the deficit hawk group Committee for a Responsible Federal Budget predicted that if the candidates’ promises were honored in office, that pattern would continue: deficits over ten years would increase by \$5.3 trillion under Trump, mostly due to tax cuts, while they would be roughly stable under Clinton, though both revenues and spending would increase (2016).

It was a prescient prediction, for one of the few legislative accomplishments of the Trump administration has been the law popularly known as the “Tax Cuts and Jobs Act” (TCJA) of 2017. Though the Congressional Budget Office (CBO) projected that TCJA would increase

deficits by \$1.5 trillion over ten years (not counting additional debt service or macroeconomic effects), it was adopted by a unified party that claimed the tax cuts would pay for themselves and that used the budget reconciliation process to prevent a Democratic filibuster. CBO's analysis from 2018 put the cost at \$1.9 trillion, including debt service and macroeconomic effects. Unlike Reagan's Tax Reform Act, the TCJA increased horizontal inequities in the tax code by creating more special preferences than it abolished (Slemrod 2018).

On the spending side of the budget, President Trump and Congress, following the 2013 and 2105 bipartisan budget agreements, adopted similar agreements in 2018 and 2019 that increased discretionary spending substantially above the BCA caps. Chairs of the House and Senate Budget Committee maintained that these agreements eliminated the need to adopt budget resolutions, though changing the permissible levels for 30 percent of spending is far from developing a comprehensive plan for the government's finances. But comprehensive budget baseline projections still were prepared--in January 2020, CBO expected a fiscal year 2020 deficit of \$1.0 trillion, even though the economy was very strong (2020a). The agency projected that deficits over the next ten years would average \$1.3 trillion, about three-fifths higher than their average over the previous fifty years.

From this history it should be clear that presidents can no longer be expected to carry the torch of balanced budget orthodoxy and certainly that Trump did not do this. What has taken its place? The new orthodoxy can be described as a strategy of constrained budget opportunism. That opportunism can be seen most clearly when presidents with majority support in Congress took advantage of procedural opportunities afforded by the budget process to advance their parties' major priorities. In particular, reconciliation, which prevented filibusters by the minority party, enabled passage of controversial bills that cut spending (Reagan), cut taxes (Reagan, Bush #43, and Trump), and changed health policy (Bush #43 and Obama).



This opportunistic strategy was periodically constrained by pressure to respond to concerns about excessive deficits. That pressure was a complicated function of actual and projected increases in deficits, the stage of the business cycle, changing expert beliefs about the macroeconomic role of deficits, and the public opinion effects of cues from co-partisan elites. When pressure was high, then the budget process stood ready to be used for the cause of deficit reductions, as it was in the 1990s (Meyers and Joyce 2005).

Regardless of the presence or absence of such pressure, much of the executive budget process followed tradition prior to Trump. Its norms included comprehensive transparency of government finances, following a detailed annual schedule, and completing negotiations within the executive branch to arrive at specified allocations and acceptable totals. For example, agencies had to comply with OMB's budget circular A-11, with its more than a thousand pages of detailed directives about how agencies should prepare their budget requests and how they should execute the budgets enacted by Congress. In contrast, budgetary relations between the president and Congress worsened, to the point that years before the beginning of the Trump administration, major parts of the budget process were widely viewed as "broken" (Meyers 2009, 2014). A downward spiral of hyper-partisan conflict interacting with the weakening of traditional congressional norms helped make late appropriations even more frequent, caused the nonadoption of budget resolutions, and stimulated recurrent brinksmanship. This atrophy of process caused much frustration but also permitted additional budget opportunism.

This weakness of budgetary constraints must have been welcome to President Trump, who disdains constraints to such an extent that, as Hennessey and Wittes describe in their insightful evaluation, he has invented what they call an "expressive" presidency: "Whereas the traditional presidency developed process because administering government effectively required

it to work optimally, Trump is proposing a kind of disconnect between the workaday functions of government and the show going on at the top. He doesn't care if it works optimally; optimal effectiveness is not the goal. He wants to mouth off and announce things and have the executive branch below effectuate his will" (2020, 52). Trump's application of this style to budgeting can be summarized by going beyond Cheney's statement about deficits not mattering: not only does Trump believe deficits don't matter, but he also believes the budget process doesn't matter. Yet despite this president's disinterest in budgeting, the administration still sent budget requests to Congress and negotiated over spending and tax bills. The next section describes those actions, and then reviews how Trump used his budget execution powers, part of his extremely aggressive administrative presidency.

### **Trump's Budget Requests, Negotiating Approach, and the Wall Shutdown**

When Trump ran for the nomination, voters viewed him differently than they did other Republican candidates because some of his positions were heterodox to standard GOP ones. On trade, he sounded like anti-NAFTA Democrats, and like almost all Democrats he pledged to protect entitlement programs. The latter stance periodically reappeared when he wasn't preoccupied with immigration and investigations; or when the budget was news, Trump tweeted two days before his FY21 budget request that it "will not be touching your Social Security or Medicare."

In this modern era, when parsing presidential statements has sunk to the depth of considering the meaning of "is," the accuracy of this tweet depends on one's interpretation of "touching your." In fact, like every presidential budget request for many years, the FY21 budget proposed savings from Medicare to reduce its rate of growth; almost all would reduce payments

to providers and likely not reduce care received by beneficiaries. But in her initial response to Trump's budget, Speaker Nancy Pelosi (D-CA) read from page one of the Democratic playbook, accusing the president of making "savage cuts." This is a Democratic variant of the fiscal hypocrisy problem that Krugman ascribed to Republicans, because the ACA was full of provisions designed to reduce health spending while protecting quality (which, of course, Republicans criticized, another example of partisan blame generation in budgeting).

Looking at his budget requests over four years, Trump's heterodox tweeting should be viewed mostly as distraction. His budgets matched GOP orthodoxy, greatly resembling Paul Ryan's plans. The first budget, as is usual for new administrations, was submitted late, in May. Also usual was that the administration, given the challenge of quickly staffing up, drew much of its first budget's contents from outside groups allied with the administration. It relied especially on the Heritage Foundation's annual "Blueprint for Balance" publication and continued to do so in later years. In 2019, Heritage celebrated its strong connection with the Trump administration: "Of the 175 Blueprint proposals, 66 are fully included in the president's budget, and another 41 are partially included. This means the Heritage Blueprint and the president's budget share about 61 percent in common, according to these criteria" (Boccia and Ditch 2019).

Skipping ahead to his fourth budget, transmitted to Congress in an election year, the FY21 budget shared basic features with Trump's previous requests. It increased funding for homeland security and defense, though the increases were smaller than in previous years. The budget attacked nondefense discretionary spending, in two ways. First, it proposed big cuts to selected agencies, such as 27 percent less for the EPA, which would complement the administration's broad reversal of Obama's regulations. Second, the "two-penny plan" would cut this category by 2 percent a year in nominal dollars, which over ten years would shrink its

contribution to GDP from 3.3 percent to 1.6 percent. This was not the first time that a ten-year budget plan suggested a future government whose size resembled those that predated the New Deal, but it was just as fictional. Also unlikely to occur was the administration's prediction of rapid economic growth coincident with low interest rates, far more optimistic than expected by CBO or almost all independent forecasters. Finally, the budget made major cuts to means-tested entitlement programs, such as Medicaid and food assistance (Kogan, Romig, and Beltran 2020).

Given the Democratic minority's remaining influence in the Senate, and after 2018 the Democrats' control of the House, many proposals in Trump's four budgets were fated to suffer immediate rejection. Even so, the effective requirement to get a presidential signature on appropriations bills is a very real constraint for the president's opponents, so Trump's budget requests for discretionary spending could not be ignored. Further incentivizing both sides to compromise was that honoring the BCA caps would bite heavily into the priorities of both Democrats (nondefense) and Republicans (defense and homeland security).

Partisan polarization assured that negotiations over increasing the caps would be difficult, but they were far worse because of Trump's temperamental negotiating style. Appropriators, whether Democrat or Republican, are skilled negotiators who do not value unpredictability. The president, in contrast, is known for his lack of concentration and shifting positions, often based on whoever meets with him last.

The high consequences of this style were especially visible in the conflict over Trump's request for wall construction funding (from Congress, that is, rather than from Mexico). The president blew up in a photo opportunity on December 11, 2018, after being egged on by Senator Schumer, saying what no previous modern president would have said: "I am proud to shut down the government for border security, Chuck, because the people of this country don't want

criminals, and people that have lots of problems, and drugs, pouring into this country.” While Mulvaney supported this strategy, other advisors to Trump felt it was ill-advised. Once Congress said for the last time that it would not provide the \$5.7 billion in funding for the wall that Trump had demanded in the fall, months after his FY19 budget had requested only \$1.6 billion, the partial shutdown for lack of appropriations began. It lasted thirty-five days, the longest in US government history.

When the branches settled their differences, the appropriation for the wall was only \$1.375 billion, but Trump still declared victory. That was probably accurate, for Trump also declared a national emergency, which he said allowed the transfer and reprogramming of an additional \$6.5 billion for wall construction, mostly from accounts for military construction and defense counter-drug activities. In theory these shifts were legally questionable, but since appropriations law is highly complex, space is lacking here to discuss the issue in necessary detail. In practice, plaintiffs opposing the shifts filed suits but found it difficult to gain standing in the courts. In the field, execution of the funds was slow because of technical difficulties, leading to a large balance of unspent money. This balance was one reason House Democrats appropriated only another \$1.375 billion for the wall, below what Trump had requested, in the FY20 bill that was enacted in December 2019.

Trump had followed his 2019 shift of funds by asking Congress to use the FY20 bill to backfill the accounts from which the transfers had come. This was tempting to Congress because the activities defunded by Trump’s shifts, such as repairing dilapidated barracks, are popular with constituents, but Congress did not comply with the request. Trump did enjoy another victory in the FY20 appropriations bill, however, because Democrats could not convince Republicans to support legislative language that would have prevented additional transfers to

supplement the appropriated amount for the wall. In February 2020, Trump announced he was again moving funds for the wall, \$3.8 billion worth, this time from procurement accounts for all four uniformed services, targeting appropriations that exceeded administration requests.

The administration's actions during the shutdown and after it were major challenges to the power of the purse granted to Congress in Article I of the Constitution. Concerned about being blamed for the lack of government services during the shutdown that Trump said he was proud to force, the administration loosened a strict policy, promulgated by President Carter's attorney general, that prevented unfunded agencies from carrying out routine operations (Rein et al. 2019). This was arguably a violation of the Antideficiency Act (see Candreva 2019). The more worrisome issue is how the appropriations process will evolve because Trump refused to follow congressional directives on how money should be spent. The congressional power of the purse will become meaningless if future presidents repeatedly use Trump's strategy. In the past, violations of congressional spending directives have often led Congress to withdraw the flexibilities it had previously granted the president. While such assertion of control was often necessary, in some cases it also reduced agencies' abilities to operate efficiently.

### **Budget Execution Decisions—Including the Withholding of Ukrainian Security Assistance**

Trump made other budget execution decisions that have illustrated how strong the effect of the administrative presidency's powers can be on the budget. On the revenue side, his Commerce Department's expansive interpretation of the Trade Expansion Act of 1962, which for example found that national security was threatened by other countries' trade in auto parts, allowed Trump to unilaterally declare tariff increases. This increased tariff revenues, which Trump celebrated as being paid by opponents in the trade war. In fact, most of the burden of the trade

restrictions, which were akin to a tax, was borne by American consumers. Trump's aggressive policies also led targeted countries to respond in kind, such as by buying fewer of America's farm exports. To protect his political base, Trump then used existing authority to make "market facilitation payments" to some farmers for their losses from the trade war, at a budget cost of \$28 billion.

Other significant administrative actions that could or did affect spending for means-tested entitlements include proposing waivers for Medicaid that would establish work expectations and reduce ACA enrollment expansions, restrictions on SNAP (food stamps) eligibility, and tightening "public charge" requirements for those seeking immigration and naturalization approvals. Major changes to how border protection agents dealt with undocumented people, including requiring separation of children from adult family members, required more spending to deal with violations of standards for adequate treatment of these individuals. The latter contrasts with the Obama administration's Deferred Action for Childhood Arrivals policy, which rationalized the loosening of requirements for a subset of the undocumented in part on grounds that the budget included insufficient resources to strictly follow the law; deportation activities were instead focused on criminals. While CBO incorporates the estimated budget effects of proposed and final rules into its baseline, these effects are generally invisible to the public.

The most politically important budget execution action by Trump was his insistence that \$392 million in security assistance funding be withheld from Ukraine. This act was part of the basis of the House's impeachment of Trump, although the Senate decided not to remove Trump from office. This was not the only controversial case of the administration withholding appropriated funds, among which was the refusal to send emergency relief funds to Puerto Rico on suspicion that the money would be spent corruptly.

Without getting into the details of the impeachment case, the relevant point here is that the withholding of funds violated the Impoundment Control Act (ICA). Adopted in 1974 along with the Congressional Budget Act, the ICA allows the president to defer spending, but only when he notifies Congress that he is doing so legally and when the deferral would not in effect be a rescission, or cancellation, of funds, because the deferral would last up to the date when the funds would no longer be legally available for obligation. In this case, the required notification of Congress did not occur. The deferral was camouflaged by adding footnotes to documents that “apportioned” funds, that is, that told agencies the amounts of their appropriations they could spend during a certain period. The footnotes required that the Ukrainian assistance funds *not* be obligated and in most cases were added by the national security PAD, with the support of the OMB general counsel, both political appointees. This direction was the subject of extensive disagreements with the Defense Department and is said to have caused the resignation of two OMB staff and a lot of angst among other involved career staff. Prior to the impeachment trial, GAO ruled that the withholding of funds was a violation of the ICA (2020). However, just as in the case of the wall, most Republicans were unwilling to take on the president, even though his action reduced congressional power.

### **Budgeting at the Start of the Pandemic**

Because the novel coronavirus is extremely contagious, social and economic disruption was inevitable even under the best possible governance. That the actual disruption was greater is due in part to some decisions made before the Trump administration that weakened pandemic containment and mitigation capacities. Trump made the problem much worse by ignoring warnings of pandemic risks and failing to provide the central direction and public



communications needed to mobilize an effective quick response. Many governors took the lead to fill that void, mandating physical distancing in order to avoid exceeding the health system's ability to care for patients. This produced an extraordinary negative economic shock, with CBO projecting a 39.6 percent decline in real gross domestic product for the second quarter of 2020 (CBO 2020b).

In response, by the time this chapter was completed, the federal government had enacted four bills to provide massive relief for many sectors of the economy and also finance additional public health spending. Trump delegated most responsibility for negotiating the terms to Treasury Secretary Mnuchin, who bargained with congressional leaders, representing the many legislators whose ability to fulfill their constitutional role was severely constrained by the lack of a plan to maintain congressional continuity during crises. When combined with revenue declines, the additional spending led CBO to project that the fiscal year 2020 budget deficit would be 17.9 percent of GDP, an increase of 13 percent of GDP above the previous projection.

As in World War II, this period was one in which it was right to temporarily ignore any concern about the growth of deficits, if the adopted policies effectively speeded the end of the pandemic and provided needed relief. However, delivering that much aid was bound to be challenging for agencies like the Small Business Administration. Trump again revealed his dislike of financial probity by removing the acting inspector general who had been selected by peers to conduct oversight of pandemic spending (Hudak, 2020). Another major budget problem was that Trump encouraged states to acquire essential medical supplies on their own, rather than maximizing use of federal powers to increase supplies and limit price increases. Even worse, he was reluctant to provide significant financial relief to the states, despite their vanishing sales and income tax revenues. When added to the states' extraordinary public health costs and

expectations that the states balance their operating budgets, this would guarantee that states would have to make procyclical deficit reductions, thereby delaying any economic recovery that would be central to Trump's reelection strategy.

## **Conclusion**

The long-term impact of Trump's approach to budgeting will obviously be greatly affected by the results of the 2020 election. Regardless of that result, though, the evidence presented in this chapter may inspire some to think about the current presidential selection process. In *Federalist* no. 68, Alexander Hamilton defended the proposed Electoral College for its ability to establish a minimum standard for selection: "The process of election affords a moral certainty, that the office of President will never fall to the lot of any man who is not in an eminent degree endowed with the requisite qualifications."

To this author, the moral certainty is that President Trump lacks those qualifications, calling into question our process for selecting presidents. While there are many reforms worth considering in order to meet Hamilton's standard, one that relates to budgeting is replacing the seemingly endless series of events during the nomination process that are improperly called "debates." In reality, they are unreality TV shows in which candidates have incentives to use the time they have available, no longer than the length of a few sound bites, to make improbable promises of policies with no mention of unavoidable tradeoffs involved. A better approach would be to have a round-robin of moderated one-on-one debates between two candidates, which would be more likely to help citizens estimate whether each candidate has the virtue to make responsible and responsive budget decisions once in office (Langer 2019).

Another lesson that might be learned is that some of President Trump’s actions have been possible because of the vacuum created by congressional budgetary dysfunctions. In half of the fiscal years since 1999, Congress has not adopted budget resolutions. The failure to enact regular appropriations bills on time has worsened, and the same goes for regular reauthorizations of major programs. It has also often failed to use performance information from the executive branch to conduct effective oversight.<sup>6</sup>

The most recent attempt to improve the process, by the Joint Select Committee on Budget and Appropriations Process Reform, ended in failure (Joyce and Meyers 2020). However, the cap structure from the BCA will expire next year, opening a window for another attempt to consider how Congress could fulfill its responsibilities over the power of the purse, including assuring that appropriated funds are spent as intended. They should try again.

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<sup>6</sup> For a broader analysis of the congressional capacity to budget, see Meyers 2017.

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