ROY T. MEYERS

Federal Budgeting and Finance in 1991: The Future is Now

The large federal deficits run throughout the 1980s generated concern that we were mortgaging our future. In 1991, the note came due. The potential for aggravating the long-run deficit problem constrained fiscal policy from reacting to the recession. Institutional and partisan conflict and the controls established by the Budget Enforcement Act (BEA) limited responses to a remarkable budgetary opportunity—the dissolution of the Soviet Union—and to a serious budgetary threat—exploding health care costs. The BEA controls were applied rigidly with a few minor exceptions, and credit reform was implemented successfully; on the other hand, Congress and the president made no headway on further deficit reductions even though long-run projections worsened. The agenda-setting role of the president's budget for the fiscal year 1993 diminished, as the document's format was heavily influenced by the upcoming presidential election. In contrast to this mixed record for federal budgeting, progress was made in building a financial management structure and developing accounting standards.

In each of the last six years, this journal has published a review of the president's budget. This year, the scope of the annual review is expanded. In part, this is because the Congress and the administration typically change the budget's recommendations enough to threaten that a journal review of the budget will be "dead before arrival." An annual wrap-up of budgetary developments is likely to be more useful to both academics and practitioners. Major papers and popular journals traditionally publish similar wrap-ups for sessions of Congress, and some specialized academic journals feature wrap-ups for their areas of study.[1] This article thus describes and analyzes developments beginning with the reaction to the president's fiscal year 1992 budget through the release of his fiscal year 1993 budget (that is, for the period of March 1991 through February 1992). It only skims over the implementation of the Budget Enforcement Act, however, as the Doyle and McCaffery article in the Spring 1992 issue treats this topic in full.[2] The review also covers financial management developments. The movement to improve financial management in the federal government has been building strength for years, and 1991 should probably be viewed as the year in which the movement became an irresistible force.

Roy T. Meyers is assistant professor of Political Science, University of Maryland, Baltimore County, 5401 Wilkens Avenue, Baltimore, MD 21228–5398.

THE POLITICAL CONTEXT

The previous year's article on the president's budget described a budget prepared in the midst of a recession and with a war impending.[3] In 1991, the recession continued and began dominating political debate in the fall. The military success in the Persian Gulf resonated for the first part of the year, but the national pride in that victory was replaced by surprise and wonder at the dissolution of the Soviet Union. While the 1990 termination of the Warsaw Pact threatened acceptance of the status quo military, support rebounded shortly after the Gulf War because of the perceived need to deal with "regional contingencies" like the invasion of Kuwait. The August coup in the USSR and its aftermath reversed direction again, suggesting a peace dividend of previously-unimaginable size.

Concurrent with this historic change was the constant of institutional and partisan conflict under divided government. The reputation of the Congress—already among the lowest of the institutions in America—was further sullied by scandals over "bounced" checks from the House Bank and unpaid cafeteria bills. An active term-limitation movement and uncertainty about the effects of redistricting also stole attention from policy issues. President Bush continued to appear disinterested in domestic problems—perhaps understandably, given the changes in the rest of the world—while Democrats charged him with letting the recession worsen while he was enjoying what they called his "Anywhere but America" tour. These factors intensified the blame generating activities of both branches. For example, in the last week of the congressional session, Republican Whip Newt Gingrich induced President Bush to praise a conservative tax cut plan and blame the Democrats for inaction. The Democrats responded by threatening to stay in session during December and pass their own "economic growth package," which worried many Republicans who felt they had been outnegotiated in the 1990 budget deal.[4]

DEFICIT PROJECTION

In the fiscal year 1992 budget, only three months after enactment of the Omnibus Budget Reconciliation Act of 1990 (OBRA), budget agencies reestimated baseline deficits significantly upward. This upward movement continued throughout 1991. By August 1991, changed economic and technical assumptions added $53 billion to the Congressional Budget Office's (CBO) January 1991 projection of the fiscal year 1993 baseline deficit, and by January 1992, further changes in these assumptions added another $47 billion for fiscal 1993. Worsened economic conditions caused only about one-fifth of this growth; increases in major benefit programs (Medicaid and AFDC in particular) and deposit insurance, and decreases in capital gains tax receipts caused most of the "technical" reestimates.[5] The growing deficit projections provided an opportunity for conservative critics of the OBRA tax increases to heatedly repeat their "supply-side" criticisms from the late 1970s—that deficit projections mistakenly fail to anticipate that higher taxes will slow economic growth. Their case would have been more convincing if revenue-related errors had contributed more to the total error.

Budget debates during the year also shed some light on the long-run problem of slow economic growth. In his Director's Introduction to the fiscal year 1993 budget, Richard Darman wrote ". . . to underline again a point that is increasingly evident: continuing to build up excessive debt and hidden liabilities has substantial costs that carry forward to the future. And at some point, the future is now."[6] In 1991 testimony, CBO cited a New York Federal Reserve Bank study that documents how low national savings rates (to which high federal deficits are a significant contributor) have already reduced potential growth significantly—by about 5 percent over the past decade.[7] In other words, Darman was correct but perhaps not as specific as he could have been: the future *is* now.

Large deficits continuing through the 1990s are expected to have a similar negative effect on economic growth. In this light, CBO projections of the deficit outlook for the next decade are depressing, for the projected deficit grows to around $400 billion by fiscal year 2002. Federal Medicaid and Medicare expenditures will grow the fastest, doubling as a percentage of gross domestic product (to 5.8 percent) by 2002.[8] This prognosis of high deficits and slow growth follows two decades during which median family income did not grow and income inequality increased. These conditions underlay the public's demand for higher services but stable taxes. If slow growth continues to limit public support for deficit reduction, it may be reasonable to conclude that not only is the future now, but it will probably be getting worse.

FISCAL RESPONSES TO THE RECESSION

Given that the Federal Reserve relaxed monetary policy through 1991 (allowing the lowest yields on short-term Treasury debt since 1977), the masters of fiscal policy chose a sensible response to the recession: doing next to nothing.[9] Unfortunately, the potential stimulus from easy money was tempered by structural problems in the economy—historically high personal and corporate debt levels, an oversupply of commercial real estate (in part another legacy of the Kemp-Roth Tax Act of 1981), and the need for corporations to react to international competition. As it became apparent that the recession was not likely to be short, pressure built to enact a broad anti-recession fiscal package.

That such a response was not completed in 1991 is inconsistent with history but understandable. Many realized that a stimulative fiscal policy would work only by significantly adding to the deficit—the opposite of the generic prescription for countering long-run economic decline (unless somehow the stimulative deficit was quickly offset after the economy returned to a healthy growth rate). Memories of previous counter-cyclical "jobs bills," which often spent-out too late in the business cycle to be effective, also promoted inaction. But both inhibitors showed signs of weakening as a tax cut bidding war developed through the latter half of 1991. In part, the bidding followed convention with Democrats emphasizing "middle-class tax cuts" (with the middle class operationally defined to include even families with incomes of $100,000).[10] The Republicans promoted a long list of expanded investment preferences in full abandonment of the philosophy of the Tax Reform Act of 1986. The "Gone Fishing" sign that Chairman Rostenkowski hung around his neck in 1986 was finally packed away and replaced throughout tax institutions in Washington with one declaring them "Open for Business" despite the fact that Darman and many other major players instrumental to the passage of the 1986 bill remained influential.[11] The most unusual feature of this tax cut debate was that although the various packages were promoted as certain to stimulate short-term growth, they were generally "paid for" by offsetting tax increases and/or spending cuts. With this offset, the tax cuts would provide only symbolic stimulation in the short-run.

Pay-as-you-go restraints also affected the minor anti-recession legislation that was enacted. Unemployment benefits were extended through a tortuous process described in Doyle and McCaffery's article.[12] The landmark Intermodel Surface Transportation Efficiency Act, which granted more flexibility to state and local governments to shift funds across programs and modes, was also promoted as a recession-fighting act. The draft bill from the House Public Works Committee included over 450 earmarks (costing $6.8 billion) that its chair Robert Roe described as "congressional projects of national significance"—the metaphorical opposite of "park barrel projects." Although the administration took an early hard line against these projects, it relented to accept the projects after the cost was reduced by a third; the recession clearly made it easier to rationalize this compromise.[13]

BUDGET PROCESS AND ACCOUNTING

In their article in the Spring 1992 issue, Doyle and McCaffery nicely describe the budgetary process during the first year of the Budget Enforcement Act. Procedural controls were omnipresent constraints but inspired no attempts at further deficit reductions—no reconciliation legislation was considered, for example. The BEA gave the Office of Management and Budget (OMB) more control over scorekeeping, and the provision that OMB must designate "emergency" status limited passage of supplemental appropriations. On the other hand, the Appropriations Committees were protected from budget constraints by the rigid separation of budgeting for separate spending categories; the caps for the discretionary spending categories were treated as floors.[14] Most attempts to shift spending from defense to nondefense were defeated, although humanitarian aid to the former Soviet Union was eventually provided out of the defense budget. There were other violations of the spirit of control: obligation delays to September 30, 1992 in order to avoid outlay ceilings (temporarily) and questionable scoring by OMB of offsetting savings to additional unemployment compensation spending, but there were minor violations compared to the potential for gaming.[15] Further evidence of the dominance of control was OMB's rigid application of pay-as-you-go in a mini-sequester of $2.4 million.[16]

Although the BEA makes it very difficult to establish new mandatory spending, it fails to effectively limit growth in existing mandatory spending. OMB staff invited congressional staff to meetings during 1991 to discuss procedural changes to the BEA, including enhanced controls on mandatories, but these meetings quickly broke down. In the 1993 budget, OMB suggests the adoption of an aggregate cap for mandatory spending (excluding Social Security) which would be constructed by taking the previous year's level, adding new spending caused by increases in the number of eligible beneficiaries and by increases in the consumer price index, and then adding an additional 2.5 percent (or 1.6 percent after "comprehensive health reform"). Should projected spending exceed this cap, a post-session "uniform rate" sequester would be applied.[17] Although this proposal does not address the imposing practical problems of rationing reductions in mandatory programs, it seems likely that backroom discussions of such a reform will become intense during 1992, as it is widely expected that amendments to the BEA will be adopted when the debt extension must be considered early in 1993, or perhaps in the fall of 1992.

One source of mandatory spending growth was controlled in 1991—provider taxes and contributions for Medicaid. Both practices which are too complicated to describe in the space available here, effectively raise the federal match without a corresponding increase in state spending. The diffusion of these practices through the states in 1991 led Gail Wilensky, head of the Health Care Financing Administration (HCFA), to label them "scams," and HCFA issued draft regulations in September banning them. The National Governors Association and the administration negotiated to restrict their use; the agreement was ratified by the Congress on November 27, 1991.[18]

An important feature of the Budget Enforcement Act was its improvement of budgetary accounting concepts. It adopted accrual budgeting for credit programs in order to end the distortion by cash accounting of choices between the tools of grants, loans, and loan guarantees. This distortion has not been completely eliminated, as administrative costs are not treated consistently across tools.[19] However, the case if guaranteed student loans (GSLs) shows the potential leveling from credit reform. Originators of GSLs receive a generous subsidy of 3.25 percent above the 91-day Treasury bill rate. Since most subsidies are paid in the outyears, cash accounting underreported the full cost of loans originated in any year. Credit reform fully accounts for the long-run costs of subsidies, which allows conversion of the loan guarantee program to a direct loan program without an accounting penalty. Though the House Education Committee passed such a proposal, enactment of this plan into law will be difficult given political activity by originators who would like to preserve their subsidies and due to uncertainty about the likely administrative costs of a direct loan program run by the Department of Education's Office of Postsecondary Education, which has already been declared a "high risk area" by OMB and GAO.[20]

Other challenges to the implementation of credit reform are the estimation of subsidies and the apportionment of budget-limited subsidies during budget execution. Some agencies are dealing with the latter problem by apportioning on the basis of relatively infrequent (even just once a year) subsidy calculations. Assuming away such temporal variance deals with the major uncertainty for those programs that extend credit to numerous borrowers whose creditworthiness can be estimated with confidence. In contrast, subsidy estimation for single, large loans is inherently more difficult as illustrated by the proposed $10 billion in loan guarantees for Israel. In 1991, the administration established an interagency technical working group that developed a systematic method for assessing the risks presented by loans to sovereign borrowers.

Unlike the similar estimates developed by bond raters, the write-ups for individual countries are classified. That any cost would have to be recorded at all for the proposed guarantees to Isreal—informed guesses cluster around a median of $1 billion—probably contributed in a minor way to the delay in extending the guarantees.[21]

In mid-1991, OMB and CBO released reports (mandated by the Budget Enforcement Act) on the potential for applying accrual principles to deposit insurance; both reports gave qualified endorsements to the idea.[22] In the 1993 budget, the administration proposed the phased application of accrual accounting to *all* government insurance programs. A controversial element of this proposal was the immediate application of accrual to deposit insurance accounts and the Pension Benefit Guarantee Corporation (PBGC), which allowed the administration to credit long-run savings from proposed reforms ($2.5 billion in fiscal years 1992 and 1993 for deposit insurance and $11.2 billion for PBGC). These savings were proposed as a pay-as-you-go offset to the costs of proposed tax incentives and a further continuation of unemployment benefits, which stimulated charges that the accrual proposal was a pay-as-you-go gimmick.[23] Unfortunately, the budget applies accrual principles selectively as shown by a summary table in the Director's Introduction that includes a memorandum row for the "Deficit on an accrual basis."[24] This heading is misleading for it adjusts the (largely) cash basis deficit measure for *only* the selected insurance programs. The table ignores likely large losses from a proposal for liberalization of IRA withdrawals and many similar long-run costs from other proposed policy changes. In addition, although an OMB staff summer study found no accounting barriers to extending accrual to the Civil Service Retirement System (CSRS), the budget only proposed that the employee contribution be increased to 2 percent of base pay during 1993-94, saving $5.1 billion from 1993 to 1997. Assume for illustration that these savings were agreed to by the Congress. Under accrual accounting, the charges to the Salaries and Expense accounts costs of CSRS would decline, freeing up funds under discretionary spending caps, unless these caps were adjusted. The administration apparently accepts accrual and pay-as-you-go when it produces offsets to tax breaks, but not when it affects spending under the control of Appropriations Committees.

The proposed application of accrual accounting to the federal government has always raised concerns about biased estimates. The Congress finally adopted credit reform in part because repeated experiments with subsidy estimation provided a minimum level of comfort with the quality of estimates. Such confidence does not yet exist concerning estimates of deposit insurance and pension liabilities *except* in the language of the budget document. The document also shows hubris in its strong support for a regulatory budget arguing that "a regulatory budget is conceptually and functionally analogous to a fiscal budget" and that the practical accounting problems of a regulatory budget "differ in degree, not in kind, from problems encountered in estimating the fiscal budget."[25] The budget also presents estimated "generational accounts" which, using an accounting scheme developed by Laurence Kotlikoff, purport to show the present value of future taxes paid by average members of generations minus the present value of benefits they are projected to receive.[26] Education about the intergenerational equity effects of the budget is laudable, but this complex presentation will inform only those who have already been educated.

THE PRESIDENT'S 1993 BUDGET—POLICY AND FORMAT

By presenting themes that frame numerous budget issues, the president's budget can help set the budgetary agenda. No one should be shocked that the themes of the 1993 budget are reelection-related. Its themes—for research and development investment, personal responsibility, regulatory flexibility, and choice and competition in program delivery—are basic to the platform of moderately conservative Republicans. Free market conservatives may raise their eyebrows at the research and development section—a quite detailed fifty-nine pages, especially for an administration that rhetorically disavows "industrial policy."

The budget is also one to "run with" in its format. Even "The Budget Message of the President" resembles the often-caricatured "Bushspeak" shorthand. It sets a record for brevity—less than 250 words—that might be summarized as: "My budget—growth incentives." The case for reelection is also made through the formatting of basic budgetary information. Tables and prose in the 450-page text highlight major increases. At least five tables in the text feature a 27 percent increase in Head Start funding as part of separately identified proposals to support "education," "early childhood development," and programs focused on "prevention and the next generation." In contrast, not until page 367 of the text is there a detailed discussion of reductions and terminations. Since the budget proposes a five-year nominal dollar freeze for domestic discretionary budget authority from the 1992 level, the discussion is unbalanced.

Many budgetary initiatives are also supported with rhetoric that appears to be electorally inspired, including a $292 million pro-competition initiative called "Perestroika for Troubled Public Housing" and a $500 million "Weed and Seed" program.[27] The latter program is *not* what Gene McCarthy would have proposed had he beaten Humphrey and Nixon, but rather a Department of Justice-coordinated program that would remove gang leaders and then promote economic development through enterprise zones and other earmarked spending. The ubiquitous Head Start contributes $54 million to "Weed and Seed." The marketing of these initiatives is perhaps too cute—I can envision Bush's Democratic opponent claiming the "Weed and Seed" program is a hypocritical successor to the administration's previous urban policy—"Greed and Bleed." On the other hand, the program symbolically covers the administration's general inattention to the problems of the underclass.[28]

Electoral concerns also led to the absence in the budget document of important details for the major budgetary threat—growing health care costs—and the major budgetary opportunity—defense, leading the political commentator Mark Shields to call it "the batteries not included budget."[29] Health had burst onto the budgetary agenda with the Senate by-election victory of Democrat Harris Wofford who promoted his support for national health insurance by asking why Americans had a right to a lawyer but not to a doctor. Health care inflation has long been a serious budgetary problem; broad support for the additional goal of creating an entitlement to health care adds to the complexity of reform. This complexity was shown by a controversy that developed shortly before the budget was released, when House Republicans, during a closed briefing on the Bush plan for health care policy, objected to the planned taxation of employer-provided health insurance benefits. *The Washington Post* reported that OMB Director Darman was forced to purge his budget introduction of the offending provisions.[30] All of the budget's summary tables note that they exclude the effects of "comprehensive health care reform."

A more significant omission largely escaped notice, but it is one that shows an almost complete abdication of responsibility by OMB for national defense budgeting. Deficit pressures create an imperative to capture savings from defense, but the importance of national defense argues for sophisticated analyses of alternative force structures and associated costs. Through the budget preparation period, congressional democrats began suggesting massive savings from defense cuts including standdowns from Western Europe and Korea, far fewer nuclear missiles, and termination of the many active procurements (wits dubbed the latter issue "the B2 or not B2 question").

Yet the 1993 budget ignores these issues. *The printed budget includes virtually no detail on the military budget*. For example, the summary table for "Budget Authority and Outlays by Function and Program" shows a single line for function 051—Department of Defense, Military, rather than the traditional breakout by personnel, operation and maintenance, procurement, and so on.[31] There are *no* detailed schedules for the various budget accounts. The reason for the paucity of information was the administration's desire to avoid criticism for the relatively small peace dividend it was willing to declare. Only a short while before the budget was printed, a policy decision was made to lower the Department of Defense top line a bit more, but there was no time to complete the details. Three weeks after transmission of the budget, OMB published a supplement that includes defense schedules but no supporting text. For fiscal 1993, those scholars that model defense or macroallocational budgeting cannot turn to the traditional source for data—the Budget Appendix—but must find this supplement or use other DoD publications.[32]

FINANCIAL MANAGEMENT

While financial management in the federal government improved substantially during the eighties, particularly for debt collection and internal control, few were satisfied with its overall quality by the end of the decade. The well-publicized financial scandal at the Department of Housing and Urban Development revealed numerous major flaws and contributed to passage of the Chief Financial Officers Act (CFOA) in 1990.[33]

A major barrier to improving financial management in the eighties was that the relevant actors had quite different perspectives. Many advocates of reform—ranging from Grace Commission staff to GAO's new leadership—had stellar backgrounds in the private sector but seemed unwilling to acknowledge crucial differences between public and private institutions. Budget experts, in response, particularly rebelled against the reformers' assertions that private sector accounting standards could easily travel to the federal government. Although these budget experts might publicly acknowledge the importance of financial management, in truth they found it a boring topic when compared to budget policy. The gulf between these perspectives was broad enough during the mid-eighties to feature office shouting matches between OMB Director Stockman and Comptroller General Bowsher.[34]

The breakthrough in 1991 was that budget and financial management experts began regular, civil, and productive talks.[35] A principal venue was the new Federal Accounting Standards Advisory Board, which is introduced to readers by Robert Bramlett in the Winter 1991 issue.[36] The institutionalization of financial management positions also helped. The CFOA requires appointment of a chief financial officer in every agency and of a Deputy Director for Management and a Controller in OMB; by the end of 1991, almost all of these positions were filled. Had House Appropriations Committee Chairman Whitten had his way, however, no funds would have been available to pay these managers. Viewing the act as a threat to congressional power—which it very well may be—he proposed in a limitation on the Treasury-Postal Service appropriations bill to defund the CFOs, but the House voted 341-52 to strip this from the bill.[37]

One issue for the CFOs is the nature of their relationships with other managers with financial responsibilities including budget directors, procurement experts, inspector generals, and information systems designers. During the first part of 1991, OMB issued guidance on CFO organization and agencies responded with organizational plans, but few agreed on how restructuring should change and/or will change agency practices.[38] The organizational issue is also active at OMB, where the new Office of Federal Financial Management has been granted personnel slots shifted from the budget side. Despite this evidence of intent, old complaints that "OMB neglects management" reappeared during 1991. House Budget Committee Chairman Panetta, among others, proposed that OMB be split into an Office of Budget and an Office of Federal Management backing the argument with a committee study that summarized the costs of ten recent financial scandals.[39] Most of these scandals show evidence of internal control problems or of the failure to monitor third parties, which presumably will be prime focuses of the new financial structure. In addition, OMB has apparently had success with "swat teams" composed of OMB budget *and* management staff and target agency staff, which work for extended periods on "high risk" programs.[40]

More important than the organizational issues is the question of whether the new financial management structure can actually produce more useful information. To comply with the CFOA, agencies must now annually prepare audited financial statements, and each CFO must prepare an annual report that includes a "Description and Analysis" of the status of financial management in the agency; each "D and A" must be understandable by non-accountants.[41] The amount of progress made by the FASAB in developing accounting concepts relevant to the federal government will be the linchpin of these efforts. Only when FASAB resolves hairy conceptual and practical difficulties concerning the treatment of capital, inventories, and pensions will the agency statements of financial condition be meaningful.[42]

There is the additional question of whether the work put into upgrading financial information will be cost-effective. Suppose FASAB is successful and a consensus develops that agency financial statements can accurately measure their financial conditions—will better decisions be made as a result? A strong argument can be constructed for the negative absent better information about the programmatic outcomes of spending. Showing this concern, Senator Roth kicked off a campaign to require agencies to annually state goals and performance standards. Though much of official Washington reacted with studies of current performance budgeting practices, the reform has not attracted strong support.[43]

Official Washington *did* react quickly to the news that Salomon Brothers Inc. had made illegal bids in at least eight Treasury debt auctions during 1990 and 1991. In attempts to corner the market, Salomon violated a Treasury guideline that prohibited dealers from bidding for more than 35 percent of auctioned securities; the firm did this by placing unauthorized bids in the names of its customers. Similar violations were reported by ninety-eight dealers active in the markets for government-sponsored enterprise securities; these dealers soon agreed to pay $5.2 million in fines. The Treasury Department has announced administrative changes that will largely end the special treatment that allowed collusion and misrepresentation by primary dealers in Treasury securities and further legislative action is expected.[44]

A final financial management issue, also within Treasury's domain, is whether the debt should be more actively managed. As in past periods when the yield curve was steep, shifting to a shorter average maturity could significantly reduce interest outlays. In the past, the Treasury did not respond to suggestions to shorten maturities because of its desire to borrow predictably, and more recently because of the budgetary risk of higher refinancing costs. Yet in recent auctions Treasury has offered fewer long bonds for sale, suggesting that it has agreed to accept more market risk in return for some short-term budgetary savings.

CONCLUSIONS

Allen Schick has persuasively argued that the transition from fast living to slow growth has severely taxed the federal government's capacity to budget.[45] Paradoxically, a period of negative growth may increase it. When this article was being written, opinion polls and results in presidential primaries indicated that the electorate may be interested in a more substantive discussion of fiscal policy alternatives than it had received in the past.

The capacity of the federal budgetary process at the beginning of 1992 to support such a discussion was, at best, mixed. By mutual agreement, the branches did not seriously evaluate budgetary priorities and tradeoffs throughout 1991, and the 1993 president's budge also avoided important issues. But though the budget process failed to fulfill its planning function, it generally excelled at control. Control succeeded at the cost of closing off discussion of allocational policy, however, just when radical changes in the world suggested that new tradeoffs between programs should be considered. Yet partisan considerations may still prevent abandonment of the BEA's rigid caps in 1992. Similarly, the upcoming election may limit open discussion of how to control existing mandatory spending programs which continue expanding as the exception to the general spirit of control.

Technical analysis may contribute relatively little to the solution of these budgetary problems—the missing main ingredient, as is often complained, is political leadership. In contrast, the financial management movement suggests a new agenda for public budgeting and finance experts particularly for the academics who have been little involved to date. The CFOA has mandated change, but there is much uncertainty about the goals of this act and about the best ways to organize for financial management. Similar questions arise about accounting concepts that are useful for the federal government, performance budgeting methods, and responsible debt management policy. The public, and social science, could benefit from more attention to these topics.

NOTES

1. See, for example, Michael A. Pagano, Ann O'M. Bowman, and John Kincaid, "The State of American Federalism, 1990–1991," *Publius* 21 (Summer 1991): 1–26. For an innovative scholarly use of annual legislative wrap-ups, see David R. Mayhew. *Divided We Govern* (New Haven, Conn.: Yale University Press, 1991).
2. Richard Doyle and Jerry McCaffery, "The Budget Enforcement Act in 1991," *Public Budgeting & Finance* 12 (Spring 1992): 3–14.
3. Roy T. Meyers, "The President's Fiscal Year 1992 Budget: Almost Quiet on the Budgetary Front," *Public Budgeting & Finance* 11 (Summer 1991): 5–18.
4. Chuck Alston, "First Session Winds Down After Tax-Cut Dither," *Congressional Quarterly Weekly Report* (Nov. 30, 1991) 3505–3508. This article wins the pun of the year competition, with its lead that "the Gingrich nearly stole Christmas."
5. CBO, *The Economic and Budget Outlook: An Update* (August 1991) xix; CBO, *The Economic and Budget Outlook: Fiscal Years 1993–1997* (Jan. 1992): 31.
6. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 1993*, Part One, 12.
7. Ethan S. Harris and Charles Steindel, "The Decline in U.S. Saving and Its Implications for Economic Growth," *Federal Reserve Bank of New York Quarterly Review*, 16 (Winter 1991): 1–19.
8. CBO, *The Economic and Budget Outlook: Fiscal Years 1993–1997*, 30.
9. On three occasions, the Senate declined by wide margins to suspend BEA controls. See also David S. Cloud, "Democrats Lay out 'Goals' To Jump-Start Economy," *Congressional Quarterly Weekly Report* (May 25, 1991): 1365.
10. David S. Cloud, "The Cry for Middle-Class Cuts: Looking Behind the Rhetoric," *Congressional Quarterly Weekly Report* (Jan. 18, 1992): 105–110. This tax fairness debate was started with an attempt by Senator Moynihan to propose a cut in the Social Security payroll tax. On April 24, 1991, the Senate tabled by 60-38 a procedural move to allow a vote on this cut. George Hager, "Senate OKs Fiscal Blueprint, Rejects Payroll Tax Cut," *Congressional Quarterly Weekly Report* (April 27, 1991): 1040–1043.
11. Jeffrey H. Birnbaum and Alan S. Murray, *Showdown at Gucci Gulch* (New York: Vintage, 1987).
12. Richard Doyle and Jerry McCaffery, "The Budget Enforcement Act in 1991," *Public Budgeting & Finance* 12 (Spring 1992): 3–14.

13. Mike Mills, ''Highway and Transit Overhaul Is Cleared for President,'' *Congressional Quarterly Weekly Report* (Nov. 30, 1991): 3518–3522; Kirk Victor ''Skinner's Last Act,'' *National Journal* (Dec. 14, 1991): 3016–3019.
14. See Congressional Quarterly, *Where the Money Goes: A Guide to Congress' Spending Choices in the 1992 Appropriations Bills* (Dec. 7, 1991).
15. See also Mike Mills, ''Moynihan's Misstep,'' *Congressional Quarterly Weekly Report* (Dec. 21, 1991): 3730, for the story of an unsuccessful attempt at an end-run of lease-purchase rules and spending caps.
16. But see Davis S. Cloud, ''Rostenkowski Holds Up Bills in Dispute With OMB,'' *Congressional Quarterly Weekly Report* (Sept. 28, 1991): 2774, for evidence that Congress can exercise such control as well. On the BEA more generally, see David S. Cloud, ''Revenue Rustlers Fight to Claim Endangered Tax Breaks,'' *Congressional Quarterly Weekly Report* (April 13, 1991): 897–902; George Hager, ''Relevance of Budget Process Is Tricky Question on Hill,'' *Congressional Quarterly Weekly Report* (April 20, 1991): 962–968; and Lawrence J. Haas, ''Deficit Doldrums,'' *National Journal* (Aug. 7, 1991): 2149–2153.
17. A similar proposal was floated by Chairman Panetta in 1991.
18. David Rapp, ''The Medicaid Shell Game: Too Good To Last,'' *Governing* (Jan. 1992): 62; Julie Rovner, ''Both Chambers Join the Battle Over Medicaid Financing,'' *Congressional Quarterly Weekly Report* (Nov. 23, 1991): 3459.
19. Congressional Budget Office, *Budgeting for Administrative Costs Under Credit Reform* (Jan. 1992). Nor are the potential budgetary costs of government-sponsored enterprises fully measured; Thomas H. Stanton, ''Increasing the Accountability of Government-Sponsored Enterprises: Next Steps,'' *Public Administration Review* 51 (Nov./Dec. 1991): 572–575.
20. General Accounting Office, *Student Loans: Direct Loans Could Save Money and Simplify Program Administration* (Sept. 1991); Charlotte H. Fraas, ''Direct Student Loans: A Pro and Con Analysis,'' Congressional Research Service (Sept. 23, 1991). This problem may be addressed by relying on the IRS to collect the loan repayments.
21. A description of the process for developing these estimates can be found in OMB, ''Federal Credit and Insurance Supplement,'' *Budget* 33–34. See also Carroll J. Doherty, ''Lawmakers Seek Political Cover As Israel Aid Delay Runs Out,'' *Congressional Quarterly Weekly Report* (Jan. 18, 1992): 118–125.
22. CBO, *Budgetary Treatment of Deposit Insurance: A Framework for Reform* (May 1991).
23. *Budget*, Part One, 13, 274–278; Steven Mufson, ''Tax Plan Accounting Device a Gimmick or a Godsend?'' *Washington Post* (Feb. 16, 1992): H1, H5.
24. *Budget*, Part One, 25.
25. *Budget*, Part One, 398–399.
26. *Budget*, Part Three, 7–13.
27. *Budget*, Part One, 168–169, 180.
28. On this issue, see particularly Anthony King and Giles Alston, ''Good Government and the Politics of High Exposure,'' in Colin Campbell and Bert A. Rockman, eds. *The Bush Presidency: A First Appraisal* (Chatham, N.J.: Chatham House 1991), 249–285.
29. Appearance on ''MacNeil-Lehrer Newshour,'' date not recorded.
30. Ann Devroy and Steven Mufson, ''Rewrite of Bush Health Package Stops the Budget Presses,'' *The Washington Post* (Jan. 28, 1992): A1, A5.
31. *Budget*, Appendix One, 6.
32. For example, Alex Mintz, ''Guns Versus Butter: A Disaggregated Analysis,'' *American Political Science Review* 83 (Dec. 1989): 1285–1293.
33. For surveys of the development and current status of federal financial management, see Joint Financial Management Improvement Program, *Financial Handbook for Federal Executives and Managers* (Aug. 1991); Charles R. McAndrew, ''Strengthening Controls for Better Government,'' *Association of Government Accountants Journal* 39 (Winter 1990): 27–40.
34. See General Accounting Office, *Managing the Cost of Government: Building An Effective Financial*

Management Structure (Feb. 1985); Letter from David Stockman to Jack Brooks, Chairman of House Committee on Government Operations (May 1, 1985).

35. This new spirit is shown in Joint Financial Management Improvement Program, ''Improving Program Delivery and Stewardship through Modern Financial Management,'' Proceedings of the 20th Annual Financial Management Conference (March 18, 1991).
36. Robert W. Bramlett, ''The Federal Accounting Standards Advisory Board: An Introduction For Non-Accountants,'' *Public Budgeting & Finance* 11 (Winter 1991): 11–19.
37. Bill McAllister, ''House Refuses to Block Finance Law,'' *The Washington Post* (June 20, 1991): A19.
38. Frank Hodsoll, ''Guidance for Preparing Organization Plans Required by the Chief Financial Officers Act of 1990,'' Office of Management and Budget (Feb. 27, 1991).
39. House Budget Committee Print, ''Management Reform: A Top Priority for the Federal Executive Branch'' (Nov. 1991); see also Ronald C. Moe, ''The HUD Scandal and the Case for an Office of Federal Management,'' *Public Administration Review* 51 (July/Aug. 1991): 298–307. On OMB and management more generally, see GAO, *Managing the Government: Revised Approach Could Improve OMB's Effectiveness* (May 1989); Senate Committee on Governmental Affairs, *Office of Management and Budget: Evolving Roles and Future Issues* (Feb. 1986); and Frederick C. Mosher, *A Tale of Two Agencies* (Baton Rouge, La.: LSU Press 1984).
40. *Budget*, Part One, 309–11, 334–363; Mark Goldstein, ''Darman's Raiders,'' *Government Executive* 23 (Nov. 1991): 22–24, 26.
41. See GAO, *Financial Reporting: Framework for Analyzing Federal Agency Financial Statements* (March 1991).
42. FASAB's first exposure draft, which deals with noncontroversial issues, is ''Financial Resources, Funded Liabilities, and Net Financial Resources of Federal Entities'' (Nov. 18, 1991). Note also that FASAB's minutes, at the request of members, do not identify the positions of individual members. While this pollutes the minutes with the passive voice, its effect on the ability of FASAB to cope with criticism seems minimal.
43. David Masci, ''Performance Standards Bill Seeks Federal Efficiency,'' *Congressional Quarterly Weekly Report* (June 8, 1991) 1496; Lawrence J. Haas, ''More Bang for the Buck,'' *National Journal* (April 20, 1991): 929–932; *Budget*, Part One, 314. See also Part One, 367–374 for a list of evaluations that support budget decisions.
44. James M. Bickley and Mark Jickling, ''Salomon Brothers' Violations: Explanation, Consequences, and Options for Reform,'' Congressional Research Service (Nov. 11, 1991); Treasury Department, Securities and Exchange Commission, Federal Reserve, *Joint Report on Government Securities Market* (Jan. 1992).
45. Allen Schick, *The Capacity to Budget* (Washington, D.C.: The Urban Institute 1990).