Congressional Budgeting at Age 30: Is It Worth Saving?

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The congressional budget process is now 30 years old. We review this history to describe why the process was adopted, how it has evolved, and what it has produced. In the early years, the process institutionalized but did not prevent the creation of a significant deficit. During the 1990s, the process was improved and the deficit was converted to a surplus. Since 1999, both the budget process and budget discipline have greatly eroded. We propose some technical and organizational changes that might improve the process, but in the end, what is most needed are leaders who will promote fiscal responsibility for the federal government.

INTRODUCTION

The vaudevillian Jimmy Durante often complained that "Everyone wants to get inna the act!" Regarding the Act whose history and effects we cover in this article—the Congressional Budget and Impoundment Control Act of 1974 (CBA)—everyone seems to have an opinion of whether it has been a success or not. And much like tastes in humor differ widely, from people who guffaw at broad slapstick to those who are mildly amused by subtle wit, there is no consensus on the Congressional Budget Act.

We do not intend that this article will produce such a consensus. Instead, we will describe some of the major developments of the past 30 years, and make some observations that could help readers think about the future of the congressional budget process. For some readers, there will be ironic humor in what we present—either as illustrations of the foibles of humans trying to deal with complicated problems, or as depressing "bad jokes."

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THE CONGRESSIONAL BUDGET ACT OF 1974: WHY THEN OR AT ALL?

The CBA was somewhat of an accident of history. Budgeting in Congress had long been problematic. In fact, it was difficult to call what happened in Congress "budgeting," given that most definitions of budgeting have something to do with the planned allocation of scarce resources. Instead, Congress passed laws that affected the fisc in a disconnected manner, with no "bottom line" and no coordination between committees aside from informal party leadership meetings or floor debates.

Budgetary conflicts during the latter 1960s and early 1970s were accurately described by Schick as "the 7-year war."[1] The Great Society and the Vietnam War had created a classic "guns AND butter" problem, and insufficiently tight monetary policy led to higher inflation. While inflation partially covered deficits through bracket creep increases in revenues, it also widened deficits through its effects on entitlements. In the run-up to the 1972 election, Congress and the president held a bidding war over Social Security, which produced a huge increase in the benefit base, plus future indexing of benefits through a technically flawed, overly generous cost-of-living adjustment. Unforeseen were the looming oil embargoes and macroeconomic stagflation.

But given the powerful pull of the status quo in American politics, traditional congressional budgeting may have continued unabated. What intervened was President Nixon's postlandslide hubris. He impounded funds that had been appropriated by Congress, in some cases over his veto. This challenge to the legislative power of the purse was politically foolish—its unmatched spending power makes Congress admired cross-nationally and helps protect incumbents from strong electoral challenges. Ironically, it was Nixon who then signed the CBA into law in 1974, as by then he was so weakened by Watergate that he was barely holding on to the position that he would soon vacate under threat of impeachment.

The 1974 midterm election that followed Nixon's resignation triggered, completion of congressional restructuring that had begun in the late 1950s. Then, Congress was seen as a "club" ruled by its longest-serving and typically most conservative members.[2] Fenno and Wildavsky portrayed committees and chairs as effective protectors of the status quo. But the civil rights movement and the 89th Democratic Congress challenged these traditional forces, which were further weakened in 1975 when chairs became subject to the Caucus, subcommittees were empowered, and "sunshine" became the standard. That is, just as Congress was asserting its budgetary authority against an imperial presidency, it was also decentralizing power and opening its actions to public view—neither of which made it easy to budget.[3]

1. Allen Schick, *Congress and Money* (Washington, DC: The Urban Institute, 1980).
2. Donald R. Matthews, *U.S. Senators and Their World* (New York: Random House, 1960); Robert A. Caro, *Master of the Senate* (New York: Alfred A. Knopf, 2002).
3. Nelson W. Polsby, *How Congress Evolves* (New York: Oxford University Press, 2004); John Elwood, "The Great Exception: The Congressional Budget Process in the Age of Decentralization," in *Congress Reconsidered*, eds. L. C. Dodd and B. L. Oppenheimer, 3rd ed. (Washington, DC: Congressional Quarterly, 1985), 315–342.

Like most legislation, the CBA represented compromise. Enacted to end a war, it set out a new field on which players could variously reach agreements and express conflicts—and perhaps even go to war again. And, of course, they did.

THE CONGRESSIONAL BUDGET ACT—AS WRITTEN AND AS PRACTICED

The federal budget process has been adapted regularly to reflect contemporaneous concerns. In their work on American political development, Orren and Skowronek describe such changes with the social science jargon "intercurrence." Stripped of some of its complications, this concept means that institutions are internally contradictory because they have been designed over time by people with different goals and understandings.[4]

In the case of the CBA, a common way of describing this confusing reality is that it layered new institutions over existing ones, rather than starting from scratch with a new design. That is, to the existing appropriations, authorizations, and revenues committees, and the standard legislative processes they led, the CBA added budget committees and a formal budget process. To the existing support agencies of the General Accounting Office (GAO) and the Congressional Research Service, the CBA added the new Congressional Budget Office (CBO).

"Layered" suggests a geological process of sedimentation, and after 30 years there are other geological metaphors that describe subsequent budgetary practices. For example, it was not long into CBA implementation that there was a volcanic shift in American politics, from a state—California—that knows such events. Proposition 13 and the subsequent election of Ronald Reagan created a new foundation for the budget process—antitax politics—and the basis for Republican dominance of the nation's politics.[5]

This development was especially important given the already built-in growth in spending from entitlements; the two together created a structural deficit, much like a fault zone with two clashing tectonic plates. The resulting tension has yet to be released by a policy earthquake. However, political and economic conditions have caused important metamorphic adaptations of the budget process. These changes can be grouped into three distinct "fiscageological" periods:

- The Bedrock Period—1974–1980, during which the structure and institutions of the Congressional budget process were established.
- The Orogenic[6] Period—1981–1997, which shifted the budget process to focus on eliminating the deficit, a goal that was finally achieved at the end of this period.

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4. Karen Orren and Stephen Skowronek, *The Search for American Political Development* (New York: Cambridge University Press, 2004).

5. Sheldon Pollack, *Refinancing America: The Republican Antitax Agenda* (Albany: State University of New York Press, 2003).

6. For those readers who are wistfully hoping we meant to refer to "erogeny," we must inform you that "orogeny" is the process of mountain formation.

- The Erosion Period—1998–2005, which saw the elimination first of the consensus goal of a balanced budget, and then the destruction of the procedures that had helped balance the budget.

The Bedrock Period (1974–1980)

The early years of the budget process were predictably characterized by jockeying for position between old institutions and new. After all, the revenue and appropriations committees had never intended that the new budget process would threaten their views from the summit. The Budget Committees were expected to be relatively weak, particularly in the House because its membership would be rotated and drawn largely from other committees. In the Senate, as many Senators already sat on influential committees, this reduced their desire to serve on the novice Budget Committee.

Nor was the process generally expected to produce major changes in budget outcomes. While deficits were nearly universally decried, there was nothing about the process—such as constitutional spending caps and revenue floors—that would "guarantee" smaller deficits. Nonetheless, the budget process was to have a small bias toward deficit reduction, for although the Budget Committees were relatively weak, newly established budget procedures enabled these committees to press for lower deficits. The Budget Committees were to begin each year by asking other committees for their recommendations ("views and estimates"). They then were to develop a concurrent budget resolution—a congressional plan for the budget that would not be sent to the president, as would a regular law. The resolution was to set targets for aggregates (spending-budget authority and outlays, revenues, deficit/surplus, and debt) and for budget functions (sectors of the budget, such as "natural resources"), after a floor debate on priorities and a conference between the House and Senate.

These functional targets would be "crosswalked" (i.e., transformed in categorization) to committee jurisdictions—a difficult task as budget functions and committee jurisdictions were not well aligned, and as committees did not want the Budget Committees to usurp their authorities over policy decisions. The targets would be enforced by a combination of independent information and procedural hurdles. The CBO would provide cost estimates for legislative proposals, and help the Budget Committees keep a running tab of the budgetary impacts of legislation, known as "scorekeeping." The main procedural tool was the parliamentary point of order, the traditional mechanism for resolving turf battles between appropriations and authorization committees.

In 1946, Congress had first attempted a comprehensive budget process reform; it completely failed.[7] This time, Congress did much better; by the beginning of the 1980s, most of the provisions of the CBA were institutionalized. Congress annually adopted a

7. Ralph K. Huitt, "Congressional Organization and Operatings in the Field of Money and Credit," in Commission on Money and Credit, *Fiscal and Debt Management Policies* (Englewood Cliffs, NJ: Prentice-Hall, 1963).

budget resolution. CBO's economic projections, cost estimates, and analyses acted as a counterweight to the numbers coming out of the Office of Management and Budget (OMB). The leadership of the Budget Committees, particularly Senator Edmund Muskie (D-ME), led serious debates on priorities, and Congress symbolically challenged presidential budget policies, particularly in last year of the Carter administration. Yet the congressional budget process still was not very important, particularly in making large changes to the policy status quo.

The Orogenic Period (1981–1997)

In contrast, during most years from 1981 to 1997, the congressional budget process was supremely important, so much so that it was not uncommon to hear complaints (with some justification) that policy making had become overly "fiscalized." How did the pre-1980 molehill become the post-1981 mountain range?

Here again we have irony, for the next step in strengthening congressional budgeting began with another assertive president. In this case, President Reagan, not Congress, challenged the status quo, by reducing individual income tax rates, scaling back domestic discretionary spending, and pushing a large defense buildup. Reagan exploited the new congressional budget process to enact these policies. Consider reconciliation. A relatively unimportant procedural device in the original CBA, it was envisioned as part of the second budget resolution, which was intended to adjust spring wishes to fall political reality. In 1980, however, the Budget Committees experimented with reconciliation as a method of putting teeth into the budget resolution. Just one year later, the second budget resolution was dropped and reconciliation enabled reductions in mandatory spending; it also effectively cut discretionary appropriations by reducing authorization ceilings—an approach that has not been repeated.[8]

Once the procedure of reconciliation became more important, it became the preferred way of enacting major policy changes. As the CBA establishes limits on debate for reconciliation bills, reconciliation can be used by a small majority (i.e., less than 60 votes) to stop filibusters and other dilatory tactics used by Senate minorities. As a result, not only was much of the initial Reagan program enacted using reconciliation, but so were the less publicized 1982 and 1984 tax *increases* that were enacted to partially offset the 1981 tax cut. Further, the 1990, 1993, and 1997 deficit reduction actions were enacted using reconciliation, as was the 1996 welfare reform legislation.

As important as reconciliation was, its influence should not be overestimated. While reconciliation could be used by the Budget Committees to pressure authorizing and revenue committees to consider deficit reductions, these committees could also resist.

8. Allen Schick, *Reconciliation and the Congressional Budget Process* (Washington, DC: American Enterprise Institute, 1981); Committee on the Budget, U.S. House of Representatives, "A Review of the Reconciliation Process," October 1984; Richard Doyle, "Congress, the Deficit, and Budget Reconciliation," *Public Budgeting & Finance* 16, no. 4 (1996): 59–81.

Even during this orogenic period, it was not uncommon that reconciliation savings included in first drafts of budget resolutions were watered down during markup, and that the assumptions implicit to reconciliation directives in enacted budget resolutions were ignored by targeted committees. And while reconciliation helped the congressional majority adopt a strong position within Congress, this did not ensure success against a combative president. In 1995–1996 the new Republican majority, emboldened by the apparent public endorsement of the ''Contract with America,'' attempted to enact large changes to Medicare and Medicaid through reconciliation. They failed, as Bill Clinton used his persuasive powers to convince the public that the changes envisioned in the reconciliation bill were reckless bad ideas.[9]

A decade earlier saw the failure of another ambitious plan. After a majority of Senators firmly grasped the ''third rail'' by proposing entitlement savings (including in Social Security), President Reagan and Speaker Tip O'Neill jointly threw the switch when they refused to go along. In anger and frustration, Congress then adopted ''Gramm–Rudman–Hollings'' (GRH), formally known as the Balanced Budget and Emergency Deficit Control Act. GRH set fixed deficit targets, with a balanced budget required by five years, and created a ''sequestration'' enforcement procedure that would be automatically triggered if these targets were breached. Sequestration was dubbed by Senator Rudman as ''a bad idea whose time has come.''[10] In fact, the entire law was flawed and should never had been adopted. Its fixed targets quickly became too ambitious as a weaker-than-expected economy and a lack of budgetary control created larger baseline deficits. Sequestration was an empty threat: it would cut mostly discretionary spending when mandatory spending was not controlled by reconciliation, and Congress could stop sequestration simply by changing the law. Deficit targets applied not to actual deficits, but to the projected deficits in the president's budget and budget resolution. This inspired much gimmickry; the ''rosy scenario'' of the early 1980s was replicated in the latter 1980s, just with bigger and scarier numbers.[11]

While the 1981–1989 period was one of building the deficit mountain, 1990–1997 was a time of tearing it down. A large decline in the stock market eventually led Congress and President George H. W. Bush to meet at Andrews Air Force Base for a ''budget summit,'' and by the end of 1990, significant policy and procedural responses were in place. In place of GRH's balanced budget target without any policies to attain that position, the bipartisan Omnibus Budget Reconciliation Act of 1990 enacted tax increases and spending cuts that significantly reduced deficits. Another big cut in the deficit followed the 1992 election prodding of deficit hawk Ross Perot, who received the largest percentage of the popular vote by a third-party candidate since Eugene Debs; without any Republican support, in

9. David Maraniss and Micheal Weisskopf, *''Tell Newt to Shut Up!''* (New York: Simon & Schuster, 1996).

10. Senator Warren Rudman, as quoted in Edward Wehr, ''Congress Enacts Far-Reaching Budget Measure,'' *Congressional Quarterly Weekly Report* 43 (1985), p. 2604.

11. Joseph White and Aaron Wildavsky, *The Deficit and the Public Interest* (Berkeley: University of California Press, 1989).

1993 the Democrats enacted a large reconciliation bill that relied heavily on tax increases. In 1997, another, smaller reconciliation bill made changes in Medicare, which had begun to loom large in the baseline; many of these savings were "given back" in succeeding years.[12]

The 1990 procedural response to large deficits, the Budget Enforcement Act, exemplified a lesson that was learned through the GRH debacle—procedures work best when they hold policy makers accountable for things that they can control (policies) rather than holding them responsible for events that they cannot control (such as the size of the economy in a given year).[13] For the first half of the 1990s, caps limited total discretionary spending to roughly their 1991 level; post–Cold War savings in defense offset increases for domestic spending. The PAYGO rule required that any mandatory spending increases and tax cuts be offset by savings in these areas.

By fiscal year 1998, these policy and process changes contributed substantially to the development of the first budget surplus in roughly three decades. The budget process itself did not force elected leaders to eliminate the budget deficit; instead, Presidents George H. W. Bush and Clinton, and Congress, decided to exercise responsible fiscal leadership, and then redesigned and honored the budget process to enable this result. There was also a significant amount of luck involved. President Bush had the *bad* luck to have his political courage "rewarded" by a recession, which apparently, but not really, eroded all of the deficit reduction that had been gained in 1990. His reward was complete by 1992, when conservative Republicans put minimal effort into his reelection campaign because the president had abandoned his blustering "Read my lips—No new taxes!" pledge from the 1988 nomination convention. On the other hand, President Clinton and the Republican Congress had the *good* fortune to have their deficit reduction actions accompanied by the unprecedented sustained peacetime growth, and the investment bubble, of the late 1990s.[14]

The Erosion Period (1998–2005)

The great French caricaturist Daumier once drew Sisyphus pushing a boulder labeled "budget" up a steep incline. Perhaps the endless task of making difficult budget decisions is suitable punishment for the typical misdeeds of politicians. But in 1998, good deeds were rewarded; a full four years ahead of the schedule projected when the 1997 budget resolution was enacted, the federal budget came into surplus. The boulder had been pushed to the top of the incline, and then seemed about to rise far above it, like a hot air balloon. This "balloon" was an illusion created by the overheated economy and optimistic baseline con-

12. Daniel J. Palazzolo, *Done Deal? The Politics of the 1997 Budget Agreement* (New York: Chatham House, 1999).

13. See "The Budget Process and Deficit Reduction," Chapter 6 of Congressional Budget Office, *The Economic and Budget Outlook: Fiscal Years 1994–1998* (January 1993). For a less charitable interpretation, see Richard Doyle and Jerry McCaffery, "The Budget Enforcement Act: The Path to No-Fault Budgeting," *Public Budgeting & Finance* 11, no. 1 (1991): 25–40.

14. Philip G. Joyce and Roy T. Meyers, "Budgeting during the Clinton Presidency," *Public Budgeting & Finance* 21, no. 1 (2001): 1–21.

ventions. But the boulder did stay at the top of the incline for several years, until cascading rivers of black ink undermined its supports.

Budget surpluses were a positive development for the country, but were tremendously surprising. Their arrival created an existential crisis in the budget process: if the goal is no longer to reduce deficit x percent by year Z, what should the goal be? (Luckily for the Concord Coalition, at least, this crisis was short lived.)

The last year of the Clinton presidency provided a temporary answer. To prevent the Republicans from cutting taxes, Clinton campaigned to "Save Social Security First." Unfortunately, the administration framed its position as protecting trust fund surpluses, especially with Vice President Al Gore's campaign mantra about a "lockbox," which would protect Social Security surpluses. As they did not make the better argument that running general budget surpluses would build future debt capacity—good for the economy and Social Security—they failed to build a lasting political consensus.

A temporary agreement did emerge, however, around the goal of balancing the budget excluding the Social Security surpluses; both 2000 presidential campaigns embraced this goal. Once in office, President George W. Bush promised that his policies—tax cuts and increased spending (e.g., for a prescription drug benefit)—would cost only the non-Social Security surplus. CBO and OMB projections of the effect of the tax cut issued in the summer of 2001 were watched closely to determine whether this magic line had been crossed.

September 11 changed all that in a hurry. While there was some indication even prior to that date that the tax cuts and the economic downturn were putting the stated goal in jeopardy, the rapid agreement between the president and Congress to provide $40 billion of immediate assistance to victims blew the lid off of the fictional lockbox. This immediate cost was then dwarfed by the commitment to improve homeland security and by the war in Afghanistan. As the economy weakened, the Republicans promoted the supposed stimulative effects of their tax cuts, even though most of the cuts were to occur later. In the short time that it took for the administration's attention to turn to Iraq, which was supposed to be a nearly costless war, prudence was demolished as the primary goal of budgetary policy. By postulating a condition of continual "crisis," the government declared that large budget deficits (beyond those offset by trust fund surpluses) were completely acceptable.[15] Or as Vice President Dick Cheney repeatedly commented during the campaign, "Reagan proved that deficits don't matter." Cheney would be right if he was referring to the short-term political effects, but most economists argue that sustained, large budget deficits create significant economic dangers.[16]

15. See Philip G. Joyce, "Federal Budgeting after September 11th: A Whole New Ballgame, or Is It Déjà Vu All over Again?", *Public Budgeting & Finance* 25 (2005): 15–31.

16. Laurence Ball and N. Gregory Mankiw, "What Do Budget Deficits Do?" National Bureau of Economic Research Working Papers (1996).

To continue with the metaphor of erosion, these policy changes resemble another California geological phenomenon—the massive mud slide. Swept away by these policy changes were the budget procedures that contributed to deficit elimination: the discretionary spending caps and PAYGO were intentionally allowed to expire at the conclusion of fiscal year 2002. Keeping them would have forced difficult policy choices, and after the extraordinarily competitive and disputed election of 2000, the Republicans decided not to risk being blamed for such choices, as were Clinton and the congressional Democrats after 1993.

But the demise of these procedures did not occur all at once. From the beginning, the discretionary caps had an exception for emergencies. During most of the 1990s, contrary to the fears of some, almost all declared "emergencies" were legitimate ones, such as for major hurricane damage. But those fears came true once budget surpluses materialized. The best example was the declaration of the 2000 census as an emergency, which presumably would surprise the authors of the U.S. Constitution, which requires a decennial census.

Mandatory spending offers even more telling examples. During the 1990s, PAYGO had effectively warded off tax cuts and additions to entitlements with the uncomfortable question "How are you going to pay for that?" But eventually this constraint could not prevent a political majority from doing something big. One evasion technique was to create accounting illusions with the 10-year horizon for budget projections. This term period was an extension of, first, a three-year period, and then a five-year one, to prevent costs from being pushed into the years immediately following the end of the projections. The reported costs of the Bush tax cuts were artificially lowered from the intentions of the sponsors by assuming tax increases in the latter years of the projection period as the tax cuts reached their formally scheduled expiration dates. Another technique for enabling deficit-increasing legislation was to lowball likely mandatory costs, as happened with the Medicare prescription drugs legislation. But by this time PAYGO's de facto demise had been overtaken by its intentional de jure lapsing.

The decline in effectiveness of the caps and PAYGO was matched by a more general decline in the budget process. Reconciliation was not used from 1998 to 2005, and for three of the past seven fiscal years (1999, 2003, and 2005), Congress has been unable to enact a budget resolution at all. In order to understand the magnitude of this failure, consider that a budget resolution had been enacted in each of the 23 fiscal years from the first year that the CBA took effect (1976–1998).

The current policy effects of these procedural inadequacies would be well recognized by David Stockman, who in 1981 projected "deficits as far as the eye can see."[17] But President Bush's big fiscal mistake makes the Reagan-era mistake look like chump change. Some might argue that this comparison is exactly wrong, given that current deficits are smaller now as a percentage of GDP than they were in the 1980s. But this interpretation is very misleading because budget accounting does not recognize the

17. For a description of how we got there the first time, see David Stockman, *The Triumph of Politics: How the Reagan Revolution Failed* (New York: Harper Collins, 1986).

huge backloaded costs of Bush administration initiatives, which are especially worrisome now that spending pressures in health care and Social Security are nearer at hand. And Reagan did support some deficit reductions, while George W. Bush learned the lesson of his father's defeat all too well: rather than confronting fiscal problems, his administration cynically won its reelection by mortgaging the future. Their rhetorical claims of fiscal responsibility are completely contradicted by the numbers that show the effects of Bush administration policies will be a continuation of large deficits for the foreseeable future.[18]

While there are other individuals in positions of responsibility, such as Congressman John Spratt (D-SC) and Comptroller General David Walker, who attempted to make the country's current choices transparent, they were largely voices in the wilderness. Most Democrats in Congress and on the campaign trail did not exactly distinguish themselves with truth telling. Nor did Federal Reserve Chairman Alan Greenspan, who boldly called in 2001 for tax cuts lest the entire public debt be paid down too quickly. He recently admitted that his secondary suggestion of "triggers" (which would cancel tax cuts should forecasted surpluses fail to materialize) was ignored by tax cutters, who saw his main message as an unambiguous green light for their tax-cuts-at-all-cost approach.

It was common at the creation of the CBA to argue that the law's purpose was to reassert congressional authority, not bias policy toward balancing the budget—that is, the process was to be "budget neutral." An alternative view was that the process was designed to constrain government's tendency to be imprudent, or that it *should* serve that function. We take the latter position. We also believe that if American citizens were encouraged to understand budgetary realities, they would quickly conclude that their country has an unsustainable policy. That this policy was enabled by September 11 is no excuse; rather, it is a warning to expect the unexpected in an interconnected world. That was a message learned recently by many living next to the Indian Ocean, when a huge tsunami was produced by an earthquake in the Sunda trench. A continuation of U.S. budgetary policy poses an incalculable but real risk of a different kind of devastation—a dollar strike or its equivalent that would destabilize the world economy.[19]

WHAT SHOULD BE NEXT?

So if not this federal budget process, then what? Unfortunately, the lesson from the past 30 years is not very comforting: the perception of unacceptable budget policies may or may not force budget process innovations. And when they do, these innovations sometimes work and sometimes are mammoth failures. Further, we are under no illusions

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18. Congressional Budget Office, *An Analysis of the President's Budgetary Proposals for Fiscal Year 2006* (Washington, DC, March 2005); Ron Suskind, *The Price of Loyalty* (New York: Simon & Schuster, 2004).

19. Robert E. Rubin, Peter R. Orszag, and Allen Sinai, "Sustained Budget Deficits: Longer-Run U.S. Economic Performance and the Risk of Financial and Fiscal Disarray," paper presented at the Allied Social Science Associations Annual Meetings, January 4, 2004.

about the extent of interest and ability within Congress to enact comprehensive reforms. Budget process debates of recent years have been perfunctory, confused, and not necessarily oriented toward fiscal responsibility; when some Republicans recently suggested that PAYGO should apply to spending but not tax cuts, we did not conclude that a new era of fiscal responsibility had begun.

Nevertheless, we do think we can learn a bit from the past 30 years that might be useful in the future; so here are our capsule observations. Each of us will offer more extended and comprehensive arguments in future publications.

First, we would rule out three options that are commonly suggested:

Back to the Good Old Days, Version 1

Some of the CBA provisions, as amended, obviously did not work and were thus discarded. As the entire budget process now seems broken, it may be the case that it should never have been expected to work and should therefore be abandoned. The Congressional Budget Act could be a fragile edifice attempting to hold back the sea—the sea defined as the institutional inability of Congress to make comprehensive policy; complete erosion is a natural end for sand castles.

The most prominent advocate of this perspective is Lou Fisher, who suggests that Congress was better off without a budget process.[20] His thesis is that Congress cannot be expected to take the lead in pursuing policies—increasing taxes and cutting spending—that inflict pain on constituents. In the years prior to the enactment of the Budget Act, the president played this role. But the ambition of the Congress in budget making actually encouraged presidential irresponsibility as the president can now blame Congress rather than taking responsibility for his own proposals; this in turn encourages congressional irresponsibility.

Our difficulty with Fisher's argument is not in description but prescription. We remain convinced that having the appropriations committees in charge would not be an improvement; that they could not control the budget prior to 1974 was one reason why the CBA was enacted. We come down on the side of having a strong congressional budget process—run by budget committees with comprehensive jurisdictions and effective enforcement tools—and look for other mechanisms to reduce the potential for institutional blame shifting.

Constitutional Rules

In line with the substantial theoretical literature which argues for constitutional rules rather than discretion for elected officials, in the late 1980s and early 1990s Congress flirted with a balanced budget amendment to the Constitution.[21] Offered consistently in both the House and the Senate, the amendment reached its high water mark in 1995,

20. Louis Fisher, "Federal Budget Doldrums: The Vacuum in Presidential Leadership," *Public Administration Review* 50 (1990): 693–700.

21. For an empirical analysis of the fiscal rules literature, see George Kopits and Steven Symansky, "Fiscal Policy Rules," International Monetary Fund, Occasional Paper 162, 1998.

when it achieved the necessary two-thirds approval in the House and fell only one vote short in the Senate. But this was always an ill-conceived attempt to constitutionalize fiscal policy. As critics of the amendment pointed out at the time, annual balance is not a useful rule for federal budgeting, given the periodic necessity of engaging in counter-cyclical fiscal policy.[22] Even more ill advised was the rule pushed by House Republicans that would have required constitutional supermajorities to enact tax increases. While we agree that a consensus on an overall goal for budgetary policy is absolutely crucial to effective federal budgeting, the notion that this can be done by enshrining an undesirable goal in the constitution strikes us as especially daffy.

Back to the Good Old Days, Version 2

Then there is the argument that a return to the strictures of the Budget Enforcement Act—the caps and PAYGO—will reproduce the responsible budget outcomes of the 1990s. It is possible that a reestablished PAYGO could hinder continuation of tax cuts that are now scheduled to expire—if that is the desire of Congress. But the magnitude of the current deficit gap will require much more action. A hard freeze on discretionary spending would likely make a large contribution only if the nation substantially downsizes its military ambitions. Because the greatest deficit growth is because of huge scheduled increases in mandatory spending for Medicare and Medicaid, which PAYGO would not control, we instead will need to consider large reconciliation savings for these well-established health-care programs—a challenging task when quality and access outcomes for the United States do not look good compared with many developed countries.

An Alternative Reform Agenda

By rejecting these suggestions, we do not mean to suggest that congressional budgeting is worth saving "as is." Instead, we hope that Congress could build on the strengths of the existing process, but also make improvements designed to address its weaknesses. With that in mind, we offer a number of observations.

The greatest strength of the congressional budget process has been the improved informational basis of budgeting, from CBO especially, but also from the budget committee staffs and GAO (recently renamed the Government Accountability Office). We confess that we are hopelessly biased here, given that both of us have worked for CBO, yet we think our view that CBO is the success story of the budget process is widely shared by expert observers: CBO has surely eclipsed OMB as the best source of reliable numbers for the federal government.[23]

The development of the credibility and independence of CBO has not been accidental. It came about because of inspired leadership in the face of demanding clients. At a

22. See Philip Joyce and Robert D. Reischauer, "Deficit Budgeting: The Federal Budget Process and Budget Reform," *Harvard Journal on Legislation* 29, no. 2 (1992): 429–453.

23. See Walter Williams, *Honest Numbers and Democracy: Social Policy Analysis in the White House, Congress and in Federal Agencies* (Washington, DC: Georgetown University Press, 1998).

number of times in its history, such as when President Reagan took office, when it analyzed the Clinton health plan, or after the Republicans took over Congress in 1994, it was faced with the threat of retaliation for unwanted analyses, but escaped relatively unharmed because of the intelligence and strong backbones of its leaders and staff, and the support of key congressional leaders and staff.[24]

Some members of Congress will always be tempted to use CBO for short-term political advantage. One way to prevent them from being successful would be to provide a stronger conceptual basis for CBO's work (and that of OMB). The budget agencies now use outdated budget concepts that are modified versions of those recommended by the 1967 President's Commission on Budget Concepts. A new commission could recommend improvements, so that budget agencies would have an easier time resisting scandalous gimmicks such as the recent proposal to lease fuel tankers from Boeing. A commission could also reduce confusion about how the budget process could deliberate about desirable macrobudgetary goals.[25]

Expanding use of performance information is a related challenge. Sustained effort to implement the 1993 Government Performance and Results Act has dramatically increased the quantity and quality of program performance information. However, there is not much evidence that this information has had a material impact on budget decisions, especially in Congress, where a taste for pork barrel is, believe it or not, even more widely satisfied than in the past. Mitch Daniels, the first OMB director of the Bush administration, became persona non grata with the Republican Congress when he criticized this behavior. OMB also created the Program Assessment Rating Tool (PART), through which programs must document their effectiveness; PART results are readily accessible on the Web. While we will wait for the results of systematic research about whether PARTs have been biased by partisan motives, we are impressed by the detail and transparency of the PARTs. However, we will criticize the PARTs—which are aptly named—because they unfortunately have not been applied to tax preferences. More generally, the budget process has completely failed to systematically address tax expenditures, the number and cost of which have exploded since the simplification-intending 1986 Tax Reform Act.[26]

Of course, continued expansions in the supply of quality information will not necessarily elicit more demand for such information from elected officials. It may be possible, however, to stimulate demand by reinvigorating the priority-setting role of the budget process. Budget resolutions originally focused on allocations to the various budget functions, but only with great difficulty as budget functions and committee jurisdictions were misaligned. Then, as the deficit grew, procedural controls emphasized

24. One of the authors (Joyce) is currently completing a book on CBO. Its working title is *The Congressional Budget Office: Truth, Power, and Consequences*.

25. Roy T. Meyers, "It's Time for a Second Commission on Budget Concepts," paper given at the 3rd Annual Congressional Budget Office Director's Conference, September 14, 2004.

26. See Philip Joyce, *Linking Performance and Budgeting: Opportunities in the Federal Budget Process*, IBM Center for the Business of Government, 2004.

jurisdictional distinctions between mandatory and discretionary spending. The process now does not enable trade-offs between different budget functions, nor comparisons within budget functions of different forms of allocations (i.e., discretionary spending, mandatory spending, and tax expenditures).

Two reforms—one relatively easy and one tremendously hard—could help complete the transition to performance budgeting. The budget resolution debate could be preceded by release of an annual report of national indicators for all of the functional areas in the budget, an approach that is already used by some state governments. This report—a real "state of the nation"—would be more useful than each president's mind-numbing list of legislative proposals; it would provide an accounting of the nation's problems and successes, which should focus on the budget debate. The federal government already collects a tremendous amount of quality information; while some indicators would need data improvements, the main challenge for Congress would be agreeing on which of many indicators should be featured in this report. But these choices would themselves be useful for setting budget priorities. For example, budget resolutions are now debated without any formal acknowledgment of the current child poverty rate and recent trends in that rate. Is this defensible? GAO has quietly recommended the adoption of a congressional "performance resolution" to accompany the budget resolution; this strikes us as a useful and desirable first step.[27]

The harder nut is reorganization. Over the past few decades, reorganization has received almost no serious consideration—the public administration consensus has been that bureaucratic reorganization results in excessive costs, and the political science consensus has been that the political status quo is too strong. Yet we have a new Department of Homeland Security, and earlier this year House Majority Leader Tom DeLay engineered an internal reorganization and consolidation of the House Appropriations Committee's subcommittees. A broader reorganization of the committee system could better align it with budget functions—e.g., there could be a committee on health policy, rather than the current situation in which there are three separate committees dealing with Medicaid, Medicare, and the operating budgets of the rest of HHS. A possible drawback of this approach is that current structural redundancies promote useful competition. However, much of the current competition is surely dysfunctional, such as turfing between authorization and appropriations committees, and excessive delays in the legislative process.

We also believe that Congress should tie its budget process more closely to that of the executive branch. The CBA asserted independence of the presidency, but unrealistically so. The historical evidence is not strong that Congress can force presidents to be fiscally

27. David M. Walker, "Effective Oversight and Budget Discipline Are Essential—Even in a Time of Surplus," testimony before the U.S. Senate Committee on Budget (February 1, 2000), pp. 22–23; Marc Miringoff and Marque-Luisa Miringoff, *The Social Health of the Nation* (New York: Oxford University Press, 1999); Government Accountability Office, "Informing Our Nation: Improving How to Understand and Assess the USA's Position and Progress," Washington, DC, November 2004.

prudent, or that Congress is strongly motivated to do so. Of course, the Constitution requires the branches to agree if appropriations and reconciliation legislation is to pass (the exception of a veto-proof majority in Congress is theoretically possible but highly unlikely). If the congressional budget were to be considered not as a concurrent resolution, but as a joint resolution that would require the president's signature, this might encourage earlier discussions, and then compromises over budget differences between the branches.[28]

In the end, however, what the budget process needs most is leaders who are morally committed to exercise political responsibility. Citizens are often confused by policy details, and especially by the technical complexity of budgets. They frequently reward ambitious politicians for serving free lunches, even though citizens know in the abstract that this practice is unwise. Breaking this cycle will require those engaged in partisan competition for office to act differently: to educate citizens about budgetary realities and to constrain themselves when making budgetary decisions. An improved budget process may help politicians to succeed with this strategy, but cannot motivate them to choose it in the first place. Returning to our "fiscageological" metaphors, we may need a political earthquake.

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28. Roy T. Meyers, "The Budget Resolution Should Be Law," *Public Budgeting & Finance* 10 (1990): 103–112.