

# RECONCILABLE DIFFERENCES?

Congress, the Budget Process,  
and the Deficit

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and the Deficit*

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## *Preface*

The federal budget deficit has raged out of control for almost a decade, despite the belief of both public officials and major economists that deficits are too large. When something goes so obviously wrong, invariably we seek to assign blame. Two familiar scapegoats are the budget process and “gutless” members of Congress. In this case there is probably enough blame to go around, but I believe it is unreasonable to accuse either inviting target.

This is a book about the congressional budget process, particularly the “reconciliation” process as part of the larger budget process. The perverse argument of this book is that the budget process is a success. It does not balance the budget, but no legislative procedure could accomplish that feat; instead, the process provides politicians with the tools they will need to implement a balanced budget—should the time come that they are able to agree on how to eliminate or substantially reduce the deficit. The great achievement of the process is to reduce much of the ability of factions within Congress to obstruct and delay legislation they find offensive. The weakness of the process is that only seldom are there

majorities in Congress capable of substantially using the powerful tools now available to them.

Politicians engaged in public acts of self-flagellation often claim that the failure of Congress to balance the budget is due to a lack of the "guts," the "intestinal fortitude," or the "courage" needed to stand up to the "special interests" and vote for spending reductions. Such comments generally mean both that representatives are unwilling to vote against their immediate electoral interests and that they should be so willing. I find this an interesting contention. It is certainly true that if members of Congress were angels, it would be easier to reduce the deficit. But if we must depend on having virtuous individuals in office to enact decent public policy, then we are in deep, deep trouble. Moreover, the idea of relying on good elected officials for attaining good government is entirely at odds with our constitutional structure. Madison and other founding fathers, "realists" as they were, understood that selfish, venal individuals with very human failings would find their way into public office with some regularity; thus, they strove to erect a political structure that would operate satisfactorily even without angels to run it. I believe it behooves us still to strive for political structures that enable politicians to enact reasonable policies in the public interest without superhuman displays of courage. The congressional budget process is one such effort.

I have received assistance from many sources in writing this book. Nelson Polsby first suggested that I look at the reconciliation process, and as my study progressed he generously provided counsel. I am deeply grateful to him. Aaron Wildavsky was also very liberal with time and assistance. Joe White read the entire manuscript twice and improved it greatly. Nick Masters

of the House Budget Committee helped me secure office space on Capitol Hill and also assisted by setting up some interviews. The willingness of participants in the budget process to take the time to explain to me what they did, and why, frequently amazed me; without their generosity this study could never have been written. The Institute of Governmental Studies of the University of California, Berkeley, provided funds that permitted my first interviews in Washington. The Brookings Institution provided a one-year graduate fellowship that greatly facilitated research and writing. Ann Kendrick, Jim Savage, Bob Katzmman, Kirk Brown, Cathy Johnson, Allen Schick, Raymond Wolfinger, Peter Schwartz, Eugene Bardach, Tom Hammond, Barry Ames, and Mark Kamlet all provided valuable help.

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## *Introduction*

In its dealings with budgetary issues since 1980, Congress has acted uncharacteristically, upsetting long-standing expectations and contradicting contemporary theories of congressional behavior. Members of Congress are seekers of reelection, we are told, and the quest to retain their offices leads them to decentralize the organization of Congress because, through their work in committees, representatives can best engage in the activities most likely to get them reelected. In policy making we have come to expect Congress and its members to favor legislation that confers tangible benefits upon constituents and districts, while scrupulously avoiding choices that impose costs or hardships directly upon constituents.

Despite these widespread expectations, members of Congress have undermined their committee system by developing an overarching, all-encompassing budget process that allows congressional majorities to exercise an unprecedented degree of control over committees. Moreover, since 1980 Congress has come to rely on budgetary negotiations and decision making that take place largely or entirely outside the normal committee structure of Congress. In some cases the budget process has

enabled congressional floor majorities to adopt comprehensive budgets on the floor and to enforce their preferences on reluctant committees. In other cases party leadership and committee chairs have agreed on the general outlines of budget policy and used the budget process as a means of implementing these group decisions. Either way, the budget process disrupts the ordinary sequence of the legislative process. Normally the committees go first, determining their own agenda and presenting legislative proposals to the rest of the chamber. Under the new budget process entities outside committees—whether gatherings of committee chairs, summit meetings, or committed majorities—effectively can set the agenda for committees and direct them to draft spending resolutions or tax increases.

Two episodes from recent history suggest the nature of the new budgetary order in Congress. First, in 1981, the initial year of the Reagan presidency, a unanimous Republican party in the House was joined by a substantial number of “boll weevil” Democrats; they succeeded in enacting the president’s budget recommendations in their entirety, despite the objections of committees with jurisdictions over programs and despite the best efforts of the majority party leadership to thwart the administration’s budget proposals. Republicans were able to achieve this remarkable feat only because of the budget process, particularly the new “reconciliation” procedure, which enormously consolidates congressional procedure and reduces the influence of committees.

Second, spurred on by the Black Monday stock market crash of October 19, 1987, in which the Dow Jones average fell by more than 500 points in one day, Democrats and Republicans of both the House and the Senate met with leaders from the administration and negoti-



ated a package of deficit reductions worth some \$30 billion. Committees in both chambers then proceeded to draft legislation implementing the decisions reached in the interbranch "summit" meetings. Such summit meetings, almost commonplace in the 1980s, were basically nonexistent before 1980. The initiation of reconciliation is linked with that of interbranch budgetary negotiations: reconciliation allows committed floor majorities to impose their will on committees, making it possible to enforce negotiated agreements. Without an enforcement device, it makes little sense to negotiate agreements.

These developments contrast starkly with Woodrow Wilson's classic discussion of Congress. A century ago, Wilson asserted that Congress conducts its "business by what may figuratively, but not inaccurately, be described as an odd device of *disintegration*." In Wilson's view, Congress qualified as "disintegrated" because its work was conducted by the parts—the committees—and not the whole. "Congress in session," he continued, "is Congress on public exhibition, whilst Congress in its committee-rooms is Congress at work." Furthermore, he wrote, "the chairmen of the Standing Committees do not constitute a cooperative body like a ministry. They do not consult and concur in the adoption of homogeneous and mutually helpful measures; there is no thought of acting in concert. Each committee goes its own way at its own pace."<sup>1</sup> Subsequent observers have seen little to cause them to disagree with Wilson's assessment. Innumerable observers of Congress have found it to be a committee-centered body in which negotiations are conducted in committee and important

1. Woodrow Wilson, *Congressional Government* (Gloucester, Mass.: Peter Smith, 1973), chap. 2, pp. 57–98.

decisions are not made on the floor. Authors often condemn the fragmented structure of Congress; sometimes they applaud it, and occasionally they are even ambivalent. But whatever view they take of fragmentation and committee autonomy, they do not dispute their existence.

There has also been common agreement on congressional policy-making tendencies. At least since Schattschneider wrote about the politics of the Smoot-Hawley tariff, scholars have contended that Congress favors narrow, assertive interests, over broader, less well-mobilized interests.<sup>2</sup> This tendency manifests itself in the congressional enthusiasm for water projects and public works,<sup>3</sup> agriculture subsidies, food stamps,<sup>4</sup> merchant marine subsidies, tariffs,<sup>5</sup> tax exclusions,<sup>6</sup> veterans' benefits, and Social Security.<sup>7</sup>

But in 1980, an election year, Congress did the unthinkable when it voted to increase taxes and cut spending. In 1981 Congress passed the largest spending cut ever enacted. In 1982 Congress defied conventional wis-

2. E. E. Schattschneider, *Politics, Pressure, and the Tariff* (New York: Prentice-Hall, 1935).

3. John A. Ferejohn, *Pork-Barrel Politics: Rivers and Harbors Legislation, 1947-1968* (Stanford: Stanford University Press, 1974).

4. John A. Ferejohn, "Logrolling in an Institutional Context: A Case Study of Food Stamp Legislation," in *Congress and Policy Change*, ed. Gerald Wright, Leroy Rieselbach, and Lawrence Dodd (New York: Agathon Press, 1986), pp. 223-253.

5. Schattschneider, *Politics, Pressure, and the Tariff*.

6. Stanley Surrey, "How Special Tax Provisions Get Enacted," *Harvard Law Review* 70 (1957): 1145-1182. Of course, the tax reform of 1986 suggests that tax politics is not necessarily controlled by those seeking tax expenditures. But the story of the 1986 tax bill fully confirms the view that members of Congress cater to special interests. Jeffrey Birnbaum and Allan Murray, *Showdown at Gucci Gulch* (New York: Random House, 1987).

7. Martha Derthick, *Policymaking for Social Security* (Washington, D.C.: Brookings Institution, 1979).

dom when it cut spending and enacted the largest tax increase in history. Normally we expect Congress to pass difficult legislation only with presidential support, but in passing the 1982 tax bill, the Tax Equity and Fiscal Responsibility Act, Congress and the president reversed roles, as the legislative branch persuaded an otherwise reluctant executive to go along with a large revenue increase. Again in 1983, 1984, 1985, and 1987, Congress passed legislation to cut spending and increase taxes.

Congress has achieved these perverse results by means of its budget process, enacted first in 1974 and variously strengthened in subsequent years. The overall effect has been to centralize congressional handling of the budget, increase the influence of congressional floor majorities, and reduce the autonomy of committees. The heart of the budget process has been the reconciliation procedure, first employed in 1980. Reconciliation, a revolutionary tool, enables congressional majorities to overcome barriers to swift and comprehensive action, dramatically reduces the long-standing capacity of committees to block the legislative desires of majorities, facilitates intercommittee negotiations, and, perhaps more important, increases the probability that the results of negotiations will be implemented. By means of reconciliation, congressional majorities can direct committees to reduce spending on the programs in their jurisdictions. It significantly reduces the virtual veto power committees have had over changes and reductions in entitlement programs, and this rearranges the balance of power between committee and chamber or between "faction" and "majority." Not in the past hundred years have majorities been so favored by congressional procedure and organization. Without the budget process, the budget cuts and tax increases enacted in

1980 and subsequent years almost certainly would not have been passed. Given what we have come to expect from Congress, this is truly, as James Jones (D-Okla.) claims, "the most bizarre way to legislate."<sup>8</sup>

New procedures do not, of course, appear of their own accord; rather they are adopted by Congress to enable its members to achieve purposes considered unattainable under previous arrangements. Procedure does not itself determine policy; rather it is the means by which members' preferences are translated into actual legislation, an intervening variable that influences and shapes the translation of members' policy preferences into legislation. Procedure can warp and modify the extent to which legislation reflects the preferences of representatives, but it cannot cause the enactment of legislation that members do not, in some sense, desire. Members can and do change the procedure of Congress when they perceive that it obstructs their will or otherwise produces undesirable consequences.

In this book, legislators are seen as complex individuals with conflicting preferences. They are concerned with both particular programs, especially those of disproportionate benefit to their own constituents, and such issues as the size of the budget, its distribution among programs, the size of the deficit and its impact on the economy, and the size of the total public debt, even though such issues may not be of direct electoral benefit and even when these goals interfere with the quest to obtain tangible benefits for their constituents. Legislators want more spending for their constituents, but they also want to balance the budget. Budgetary procedure mediates between the preferences of legisla-

8. *Congressional Record*, daily edition (June 25, 1981), p. H3390; hereafter cited *Cong. Rec.*

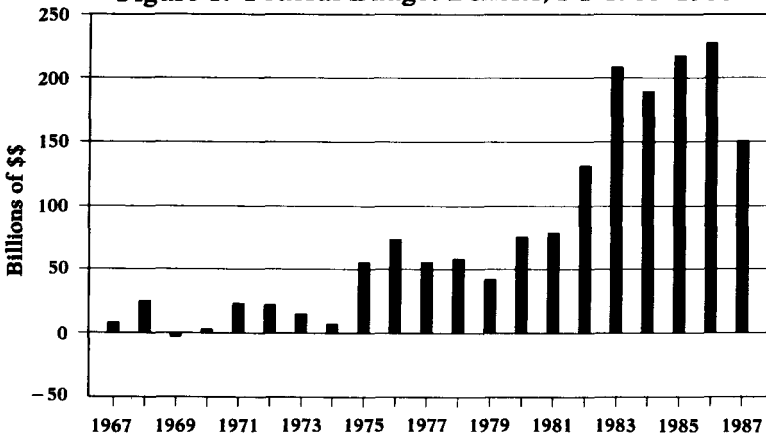
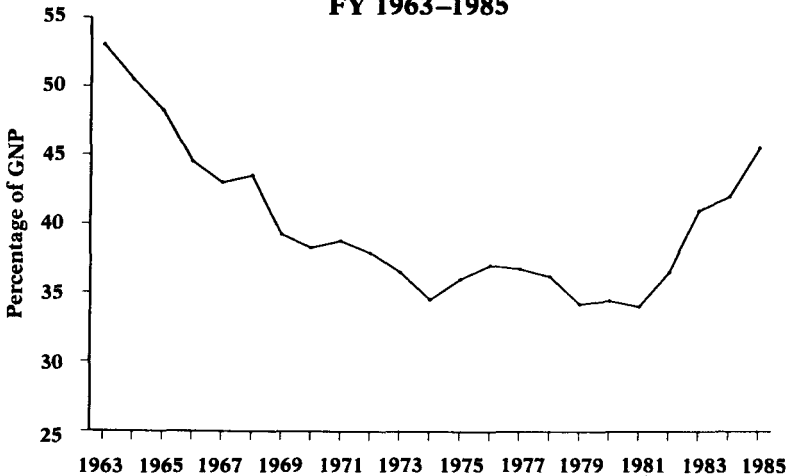
tors and their choices, helping to determine which preferences will be manifested in a given decision. A budgetary procedure that focuses more attention on the size of the budget and less on the components tends to elicit member preferences for lower spending. A procedure that focuses attention on particular programs tends to elicit member preferences for more spending. In budgetary matters, how a question is posed largely determines the answer given; consequently, budgetary procedure is of tremendous importance in "framing" issues.

Members of Congress recognize the impact of different procedural arrangements on their behavior. Consequently, when members discover that the budgets enacted by Congress diverge significantly from what they want, they will attempt to set matters straight—not by voting directly for a more suitable budget, but by changing the procedures under which they consider budgetary issues. This happened in 1974 and 1980: Congress found itself incapable of adopting acceptable budgets under its existing budget process, and so it amended its procedures in an effort to produce better budgets.

Since 1974 members of Congress have been seeking to create a set of budget procedures that will result in enacting a satisfactory budget. In this quest, they acted on the belief, widely shared among political scientists and other observers of Congress, that a major source of their problem was a budgetary organization and procedure that fragmented budgetary deliberations. By distributing power over spending to many committees and subcommittees, Congress gained considerable control over the parts of the budget but lost sight of the whole. According to this interpretation of congressional incapacity, the proper solution was to reconstitute congressional ability to control the budget as a whole.

Budget reforms have introduced procedure and organization that enable Congress to adopt a plan to balance or do anything else with the budget, should only members agree on such a plan. That cannot be said of any previous budgetary arrangements in Congress, which could and did prevent enacting coherent budget policy in Congress. The ability to adopt and implement a budget plan in Congress may seem to some a minimal or trivial accomplishment, but it is without precedent in the annals of the modern Congress. In this sense—political or structural—I would argue that the budget process has been a success. This book documents and explains political and structural changes that have taken place in Congress in the 1980s as a result of the budget process.

The magnitude of change has been difficult to appreciate because of the concurrent rise of extremely large budget deficits, which have arisen and persisted despite the apparent opposition of nearly every member of Congress and the president. A casual examination of the history of budget deficits and budget reform might lead one to believe that budget reform encourages not increased congressional control of the budget, but instead large deficits. In the twenty years before the adoption of the Budget Act in 1974, deficits were common but normally small, and debt declined continuously as a percentage of GNP throughout this period (see Figures 1 and 2). But soon after implementing the budget process the deficit began regularly to exceed \$50 billion, and debt ceased to decline as a percentage of GNP. Then, after the process was significantly strengthened in 1980 through introducing the reconciliation procedure, the deficit promptly surpassed first \$100 billion and then \$200 billion. If correlation could be interpreted as causation, the budget process would be considered one of the great ca-

**Figure 1. Federal Budget Deficits, FY 1967–1987****Figure 2. Total Federal Debt as a Percentage of GNP, FY 1963–1985**

tastrophes of all time because efforts to make it stronger have consistently been accompanied by increases in the deficit.

Observers often dismiss the budget process as ineffective and interpret the fantastic increase in the deficit

during the life of the budget process as evidence of failure. President Reagan called the process "a sorry spectacle . . . a magic show. It's wink and blink; and smoke and mirrors; and pulling rabbits out of hats; but almost all that ever comes up are designs to hide increases for special interests."<sup>9</sup> Detractors point out that Congress, faced with \$200 billion deficits "as far as the eye can see,"<sup>10</sup> passes spending cuts of only \$10 billion or even less. Furthermore, to produce this morsel of savings the budget process drags on for months past supposed deadlines, disrupts normal legislative activity, compels reliance on continuing resolutions rather than normal appropriations bills, and generally turns Congress inside out.

Assessing the impact of a procedural change solely or primarily by means of budgetary outputs grossly oversimplifies the relationship between procedure and outcomes. The massive deficits of the Reagan era and the frustrating inability of Congress and the president to eliminate them do not indicate procedural inadequacies in Congress as much as a failure of the House, the Senate, and the president to agree on a specific means of reducing the deficit. Both the House and the Senate have proposed major deficit reduction plans that have stalled because of either an inability of the two chambers to agree or threatened presidential vetoes. Likewise, the president has proposed significant cuts in domestic programs, but he has been unable to convince Congress to enact them. The problem is that neither the White

9. *Reform of the Federal Budget Process*, Hearings before the House Committee on Government Operations, 100th Cong., 1st sess. (USGPO, 1987), p. 195.

10. David Stockman is responsible for this unsettling description of the budget dilemma. *The Triumph of Politics* (New York: Harper & Row, 1986), p. 370.



House, the budget committees, nor anyone else has been able to devise a plan to reduce the deficit that will satisfy both chambers of Congress and the president. If and when that plan appears, the budgetary procedure of Congress will facilitate its enactment into law. We have witnessed less a failure of the budget process than a lesson in separation of powers. Overcoming problems like these demands reducing conflict in government, not tinkering with procedures.<sup>11</sup>

Similarly, observers take the passage of Gramm-Rudman, the automatic budget balancing bill, as evidence of the failure of the budget process. Frustrated with the persistence of huge deficits, Congress twice adopted measures that set mandatory deficit reduction targets and required automatic reductions in spending if Congress was unable to meet deficit targets. In fact, Gramm-Rudman neither subverts nor replaces the budget process; indeed, it complements the process well. The threat of large, across-the-board reductions in all programs, except a handful specifically exempted, was intended to create a strong incentive on the part of Congress and the president to agree on a deficit reduction package. When and if such deficit reduction packages are negotiated, the reconciliation procedure is nearly the only practical, workable means of implementing them.

The budget process should enable Congress to exert control over the level and growth of spending where there is a clear preference to do so. This it has done. Even though the budget deficit has often been huge since

11. See James L. Sundquist, *Constitutional Reform and Effective Government* (Washington, D.C.: Brookings Institution, 1986), who argues for lessening separation of powers on the grounds that it will reduce stalemate.