

17.11 – The budgetary process

- Money, money, money
- How Congress deals with spending & taxing and spending & resulting deficits
- Contrast with regular process
- Themes
 - Why are special processes necessary?
 - Can Congress “design” its way out of budget busting tendencies?
 - Unintended consequences

First, who is more influential – presidents or interest groups?

- Mea culpa – sort of
 - Yes, there is no answer to this question...
- Dissecting influence (in a slightly different order than originally presented)
 - What they want
 - Positive v. negative
 - Who they influence
 - Allies / parties
 - Their resources
 - Formal powers – presidential veto, plus other executive branch perks
 - Political power
 - Electoral – money, allies, publicity
 - Congressional – allies

Advantages

- President
 - Veto & veto threat
 - Executive branch
 - Large staff è information & lobbying
 - Publicity
 - Natural allies w/i party
 - Including congressional leaders
 - But natural enemies too***
 - Fundraising ability
 - Grassroots support (through party?)
- Groups
 - Information
 - Policy
 - Political
 - Money
 - *most popular answer*
 - Publicity through paid efforts
 - Grassroots support
 - Membership groups v. industry
 - Legislative allies

My answer: the president

- But, it depends on
 - Popularity
 - His party's power in Congress
 - Because he has much less ability to influence other party
 - What he seeks
 - Big v. small

Plus...

- One president v. many groups
 - How do we know if groups won or lost if health care passes?
- Caveat on influence...
 - Because groups operate across party lines, perhaps they are more likely to convince people to do things they ordinarily would not

Supporting evidence from the news

- Formal powers
 - <http://www.nytimes.com/2009/11/09/us/politics/09cao.html?scp=3&sq=cao&st=cse>
- “Take the money and run”
 - <http://www.nytimes.com/2009/11/15/us/politics/15health.html?scp=1&sq=pascrell&st=cse>
 - <http://www.opensecrets.org/industries/summary.php?ind=F09&recipdetail=S&sortorder=A&cycle=All>

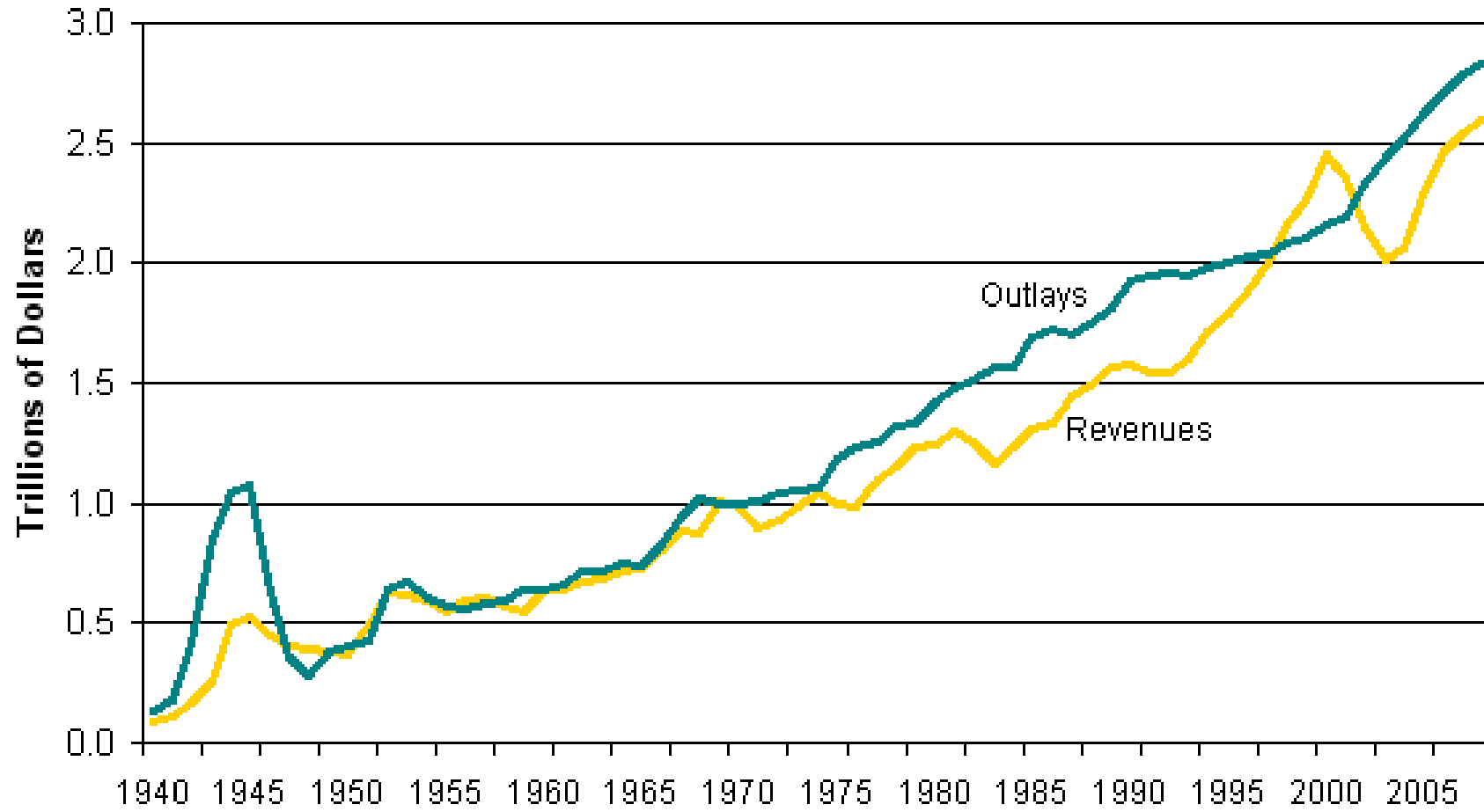
On to budget...and Congress'
effort to regulate itself

Money, money, money

- Spending & taxing core governmental functions
 - Certainly true of Congress
 - Early history
 - Constitution
 - Two of the main committees: Appropriations and Ways & Means
- è Fundamental problem:
 - Spending is popular
 - Cutting taxes is popular
 - How do “single-minded seekers of reelection” manage to be fiscally responsible?
 - Remember, it is easier to be reelected while doing popular stuff

Federal Outlays and Revenues, 1940-2008*

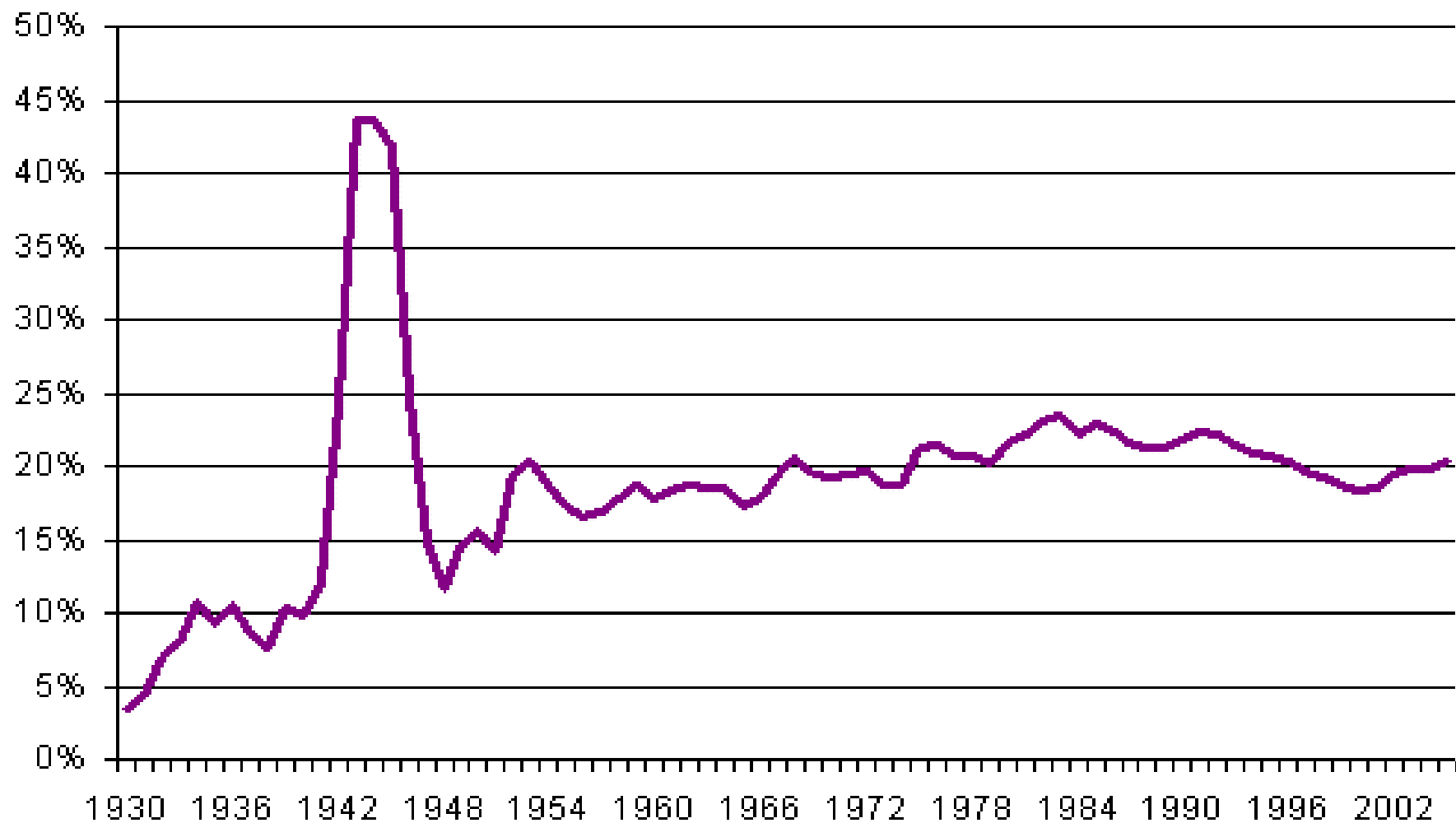
(in trillions of \$2007)



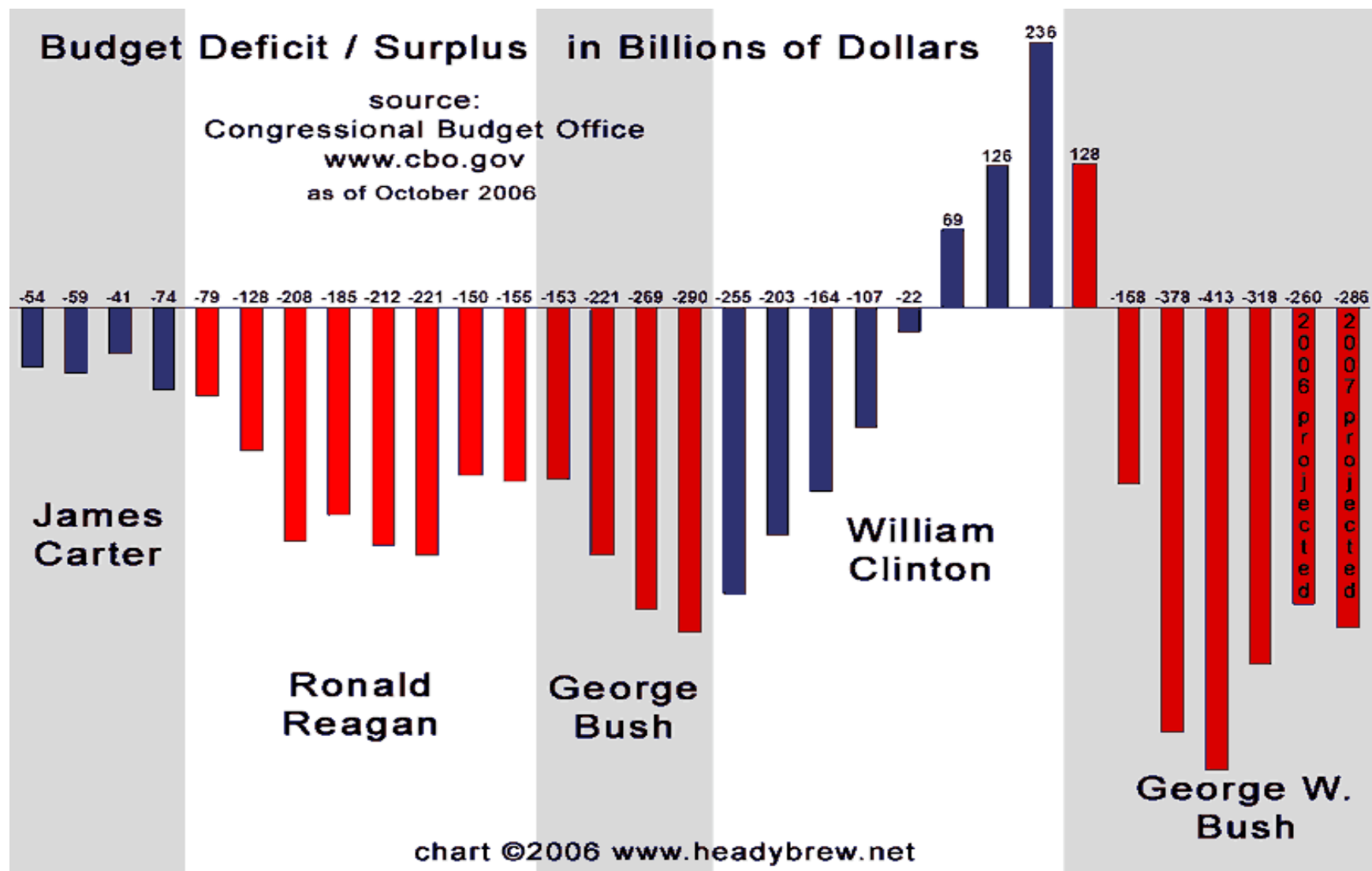
*Estimate

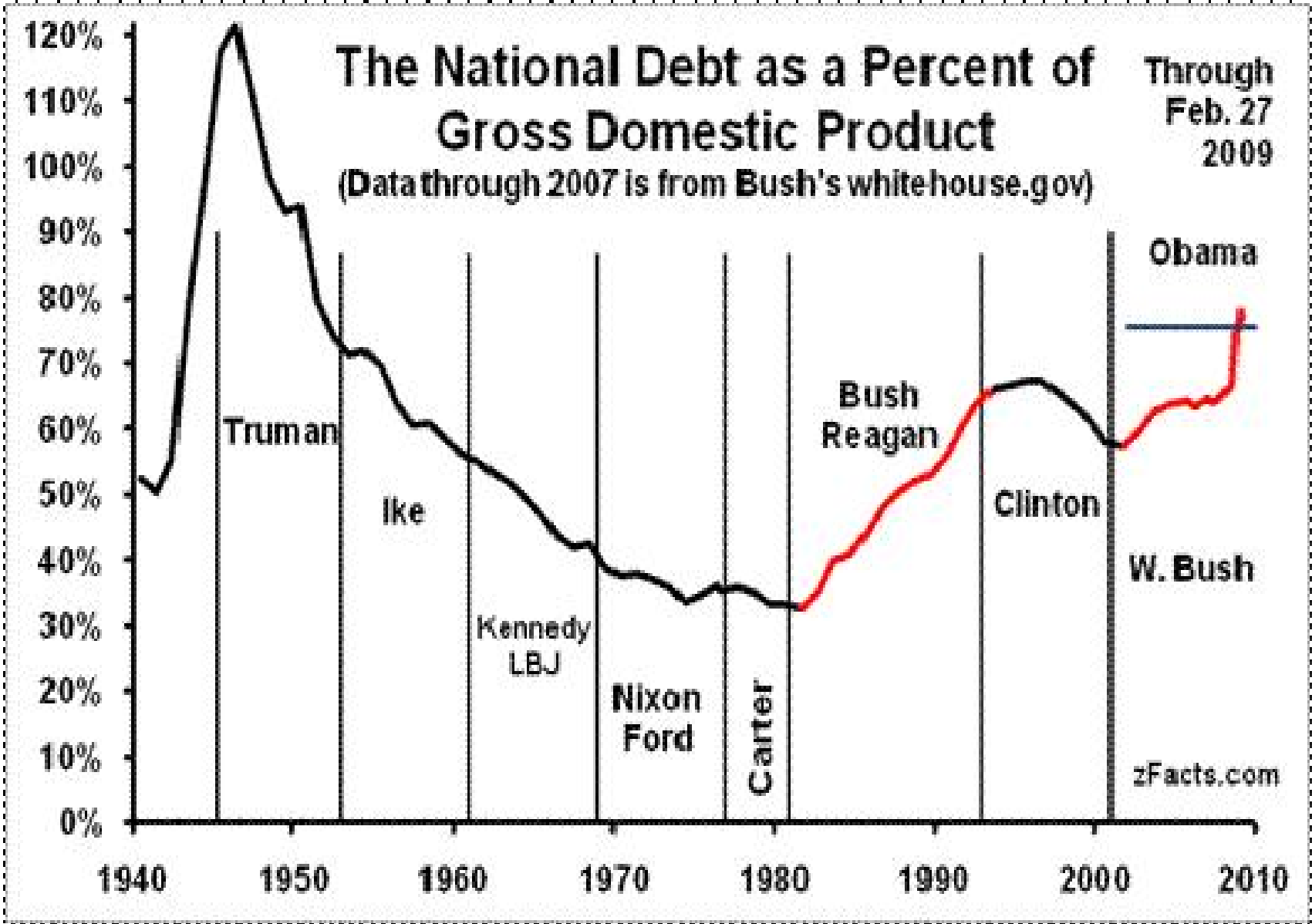
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Federal Outlays as a Percentage of GDP, 1930 - 2005



Federal Budget Deficit, 1977-2007

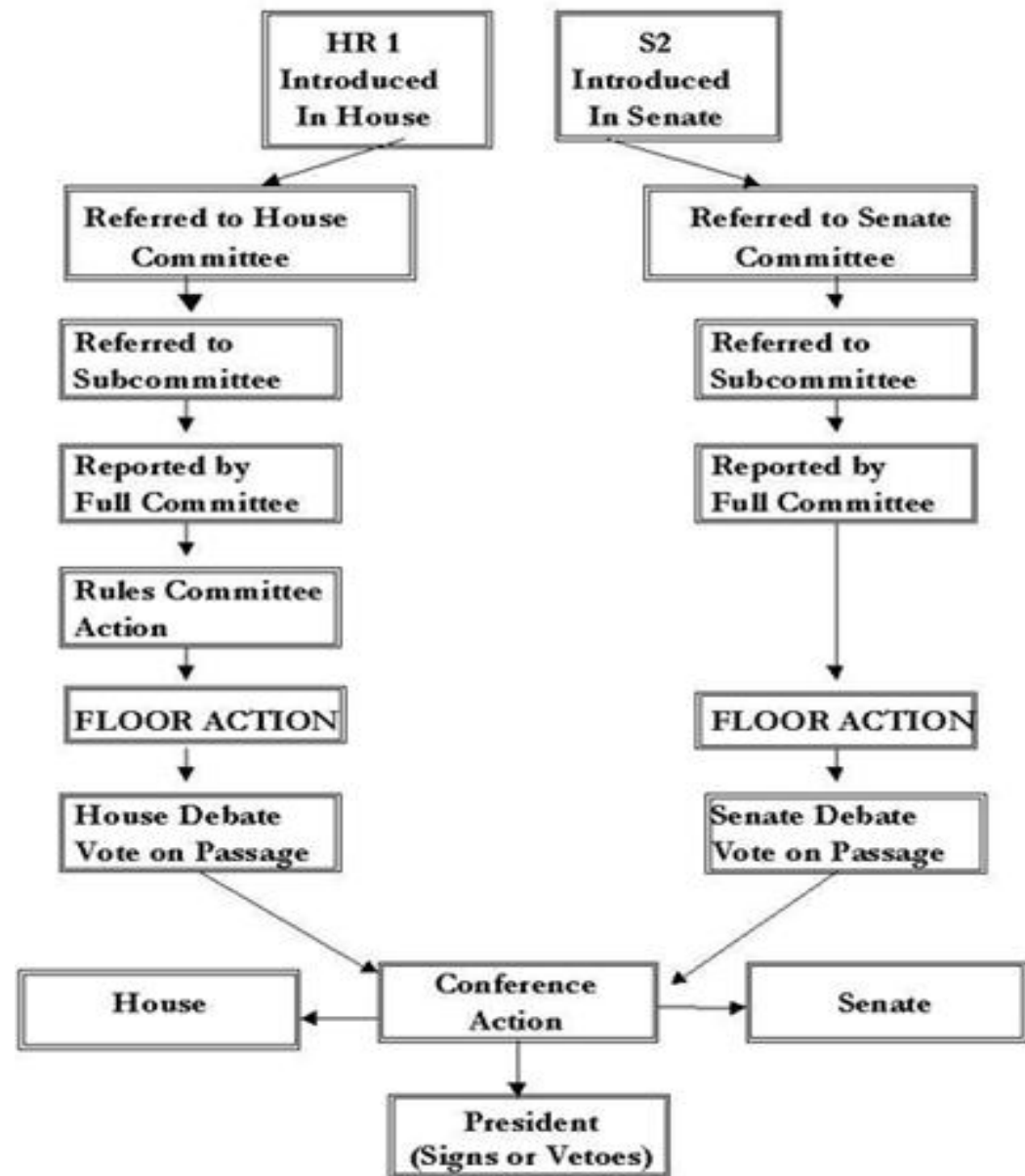




Two interrelated problems

- Controlling spending
 - The impulse to meet constituents' demands for programs
- Controlling the deficit
 - The impulse to meet constituents demands for programs & for tax cuts
- Why are these separate questions?

The “Textbook” Legislative Process:



But, this slide doesn't cover \$\$

- Authorizations v. appropriations
- Direct constitutional authority
 - Art 1, Sec 9: “No money shall be drawn from the treasury, but in consequence of appropriations made by law; and a regular statement and account of receipts and expenditures of all public money shall be published from time to time.”
- Initially Ways & Means handled appropriations, but Appropriations became separate committee following Civil War.

Appropriations Committee

- & subcommittee
 - College of Cardinals in House
 - Magnuson example in Senate
- Viewed role as constraining spending
 - By authorizing committees
 - By president
- But, enormous legislative opportunities for members
 - Magnuson again

With increasing deficits in 1970s, 1980s, & 1990s...

- Budget committee
 - Following clashes with executive branch
 - Committee has power to
 - Establish budgetary outline
 - Proceed under special rules – esp. no filibusters in Senate
 - Pursue reconciliation bills***
 - Rotating membership (at least in House)
- Gramm-Rudman-Hollings
 - Debt ceiling linked to budgetary goals
- Pay-go
 - Requiring fiscal neutrality
- Plus, added expertise with Congressional Budget Office (1974)

Did any of this work?

- At times, maybe yes but mostly no
- Why not?
- Creative accounting
 - Social Security
 - Growth assumptions
 - Off-book expenditures
- Legislative ingenuity
 - Reconciliation / Byrd rule
 - 1996 Senate Republicans established principle that reconciliation could be used for any proposal that affected the budget (positively or negatively)
 - è Bush tax cuts

Bottom line: politics

- Dick Cheney on deficits (from Paul O'Neill)
 - “You know, Paul, Reagan proved deficits don't matter. We won the midterms (congressional elections). This is our due.”
 - A month later, Cheney told the Treasury Secretary he was fired.
- In other words, politicians try to find ways to satisfy demands for spending & tax cuts
 - One way to look at American politics: Dems party of domestic spending, Reps party of military spending & tax cuts
 - In recent decades Rep program more expensive than Dem program

Wrap up

- Theme 1: Why are special processes necessary?
 - To solve the political problem brought on by public demand
- Theme 2: Can Congress “design” its way out of budget busting tendencies?
 - Probably not. Requires Congress & president working together
- Theme 3: What are the unintended consequences of these design innovations
 - Legislative opportunity via reconciliation
 - New accounting magic

Closing question

What evidence is there that the president is a key player in controlling Congress' impulse to spend more and tax less? What tools does he have to reduce the deficit?

Bottlenecks and Opportunities

- Legislative math: @10,000 bills introduced each Congress, just a handful become law
- 80-90 percent never clear committee
 - Negative/positive powers of committee chairmen
- Scheduling a floor vote
 - Negative/positive powers of party leaders
- Presidential veto