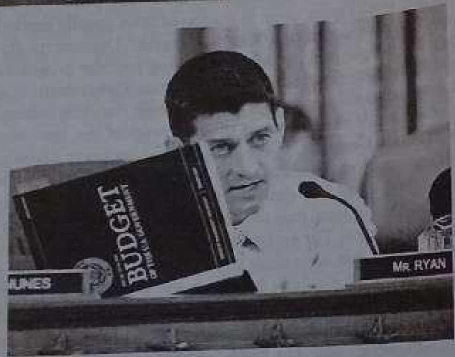


Budgets, Taxes, and Domestic Policies. Tax citizens (top) fill out last-minute tax returns at a post office in northwest Washington, D.C. House Budget Committee chair Rep. Paul Ryan, R-Wis., challenges President Obama's budget for the fiscal year 2014 (center). Domestic tragedies like Hurricane Sandy (October 2012) compel local officials to appeal for federal aid. President Obama meets with New York Governor Andrew Cuomo with (from left to right) Housing Secretary Shaun Donovan, Homeland Security Secretary Janet Napolitano, and New York City Mayor Michael Bloomberg. Local senators and representatives led the call for federal aid.

chapter

Congress, Budgets, and Domestic Policy Making

When Republicans won control of the House of Representatives in the 2010 elections, cutting domestic spending was high on their priority list. But the new majority party had to contend with a Democratic president and Democratic Senate, all resisting the sweeping cuts that Republicans favored. How could Republicans transform America's fiscal policy while controlling just a single chamber of Congress? Their answer was to capitalize on the looming need to raise the country's debt ceiling. This decision set up a confrontation that dominated American politics for several months in 2011 and that illuminates important features of Congress as a policy-making institution.

When the government raises less in revenue than it spends, it must borrow money—by issuing bonds—to cover the difference. The debt limit is a statutory cap on the total amount of borrowing that the federal government can undertake. Treasury Secretary Timothy Geithner notified Congress in early January 2011 that the debt ceiling of \$14.294 trillion would soon be breached unless Congress passed legislation raising the limit.[1]

Leaders of the new GOP majority in the House responded that they would only agree to raise the debt limit if the president and Senate accepted major budget cuts.[2] Absent an increase in the debt limit, the Treasury Department would be unable to pay the money that it owed to government program beneficiaries—such as Social Security checks—and the government would eventually default on the interest payments that it owed to existing bondholders. Austan Goolsbee, the chair of President Barack Obama's Council of Economic Advisers, bluntly warned, "If we get to the point where we damage the full faith and credit of the United States, that would be the first default in history caused by pure insanity."[3] Outside experts generally agreed that the result would be catastrophic for the U.S. economy.

Several months of arduous negotiations ensued. While the Obama administration disagreed with the idea of linking a debt ceiling increase to spending cuts, the president and his team nonetheless met with House Republican leaders to seek an agreement on a major deficit reduction package that would include a debt ceiling increase. There were moments when it appeared that a "grand bargain"—in which Obama agreed to substantial cuts in both discretionary domestic spending and in entitlement programs such as Medicare and Medicaid, and Speaker John Boehner agreed to new revenues—was within reach. But in the end, Obama insisted on increased tax revenues that Boehner could not sell to conservative members of his party, while Boehner sought greater spending cuts than Obama was willing to accept, absent major new revenues.[4]

As talks dragged into July 2011, two major credit ratings agencies threatened to lower the United States' credit rating unless action was taken to raise the debt ceiling before August 2, when the Treasury Department would no longer be able to meet all obligations for payments under existing law. President Obama took to the airwaves to warn that Social Security checks might be delayed if Congress failed to act; Republicans accused the president of trying to scare the country and of failing to negotiate in good faith.[5]

Meanwhile, as market jitters mounted, Senate minority leader Mitch McConnell, R-Ky., proposed a compromise that would shift responsibility for increasing the debt limit onto the president. McConnell's plan would authorize Obama to increase the debt ceiling in three installments over the next two years; Congress could then vote to disapprove the increases, but the disapproval resolutions would be subject to a presidential veto. This would allow Republicans to vote against the specific debt ceiling increases, while nonetheless avoiding default. House Republicans, however, rejected the plan.[6]

With time running out, President Obama announced a deal to increase the debt ceiling on July 31, 2011. The agreement consisted of two stages. The first stage included $917 billion in spending cuts that the White House and congressional leaders had agreed to, along with a corresponding $900 billion increase in the debt limit. The second stage provided for an additional $1.2 trillion increase in the debt limit but tied that increase to further deficit reduction. Under the agreement, Congress would create a special joint committee charged with identifying the additional $1.2 trillion in deficit reduction. If this so-called "supercommittee" failed to reach an agreement, across-the-board spending cuts—split evenly between domestic and defense programs—would take effect in January 2013. Supporters of the compromise argued that this "trigger" would impose such devastating cuts—hitting programs valued by both parties—that it would force both sides to negotiate in good faith and ultimately lead to a major budget deal.[7]

The House passed the agreement on August 1 and the Senate followed suit the next day, essentially at the last possible moment before the Treasury Department would have run out of room to maneuver.

When the supercommittee was appointed, however, it became apparent that there was little likelihood it would reach the sort of agreement that had eluded Obama and Boehner. House Republicans appointed stalwart conservatives—such as Jeb Hensarling of Texas—who were loath to agree to new taxes, while Democrats appointed committed liberals—such as Xavier Becerra of California—who were deeply resistant to the spending cuts sought by Republicans. The result was another stalemate. As the 112th Congress wound

down, Congress voted to delay the automatic spending cuts for two more months in the hope of reaching another deal, but they began to take effect when no deal was reached by March 2013.

The two Congresses were clearly in evidence during the debt limit fight. As a lawmaking assembly, members of both parties faced the urgent need to act decisively to forestall an economic disaster. But passing legislation on the debt limit required addressing members' electoral calculations. For Republicans who believed they had been elected to cut spending and deficits, a vote to raise the debt limit was seen as a liability that could threaten their reelection. McConnell's proposal to delegate responsibility for the debt ceiling to the president reflected Congress's widespread desire to avoid tough votes.

More generally, the deep ideological split over whether dramatic spending cuts or new taxes were needed to deal with the deficit reflected the diversity of views in the country at large. For Republicans, their very public promise to constituents that they would never agree to increased taxes greatly limited their maneuvering room in discussions of a "Grand Bargain." Democrats, for their part, were mindful of the political payoff of defending popular programs such as Medicare and Social Security from Republican cuts. Constituent concerns were never far from the surface as members fought over the debt ceiling.

The debt ceiling battle also illustrates other aspects of the contemporary policy-making process in Congress. In the context of deep party divisions and frequent divided government, legislators and the president find it extremely difficult to agree unless there is a deadline that makes the consequences of stalemate disastrous. This, in turn, may create incentives for both sides to *create* deadlines as a spur to action. The result, however, tends to be a drawn-out, messy negotiating process that veers close to disaster before generating a resolution that neither side is particularly happy about and that may well once again postpone some of the difficult decisions for yet another, new deadline.

Congress's approval rating took a hit following the debt ceiling negotiations—falling to yet another low.[8] The public clearly does not like the politics of brinksmanship that has become increasingly common on Capitol Hill, but as long as the parties remain deeply divided from one another—and as long as voters do not provide a clear signal about how to resolve pressing policy challenges—more of the same may be expected.

Plainly, conflicts about policies and the money to pay for them lie at the vortex of today's lawmaking process. This chapter will first provide a general overview of the policy-making process. It will then turn to a more detailed discussion of budgeting, which has increasingly come to dominate politics and policy making in Congress.

STAGES OF POLICY MAKING

Public policy is what the government says and does about perceived problems.[9] Policy making normally has four distinct stages: (1) setting the agenda, (2) formulating policy, (3) adopting policy, and (4) implementing policy.

Setting the Agenda

At the initial stage, public problems are spotted and moved onto the national agenda, which can be defined as "the list of subjects to which government officials and those around them are paying serious attention."[10] In a large, pluralistic country such as the United States, the national agenda at any given moment is extensive and vigorously debated.

How do problems move onto the agenda? Some emerge as a result of a crisis or an attention-grabbing event—an economic depression, a terrorist attack, a devastating hurricane or earthquake, or a high-visibility corruption scandal. For example, in December 2012 a devastating shooting in an elementary school in Newtown, Connecticut, led to renewed attention to gun control on the national political agenda. Other agenda items are occasioned by the gradual accumulation of knowledge—for example, rising awareness of an environmental hazard such as global warming. Still other agenda items represent the accumulation of past problems that no longer can be avoided or ignored, such as the safety of the nation's food supply and the crumbling infrastructure.

Agendas are also set in motion by political processes—election results (1964, 1994, 2006, and 2010 are good examples), turnover in Congress, or shifts in public opinion.[11] For example, the election of 2006 resulted in the first Democratic Congress in over a decade, and with it came a new set of priorities, including opposition to President George W. Bush's handling of the Iraq war and aggressive congressional oversight of the executive branch. In the 2010 elections, Democrats took a "shellacking." The eighty-seven House GOP freshmen, backed by an assertive Tea Party movement, made cost-cutting and downsizing government their top priorities. Scores of members in both parties and both chambers shared their concerns and mobilized to address the nation's mounting deficit and debt.

Agenda items are pushed by policy entrepreneurs—that is, people who are willing to invest their time and energy in promoting a particular issue. Especially at the beginning of a new president's term, many of Washington's think tanks and interest groups issue reports that seek to influence the economic, social, or foreign policy agenda of the nation. Elected officials and their staffs or appointees are more likely to shape agendas than are career bureaucrats.[12]

Lawmakers are frequently policy entrepreneurs. Party and committee leaders are especially influential. Generally speaking, politicians gravitate toward issues that are visible, salient, and solvable. Tough, arcane, or controversial problems such as entitlements may be shunned or postponed because they arouse significant public controversy.

The nation's recent experience with record gasoline prices placed pressure on lawmakers to address difficult questions of energy policy. Energy independence has been a decades-long goal of the United States, particularly since the 1970s, when the Organization of Petroleum Exporting Countries (OPEC)—a cartel—deliberately slowed down oil production, resulting in long gas lines in

cities across America. The reality is that there are no quick fixes to the demand for energy. As one analyst suggested,

> We need an energy policy that understands that the world is going to require much more energy in the future. The math is pretty simple. Today, there are about 6.7 billion people on earth. By 2050 there will be 9 billion. To sustain these extra 2.3 billion people while still raising standards of living everywhere, we will need to consume about twice as much energy as we do today. So the debate about oil vs. natural gas vs. biofuels vs. alternative energy is wholly unrealistic. If we are going to sustain and support this kind of population and economic growth, we'll need everything.[13]

Forecasters continue to predict more short- and long-term energy woes unless steps are taken to develop clean alternative fuels, change consumption habits, encourage conservation, and reduce the spiraling demand for oil, especially oil from the volatile Middle East.[14]

This kind of creeping crisis is often difficult for members of Congress to grapple with, in part because of the two-Congresses dilemma. As conscientious lawmakers, members might want to forge long-term solutions. But as representatives of their constituents, they must respond to more immediate constituent concerns about, as Obama's energy secretary phrased it, being "at the mercy of [energy] price spikes" because of the country's oil dependency.[15]

Formulating Policy

In the second stage of policy making, lawmakers and others discuss items on the political agenda and explore potential solutions. Members of Congress and their staffs play crucial roles by conducting hearings and writing committee reports. They are aided by the policy experts in executive agencies, interest groups, legislative support agencies, think tanks, universities, and private sector organizations. Another term for this stage is *policy incubation*, which entails "keeping a proposal alive while it picks up support, or waits for a better climate, or while a consensus begins to form."[16] Sometimes, this process takes only a few months; more often it requires years. During Dwight D. Eisenhower's administration (1953–1961), for example, congressional Democrats explored and refined domestic policy options that while not immediately accepted, were ripe for adoption by the time their party's nominee, John F. Kennedy, was elected president in 1960.[17]

The incubation process refines the solutions to problems and brings policies to maturity. The process may break down, however, if workable solutions are not available. The seeming intractability of many modern issues complicates problem solving. Thomas S. Foley, D-Wash. (Speaker, 1989–1995), held that in the years after he entered Congress in 1965 issues became far more perplexing. At that time "the civil rights issue facing the legislators was whether the right to vote should be federally guaranteed for blacks and Hispanics. Now members are called on to deal with more ambiguous policies like affirmative action and racial quotas."[18] Complex topics such as stem cell research, genetic discrimination, unconventional warfare, and global climate change are contemporary examples of the difficult issues facing lawmakers. Solutions to problems normally involve "some fairly simple routines emphasizing the tried and true (or at least not discredited)."[19] A repertoire of proposals—for example, blue-ribbon commissions, trust funds, or pilot projects—can be applied to a variety of unsolved problems. Problem solvers also must guard against recommending solutions that will be viewed as worse than the problem.

Adopting Policy

Laws often embody ideas whose time has come. The right time for a policy is what scholar John W. Kingdon calls the "policy window": the opportunity presented by circumstances and attitudes to enact a policy into law. Policy entrepreneurs must seize the opportunity before the policy window closes and the idea's time has passed.

Once policies are ripe for adoption, they must gain popular acceptance. This is the function of legitimation, the process through which policies come to be viewed by the public as right or proper. Inasmuch as citizens are expected to comply with laws or regulations—pay taxes, observe rules, and make sacrifices of one sort or another—the policies themselves must appear to have been properly considered and enacted. One of the lingering liabilities of the landmark Patient Protection and Affordable Care Act of 2010 is the impression among some Americans that it was rammed through without bipartisan support.

Symbolic acts, such as members voting on the House or Senate floor or the president signing a bill, signal to everyone that a policy was adopted within the traditional practices. Hearings and debates serve to fine-tune policies as well as to cultivate support from affected interests. As for the pace of the overall process, responding to critics of Congress's glacial progress in adopting energy legislation, a senator posed these questions:

> Would you want an energy bill to flow through the Senate and not have anyone consider the impacts on housing or on the automotive industry or on the energy industries that provide our light and power? Should we ignore the problems of the miner or the producer or the distributor? Our legislative process must reflect all of the problems if the public is to have confidence in the government.[20]

Legitimating policies, in other words, often requires a measured pace and attention to procedural details. But a measured pace and painstaking attention to procedural niceties often provide opponents of change with an opportunity to mobilize. In many circumstances, policy makers may be forced to enact bold changes quickly in response to public outcry or demand, knowing that the details will have to be refined and adjusted later. The legislative passage in three weeks of President Obama's economic stimulus package is an example.

Implementing Policy

In the final stage, policies shaped by the legislature and at the highest executive levels are put into effect, often by a federal agency. Most policies are not self-executing; they must be promulgated and enforced. A law or executive order rarely spells out exactly how a particular policy should be implemented. Congress and the president usually delegate most decisions about implementation to the responsible agencies under broadly worded guidelines. Implementation determines the ultimate effect of policies. Officials of the executive branch can thwart a policy by foot-dragging or sheer inefficiency. By the same token, overzealous administrators can push a policy far beyond its creators' intent.

Congress, therefore, must exercise its oversight role. It may require executive agencies to report to or consult with congressional committees or to follow other formal procedures. Members of Congress receive feedback on the operation of federal programs through a variety of channels: media coverage, interest group protests, and even casework for constituents. With such information Congress can adjust funding, introduce amendments, or recast the legislation on which the policy is based.

TYPES OF DOMESTIC POLICIES

One way to understand public policies is to analyze the nature of the policies themselves. Scholars have classified policies in many different ways.[21] Our typology identifies three types of domestic policies: distributive, regulatory, and redistributive.

Distributive Policies

Distributive policies or programs are government actions that convey tangible benefits—subsidies, tax breaks, or advantageous regulatory provisions—to private individuals, groups, or firms. These benefits are often called "pork," a derogatory term for program benefits or spending specifically designated for members' states or districts. But pork is often difficult to define objectively. After all, "one person's pork is another person's steak." The projects come in several varieties, including "old-fashioned pork" (bridges and roads), "green pork" (wind, solar, and other alternative energy projects), "academic pork" (research grants to colleges and universities), or "high-tech pork" (cybersecurity).

Distributive policy making, which makes many interests better off and few, if any, visibly worse off—comes easily to Congress, a collegial and nonhierarchical institution that must build coalitions to function. A textbook example was the $1 billion-plus National Parks and Recreation Act of 1978. Dubbed the "Park Barrel Bill," it created so many parks, historic sites, seashores, wilderness areas, wild and scenic rivers, and national trails that it sailed through the Interior (now Resources) Committee and passed the House 341–61. "Notice how quiet we are. We all got something in there," said one House member after the Rules Committee cleared the bill in five minutes flat. Another member quipped, "If it had a blade of grass and a squirrel, it got in the bill."[22]

Distributive politics of this kind throws the two Congresses into sharp relief: national policy as a mosaic of local interests.

The politics of distribution works best when tax revenues are expanding, fueled by high productivity and economic growth. When productivity declines or tax cuts squeeze revenues, it can become difficult to add new benefits or expand old ones. Yet distributive impulses remain strong even in these circumstances, as lawmakers in both parties work to ensure that money is spent for specific purposes in their districts or states. This type of particularistic spending is known by a variety of different names—"pork," "spending with a Zip code," "member projects," "congressional directed spending," or, more common today, "earmarks." By whatever name, the fundamental purpose of this spending is to "bring home the bacon." Recently, earmarks have fallen into disfavor, in part because of their cost, political use ("greasing" the legislative wheels), and the circumvention of competitive procedures for funding such constituency-based projects.

The Controversy over Earmarks. During the 1990s and early 2000s, the number of earmarks in spending bills increased in number and dollar value. In 1993 there were 892 earmarks worth $2.6 billion; in 1998 there were nearly 2,000 earmarks worth $10.6 billion; and by 2005 there were "nearly 14,000 earmarks, costing $27.3 billion."[23] The cost of over 9,000 earmarks peaked at $29 billion in 2006, with a falloff to $15.9 billion (9,500 earmarks) in 2010.[24] (The 2010 expenditures for earmarks represented less than half of 1 percent of the $3.7 trillion federal budget.)

Various factors accounted for the explosion in earmarks and then their rapid drop-off. As for the increase, with narrow partisan divisions in the House and Senate, party and committee leaders used earmarks to attract the votes they needed to pass priority legislation and, in a two-Congresses tactic, helped electorally vulnerable lawmakers facing tough challenges at home. A longtime GOP appropriator also stated that in 1995, when Republicans took control of the House, they "democratized the earmark process" by making earmarks "available to everyone, Republican or Democrat, leader and rank-and-file alike."[25]

The decline in earmarks occurred for three principal reasons. First, there was significant criticism of wasteful and unnecessary earmarks, especially in an era of rising fiscal deficits. The classic example highlighted by opponents of earmarks was "the bridge to nowhere"—a $230 million bridge connecting a small Alaskan town of eight thousand to an island with fifty residents.[26]

Second, there was an unseemly and sometimes corrupt connection between earmarks and campaign contributions. One lawmaker (who ended up in jail) took $2.4 million in bribes from lobbyists to insert earmarks for defense contractors, who would then contribute to his reelection campaign. Third, aggressive watchdog groups, bloggers, and several lawmakers, such as Rep. (now Sen.) Jeff Flake, R-Ariz., and Sen. John McCain, R-Ariz., exposed and challenged on the floor what they viewed as bad earmarks.

Earmark Reform. The 110th and 111th Congresses, as well as President Obama, instituted reforms intended to bring transparency and accountability to the earmark process. For example, the procedures required public disclosure

of the lawmaker requesting an earmark; the name and location of the intended recipient; the purpose of the earmark; and certification that neither the requesting lawmaker nor his or her spouse had a financial interest in the earmark.

The 112th Congress went even further. The GOP controlled House imposed a complete ban on earmarks for all House members. Their party regulation stated that "no Member shall request a congressional earmark, limited tax benefit, or limited tariff benefit, as such terms have been described in the Rules of the House." Some House committees also established their own guidelines for excluding earmarks from their measures.[27]

The Senate resisted for a time but then moved to ban earmarks. After President Obama declared in his 2011 State of the Union message that he would veto any legislation containing earmarks and the House indicated that it would not pass any bills that contained them, Senate Appropriations chair Daniel Inouye, D-Hawaii, said in a statement: "Given the reality before us, it makes no sense to accept earmark requests that have no chance of being enacted into law."[28] But key senators have promised to revisit the issue and to explore ways "to improve the earmarking process."[29] Other senators, such as Claire McCaskill, D-Mo., and Patrick Toomey, R-Pa., want to write into law the prohibition against earmarks now in party rules.[30]

The debate over earmarks did not end in either chamber for a fundamental two-Congresses reason. As one lawmaker explained, earmarking is "part of the genetic makeup of a legislator," who must try to find a way to help his or her community.[31] Earmark advocates in both chambers argued that a blanket ban impeded the lawmaking process, granted too much authority to unelected bureaucrats to make spending decisions that reside constitutionally with House and Senate members, and urged a rethinking of how to define an earmark. Writing to their Appropriations Committee's leaders, several senators stressed the need "to operationalize a clear definition" of earmarks. Authorized earmarks that benefit the entire nation, they argued, "are quite different from congressionally directed spending items, which only benefit a separate state, congressional district or region, and change year-to-year."[32]

Members also employed other, less transparent means to finance projects back home: earmarks by another name. They include "lettermarking"—lawmakers writing to administrators to urge that home-based projects be funded; "phonemarking"—calling executive officials to request money for projects in their states or districts; and "soft earmarks"—simply "suggesting" to agency officials that money should be spent on the lawmaker's project. Members also might hike the dollar amounts in certain budgetary accounts and "then forcefully request that the agency spend the money on the member's pet project."[33] Some lawmakers continue to solicit funding for earmarked local projects. They ask constituents to send in letters identifying community projects in need of federal money. As Rep. Mike Thompson, D-Calif., wrote in a letter to constituents:

> I disagree with this decision [banning earmarks] because it prevents full and open congressional consideration of many worthwhile project proposals critical to the health, safety and economic well-being of

the people of our district. As your representative in Congress, I am committed to working with you to pursue alternative strategies to support critical infrastructure improvements in our communities.[34]

To sum up, many lawmakers and analysts contend that eliminating earmarks saves a trivial amount of money, and that the lengthy debates over earmarks only detract from the big-budget items that dominate spending such as entitlements and defense, which need members' attention. Moreover, many earmarks are not wasteful and serve worthwhile national purposes, such as repairing decrepit bridges, establishing the Human Genome Project, and requiring the Pentagon "to procure Predator drone aircraft as well as to buy more body armor for troops and provide more armor protection for vehicles used in Iraq."[35]

Regulatory Policies

Regulatory policies are designed to protect the public from the harm or abuse that might result from unbridled private activity. For example, the Food and Drug Administration monitors standards for foodstuffs and tests drugs for purity, safety, and effectiveness, and the Federal Trade Commission guards against illegal business practices such as deceptive advertising.

Federal regulation against certain abuses dates from the late nineteenth century, when the Interstate Commerce Act and the Sherman Antitrust Act were enacted to protect against abuses in transportation and monopolistic practices. As the twentieth century dawned, scandalous conditions in slaughterhouses and food-processing plants led to meatpacking, food, and drug regulations. The stock market collapse in 1929 and the Great Depression of the 1930s paved the way for the New Deal's regulation of the banking and securities industries and of labor-management relations. Consumer rights and environmental protection policies came of age in the 1960s and 1970s. The reversal of some of the protections of the 1930 enactments, plus lax oversight by federal agencies, contributed to the banking crisis of 2008–2009, which in turn fueled the Great Recession. Predictably, the fresh wave of Wall Street scandals led to a new round of regulatory fervor. Among its legacies is the Consumer Financial Protection Bureau (P.L. 111-203). Its job is to act as a watchdog for consumers in their purchase of various financial products, such as credit cards or mortgages.

Regulation inevitably arouses controversy. Much of the clean air debate, for example, involves the basic issue of costs versus benefits: Do the public health benefits of cleaner air outweigh the financial costs of obtaining it?[36] Environmentalists and health advocates argue that tougher standards for regulating air pollution prevent suffering and save the lives of thousands who are afflicted with asthma and other lung diseases. Industries and conservative groups attack these claims, contending that the regulations are unnecessary, too expensive, and produce little health benefit.[37] A by-product of new regulations—such as the sweeping health care and financial reform laws enacted by the 111th Congress—has been the skyrocketing revenues for "Washington lobbyists positioned to help companies influence and comply with the new regulations."[38]

Reviewing federal agencies' regulation-writing process is a priority of today's Congress and of President Obama. Like presidents before him, Obama took steps to further centralize overall control over regulation writing in the Office of Management and Budget (OMB), specifically OMB's Office of Information and Regulatory Affairs (OIRA). For example, the president issued an executive order on January 18, 2011 (E.O. 13563), requiring agencies to produce affordable and less intrusive regulations: "We're looking at the [regulatory] system as a whole to make sure we avoid excessive, inconsistent and redundant regulation."[39] To achieve these regulatory goals, the president relies on OMB, which uses cost-benefit analysis to curb excessive and burdensome regulations. Rep. Darrell Issa, R-Calif., the chair of the House Oversight and Government Reform Committee, also cites regulatory reform as a top priority.

Redistributive Policies

The most difficult of all political feats is redistributive policy—that is, one in which the government purposefully shifts resources from one group to another. Typically controversial, redistributive policies engage a broad spectrum of political actors, not only in the House and Senate but also in the executive branch and among interest groups and the public at large. Redistributive issues tend to be ideological, dividing liberals and conservatives on fundamental questions of equality, opportunity, and property rights. Tax cuts for the wealthy at a time of rising income inequality is an example of a redistributive controversy. Redistribution can even be future-oriented: excessive amounts of deficit spending today mean larger financial burdens for the next generation.

Most of the divisive socioeconomic issues of the past generation—civil rights, affirmative action, school busing, welfare, immigration, tax reform—were redistributive problems. A redistributive issue for the twenty-first century is the growing share of the federal budget that goes to the elderly compared with everyone else in society. Spending on entitlement programs, principally Social Security and Medicare, absorbs an ever-increasing proportion of federal dollars, which then are unavailable for other important social, domestic, or security needs.

When redistributive issues are at stake, federal budgeting is almost always marked by conflict. In recent years, the conflicts have tended to be over the progressivity of the income tax code and how to cut entitlements. Various techniques have been employed to disguise cuts and to make them more palatable. Omnibus budget packages permit legislators to approve cuts en bloc instead of one by one, and across-the-board formulas (such as freezes) give the appearance of spreading the misery equally to affected groups. In all such vehicles, provisions are added to placate the more vocal opponents of change.

CHARACTERISTICS OF CONGRESSIONAL POLICY MAKING

As a policy-making body, Congress displays the traits and biases of its membership and structure, as well as those of the larger political system. As for the first, the two houses of Congress have divergent electoral and procedural traditions. As for the second, Congress is representative, especially where geographic interests are concerned, and it is decentralized, having few mechanisms for integrating or coordinating its policy decisions. As for policy itself, Congress is often inclined toward enacting symbolic measures instead of substantive ones. Finally, Congress is rarely ahead of the curve—or the public—tending to reflect conventional perceptions of problems.

Bicameralism

Differences between the House and Senate—their relative sizes, members' terms of office, the character of their constituencies—shape the policies they make. Six-year terms, it is argued, allow senators to act as statesmen for at least part of each term before the approaching elections force them to concentrate on fence-mending. Although this distinction may be more apparent than real, empirical studies of senators' behavior lend some support to the claim.[40]

Various constituencies tend to pull in divergent directions. Homogeneous House districts often promote clear, unambiguous positions on a narrower range of questions than those embraced by an entire state. A senator, then, as a representative of an entire state, must weigh the claims of many competing interests on a broad range of matters.

The sizes of the two chambers dictate procedural biases. House rules are designed to allow majorities to have their way. By contrast, Senate rules give individual senators great latitude to influence action. As a GOP senator once said, "The Senate has the strongest minority of any minority on earth, and the weakest majority of any on earth."[41]

In short, the two chambers differ in outlook, constituency, and strategy. This can make forging agreement across the two chambers more challenging and therefore adds to the more general difficulty of changing or terminating existing policies, not to mention passing new legislation.

Localism

Congressional policies respond to constituents' needs, particularly those that can be mapped geographically. Sometimes, these needs are pinpointed with startling directness. For example, an aviation noise control bill required construction of a control tower "at latitude 40 degrees, 43 minutes, 45 seconds north and at longitude 73 degrees, 24 minutes, 50 seconds west"—the very location of a Farmingdale, New York, airport in the district of the Democratic representative who requested the provision.[42]

Usually, however, programs are directed toward states, municipalities, counties, or geographic regions. Funds are often transferred directly to local government agencies, which in turn deliver the aid or services to citizens. But sometimes Congress will require states and localities to fund some national priorities without federal assistance. These "unfunded mandates" strain state budgets and rouse the ire of state and local officials. In 1995 President Bill Clinton signed into law the Unfunded Mandates Reform Act, which requires

Congress either to make provision to pay for any mandate that the Congressional Budget Office (CBO) estimates will cost state and local governments $50 million or more, or to "take a separate recorded vote to waive the requirement, thus holding members of Congress accountable for their decision."[43]

Lawmakers are therefore supposed to consider the costs of any federal requirements they impose on state and local governments. For example, the No Child Left Behind (NCLB) education law (P.L. 107-110), which President Obama is urging the 113th Congress to revise and reauthorize before 2014 (the statute's expiration date), prescribes mandatory standardized testing in all public schools in today's cash-strapped states. School systems in many states complain that the federal government has failed to provide enough money to cover the expense of meeting the law's requirement. The law's fundamental goal is to ensure that by 2014 every student in Grades 3–8 is proficient in reading and math. If not, schools might close and teachers could be fired.

National and local policies are necessarily intertwined. National policies can be advanced by state and local governments; in turn, states or localities can develop innovations that spur national action. The threat of terrorist attacks in the United States demands that any such calamity be confronted by first responders—police officers, firefighters, public health officials, and others—at the state and local levels. On other issues as well, the states are the testing grounds, or laboratories, for social, economic, and political experiments.

Many policy debates revolve around not only which government level can most effectively carry out a responsibility, but also which level best promotes particular values. Liberals tend to prefer that the national government lead in enforcing civil rights and environmental protection. Conservatives support an activist national government on defense and security matters. When it suits their purposes, both liberals and conservatives are capable of advocating either national mandates or local autonomy, depending on which level of government would best serve their objectives.

Piecemeal Policy Making

Policies all too often mirror Congress's scattered and decentralized structure. Typically, they are considered piecemeal, reflecting the patchwork of committee and subcommittee jurisdictions. The structure of a policy frequently depends on which committees have reported it. Working from varying jurisdictions, committees can take different approaches to the same problem. The taxing committees gravitate toward tax provisions to address problems; the appropriations committees will prefer a fiscal approach to issues; the commerce panels typically adopt a regulatory perspective; and so forth. Each approach may be well or ill suited to the policy objective. The approach adopted will depend on which committee is best positioned to promote the bill.

Symbolic Policy Making

Congressional policy making can be more about appearance than substance. Bills are often passed to give the impression that action is being taken, even when the measure adopted is unlikely to have any real impact on the problem. The general public and interest groups continually demand, "Don't just stand there, do something." Doing something is often the only politically feasible choice, even when no one knows exactly what to do or whether inaction might be just as effective.[44] For example, when rising gas prices provoked a national outcry in May 2008, Congress responded by passing a law cutting off the flow of oil to the nation's Strategic Petroleum Reserve. Though the move was touted as a way to boost supply and thus reduce gas prices, most analysts argued it would have no effect on energy prices.[45]

Still, symbolic actions are important to all politicians. This is not the same thing as saying that politicians are merely cynical manipulators of symbols. Words and concepts—*equal opportunity, income inequality, cost of living, affirmative action*—are contested earnestly in committee rooms and on the House and Senate floor. The result, however, is that federal goals are often stated in vague, optimistic language and not spelled out in terms of specific measures of success or failure.

Reactive Policy Making

It would be naive to expect a deliberative body to routinely adopt bold or radical solutions to problems. Elected officials are seldom far ahead of or far behind the collective views of their constituencies. Members know that out-of-the-mainstream views are unlikely to attract widespread public support. Indeed, Congress is essentially a reactive institution. As one House member explained,

> When decision rests on the consent of the governed, it comes slowly, only after consensus has built or crisis has focused public opinion in some unusual way, the representatives in the meantime hanging back until the signs are unmistakable. Government decision, then, is not generally the cutting edge of change but a belated reaction to change.[46]

Ending the statutory "don't ask, don't tell" policy toward gays in the military, for example, came late in 2010—only after public attitudes on the matter had shifted and the Joint Chiefs of Staff had assured lawmakers that the change would not adversely affect military performance.

The reactive character of Congress's policy making is evident in its budget process. Under pressures to reform in recent decades, Congress has embraced formal and informal changes in the way it makes budget decisions. The current budget process, dating from the mid-1970s, was intended to bring coherence to the way standing committees handle the president's budget. It has decisively shaped both Congress's internal decision making and its relations with the executive.

CONGRESSIONAL BUDGETING

Congressional budgeting is a complex process that involves two types of federal spending: discretionary and mandatory (entitlements). Discretionary spending

is under the jurisdiction of the House and Senate Appropriations Committees; mandatory or entitlement spending embedded in statutes is the purview of the authorizing (or policy-recommending) committees of each chamber. Virtually all House and Senate members and committees, the president and executive branch officials, and scores of other participants actively seek to influence Congress's power of the purse. That congressional budgeting is usually contentious should come as no surprise considering the high political and policy stakes associated with fiscal decision making (see Box 14-1 for some of the terminology used in budgeting).

Authorizations and Appropriations

Congress's budget procedures are shaped by two customary and longtime processes: authorizations and appropriations. Generally, legislative rules stipulate that before agencies or programs receive any money, Congress should first pass authorization laws that do three fundamental things: (1) establish or continue (reauthorize) federal agencies and programs; (2) define the purposes, functions, and operations of programs or agencies; and (3) recommend (that is, authorize) the appropriation of funds for programs and agencies. As Senate Democratic leader Harry Reid explained, "Authorizations allow programs to be created and funded. When we pass an authorizing bill, we hope the authorized level will be looked at in [the] appropriations committee—as I did as a longtime member. But we realize there are competing priorities, and full funding doesn't come very often."[47]

As an example, the defense authorization bill might authorize the construction of three new submarines and recommend $15 billion for this purpose. Does that mean the Pentagon has the money to build the submarines? No. Congress must enact the defense appropriations bill that would grant the Pentagon legal authority to spend a specific amount of money for the submarines. In short, an authorization can be viewed as a "hunting license" for an appropriation, a law that actually supplies programs and agencies with public funds (budget authority).

By custom, the House initiates appropriations bills. The House Appropriations Committee (usually one of its twelve subcommittees) would recommend how much money the Pentagon should receive for the submarines. The amount is called "budget authority" (BA), and it is equivalent to depositing money in a checking account. The budget outlay (BO) is the check written by the Pentagon to the contractors hired to construct the submarines. The House Appropriations Committee can provide up to the authorized $15 billion (but not more), propose less funding, or refuse to fund the submarine purchases at all. Assume that the House votes to approve $10 billion. The Senate Appropriations Committee, acting somewhat like a court of appeals, then hears navy officials asking the Senate to approve the full $15 billion. If the Senate accedes, a House-Senate compromise is worked out, either in a conference committee or by the bicameral exchange of amendments.

The authorization-appropriation sequence, which is often observed in the breach, is not required by the U.S. Constitution. The dual procedure dates from

BOX 14-1 A Budget Glossary

Appropriations. The process by which Congress provides budget authority, usually through the enactment of twelve separate appropriations bills.

Budget authority. The authority for federal agencies to spend or otherwise obligate money, accomplished through enactment into law of appropriations bills.

Budget outlays. Money that is spent in a given fiscal year, as opposed to money that is appropriated for that year. One year's budget authority can result in outlays over several years, and the outlays in any given year result from a mix of budget authority from that year and prior years. Budget authority is similar to putting money into a checking account. Outlays occur when checks are written and cashed.

Cut-as-you-go (CUTGO) rule. This House rule requires new mandatory spending to be offset with cuts to existing entitlement programs. Tax increases cannot be used to offset new spending.

Discretionary spending. Programs that Congress can finance as it chooses through appropriations. With the exception of paying entitlement benefits to individuals (see mandatory spending below), almost everything the government does is financed by discretionary spending. Examples include all federal agencies, Congress, the White House, the courts, the military, and programs such as space exploration and child nutrition. About a third of all federal spending falls into this category.

Fiscal year. The federal government's budget year. For example, fiscal year 2014 runs from October 1, 2013, through September 30, 2014.

Mandatory spending. Made up mostly of entitlements, which are programs whose eligibility requirements are written into law. Anyone who meets those requirements is entitled to the money until Congress changes the law. Examples are Social Security, Medicare, Medicaid, unemployment benefits, food stamps, and federal pensions. Another major category of mandatory spending is the interest paid to holders of federal government bonds. Social Security and interest payments are permanently appropriated. And although budget authority for some entitlements is provided through the appropriations process, appropriators have little or no control over the money. Mandatory spending accounts for about two-thirds of all federal spending.

Pay-as-you-go (PAYGO) rule. This Senate rule requires that all tax cuts, new entitlement programs, and expansions of existing entitlement programs be budget-neutral—that is, offset either by additional taxes or by cuts in existing entitlement programs.

Reconciliation. The process by which tax laws and spending programs are changed, or reconciled, to reach outlay and revenue targets set in the congressional budget resolution. Established by the 1974 Congressional Budget Act (P.L. 93-344), it was first used in 1980.

Rescission. The cancellation of previously appropriated budget authority. This is a common way to save money that already has been appropriated. A rescissions bill must be passed by Congress and signed by the president (or enacted over his veto), just as an appropriations bill is.

Revenues. Taxes, customs duties, some user fees, and most other receipts paid to the federal government.

Sequester. The cancellation of spending authority as a disciplinary measure to cut off spending above preset limits. Appropriations that exceed annual spending caps can trigger a sequester that will cut all appropriations by the amount of the excess. Similarly, tax cuts and new or expanded entitlement spending programs that are not offset under the pay-as-you-go law could trigger a sequester of nonexempt entitlement programs.

Source: Adapted from Andrew Taylor, "Clinton's Strength Portends a Tough Season for GOP," CQ Weekly, February 6, 1999, 293.

the nineteenth century and stems from inordinate delays caused by adding riders—extraneous policy amendments—to appropriations bills. "By 1835," wrote a legislator, "delays caused by injecting legislation [policy] into these [appropriations] bills had become serious and [Massachusetts representative] John Quincy Adams suggested that they be stripped of everything save appropriations."[48] Two years later, the House required authorizations to precede appropriations. The Senate followed suit. Both chambers have rules and precedents designed "to segregate decisions about what the government should do [authorizations] from those about how much it can afford [appropriations]."[49] However, as discussed shortly, policy riders are often added to appropriations bills despite the dual procedure.

The Constitution provides that "No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law" (Article I, section 9). As a result, appropriations have priority over authorizations. An appropriations measure may be approved even if the authorization bill has not been enacted. Some programs have not been authorized for years, but they still continue to operate. Why? If money is sprinkled on programs or agencies, they continue to exist and function even if their authorization has lapsed. As one House Appropriations subcommittee chair said about the "must-pass" appropriations bills, "It's not the end of the world if we postpone the Clean Air Act or a tax measure. But the entire government will shut down if . . . appropriations [are not enacted annually]."[50]

Authorizations can be annual, multiyear, or permanent. Through the end of World War II, most federal agencies and programs were permanently authorized. They were reviewed annually by the House and Senate Appropriations Committees, but not by the authorizing committees (such as Agriculture or Commerce). Since the 1970s, the trend has been toward short-term authorizations, giving the authorizing committees more chances to control agency operations.[51] Generally, authorizing committees are eager to enact their bills on a timely basis, because otherwise they cede their lawmaking power to the appropriating panels. As Sen. Dianne Feinstein, D-Calif., the chair of the Intelligence Committee, exclaimed, "If this committee can't pass authorization bills . . . which give scope and force of law to what we do, we are in fact a paper tiger."[52] But authorizers also try from time to time to hitch a ride on an appropriations bill heading to the White House. "Ideally, it's not great to use [appropriations] bills," remarked Rep. Barney Frank, D-Mass. "But they may be the only vehicles we can use [for] some [authorization measures] where we're facing a veto or we have problems in the Senate."[53]

In practice, it is hard to keep the two stages distinct. Authorization bills sometimes carry appropriations, and appropriations bills sometimes contain legislation (or policy provisions). Chamber rules that forbid these maneuvers can be waived. In the House, so-called limitation riders make policy under the guise of restricting agency use of funds. Phrased negatively ("None of the funds may be used for a specified purpose . . ."), limitations on the use of federal funds bolster congressional control of the bureaucracy. A well-known limitation amendment—barring the use of federal funds for abortions except under limited circumstances—was first adopted in 1976 and has been readopted ever since in appropriations bills. The Senate, too, is not reluctant to add extraneous policy proposals to appropriations bills. Angered that a major immigration proposal was added to a supplemental appropriations bill, Democratic leader Harry Reid exclaimed, "This is the mother of all authorizing legislation on an appropriations bill."[54] Policy riders can provoke, as noted by Representative Frank, bicameral, party, and legislative-executive disputes.

Committee Roles and Continuing Resolutions. Among the authorizing committees, House Ways and Means and Senate Finance have especially powerful roles in the budget process. These tax panels have access to the staff experts of the Joint Taxation Committee. Because the House under the Constitution initiates revenue measures, it usually determines whether Congress will act on legislation to raise, lower, or redistribute the tax burden. Occasionally, however, the Senate takes the lead. The Senate technically complies with the Constitution by appending a major tax measure to a minor House-passed revenue bill. In 1981 the Republican-controlled Senate used this tactic to act on President Ronald Reagan's sweeping tax cut plan. It used the same ploy the next year on the president's tax increase package. The House jealously guards its constitutional authority to originate tax measures and typically will return to the Senate any bill that violates the origination clause.[55]

Whenever Congress cannot complete action on one or more of the twelve regular appropriations bills (generally one for each subcommittee) by the beginning of the fiscal year (October 1), it provides temporary, stopgap funding for the affected federal agencies through a joint resolution known as a continuing resolution. In the past, continuing resolutions were usually employed to keep a few government agencies in operation for short periods (usually one to three months). In some years, Congress has packaged all the regular appropriations bills into one massive continuing resolution. Each year, Congress also passes one or more supplemental appropriations bills to meet unforeseen contingencies. To sum up, there are three basic types of appropriations: *regular* (made annually), *supplemental* (furnishing funds for unexpected contingencies), or *continuing* (providing funds when one or more annual appropriations bills have not been enacted by the start of the fiscal year).

A Shift in Thinking. Congress has witnessed shifts in the role and culture of the two Appropriations Committees over time. Once known as guardians of the federal Treasury, the two panels gradually developed an affinity for spending as they evaluated and compared the budgetary requests of federal agencies and departments. Some lobbyists even referred to the committees as "favor factories" where taxpayer dollars could be won for their clients. Several committee members won the appellation the "King of Pork" or the "Prince of Pork" for the hundreds of millions of dollars they earmarked for projects in their states or districts.

Recently, a House appropriator called the panel "the Dis-Appropriations Committee."[56] Subtraction, not addition, now characterizes budgeting by the two panels. As Harold Rogers, R-Ky., the chair of House Appropriations, said, "The atmosphere in the country is that government has to get serious about cutting spending. We've finally come to the realization, and now we understand how deep the [deficit] problem is. And the place where the spending is controlled is the Appropriations Committee."[57]

To what extent and for how long the "atmosphere in the country" will support program funding reductions is unclear. Government programs have constituencies—which is often why they were created in the first place—likely to oppose severe funding cuts or outright program terminations. As scholars and others have long known, people favor spending cuts in the abstract but not for programs they support and benefit from. For example, senior citizens often tell lawmakers, "Keep your hands off my Social Security!" A key question, then, is, are Americans ready and willing to shrink the size and scope of government and roll back federal spending?[58]

Backdoor Spending Techniques

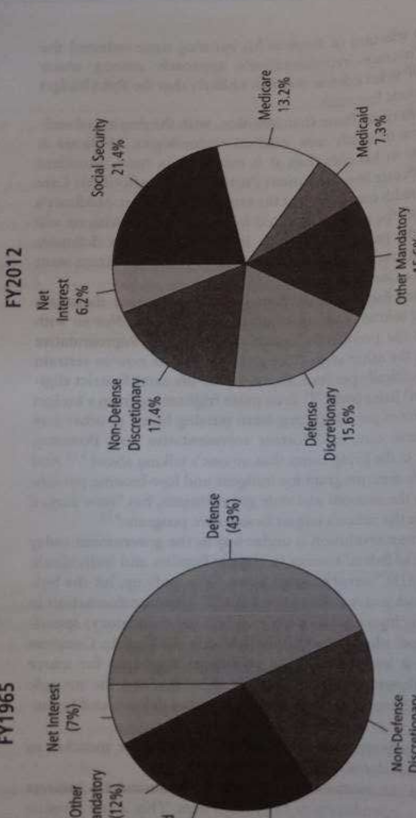
To sidestep appropriators' abilities to slash their recommended funding levels, authorizing committees evolved backdoor funding provisions to bypass the front door of the two-step authorization-appropriation sequence. Backdoors are authorization laws that mandate, rather than simply recommend, the expenditure of federal funds. This type of spending legislation, which is reported solely by the authorizing committees, is called direct (or mandatory) spending, as opposed to the discretionary spending under the House and Senate Appropriations Committees. There are three types of backdoor or direct spending provisions: (1) contract authority permits agencies to enter into contracts that subsequently must be covered by appropriations; (2) borrowing authority allows agencies to spend money they have borrowed from the public or the Treasury; and (3) entitlement programs grant eligible individuals and governments the right to receive payments from the national government.

The fastest-growing of the three types is entitlements, which establish legally enforceable rights for eligible beneficiaries. Spending for entitlement programs (such as Medicare and Social Security) is determined by the number of citizens who qualify and the benefit levels established by law. No fixed dollar amount is established for these programs. Budget wonks sometimes call entitlements "uncontrollable under existing law." Statutory changes are difficult to make because entitlements benefit millions of people. Tellingly, the GOP-controlled House of the 112th Congress sought to defund President Obama's health care law by changing the mandatory spending features embedded in the health law into discretionary spending. If such a law were enacted, it would be easier for House appropriators to defund the statute's implementation.[59]

The Challenge of Entitlements

Entitlements are the real force behind the escalation of federal spending (see Figure 14-1). Approximately two-thirds of federal spending consists of entitlements that avoid the annual appropriations review process. This ratio of

FIGURE 14-1 Federal Spending by Major Category, Fiscal Years 1965 and 2012



Sources: Historical tables, Office of Management and Budget, *Budget of the United States Government*, Fiscal Year 2012 (Washington DC: Government Printing Office, 2011), 145, 159. Charts prepared by Robert Keith and Bill Heniff Jr., Government and Finance Division, Congressional Research Service. FY 2012 chart prepared by budget expert Mindy Levit, Government and Finance Division, Congressional Research Service.

discretionary (determined through yearly appropriations) to mandatory spending represents a dramatic reversal from that of a half-century ago. Unlike defense or domestic discretionary programs—for which the Appropriations panels recommend annual amounts and on which all lawmakers may vote—entitlement spending occurs automatically under the terms outlined in the statute.

Congress has done a reasonable job of containing discretionary spending, but reining in costly entitlements has proved to be a much more difficult task. In 1996 Congress passed legislation ending a decades-old national welfare entitlement program, Aid to Families with Dependent Children.[60] However, the recipients of the largest share of entitlement spending—senior citizens—are highly protective of these programs and also very likely to vote. A classic example of how hard it is to revamp entitlements occurred in the second term of President George W. Bush. He launched an intense lobbying drive to win public and congressional support for replacing Social Security with individual retirement accounts, but his reform effort failed to gain any traction. Even many Republicans opposed the plan's reliance on private accounts. "Social Security [is] the bedrock of support for seniors," said Sen. Olympia J. Snowe, R-Maine, "precisely because it's defined and guaranteed. What cost and what risk is it worth to erode the guaranteed benefit [through variable stock or bond investments]?"[61]

President Obama also faces the challenge posed by the escalating costs of the big three entitlement programs—Medicare, Medicaid, and Social Security. But this is hardly news. Public officials and analysts have been warning for years—without too much effect—that the projected expenditures of entitlement programs are unsustainable. For example, Medicare faces a prospective funding gap of at least $36 trillion; the Medicare fund is expected to run out of money in 2024.[62] Social Security is slated to pay full benefits to the elderly until 2033, after which seniors would receive 75–80 percent of their promised benefits unless changes are made to the existing laws.[63]

The long-term demographic challenge confronting Social Security and Medicare is that the United States is an aging society with a population that is living longer, thanks in part to advances in often-expensive medical technology. The nation is already witnessing the gradual retirement of the seventy-six million members of the "baby boom" generation (those born between 1946 and 1964), creating a pool of the largest number of retirees in the history of the country. This development will lead to huge retirement and medical expenditures for those who are eligible to receive Social Security and Medicare benefits. But, according to the projections, fewer workers (a "birth dearth") will be paying taxes to support the retirement and medical expenditures that will make up retirees' expected benefits. As a chair of the Senate Budget Committee pointed out,

> In 1950 there were about 16 Americans working for every 1 American retired. That meant programs such as Social Security . . . not only generated money to support those who were retired, they actually generated more money than needed to support the people who

retired. That is happening today even. But the number of people retiring compared to the number of people working has been changing. It has gone from 16 in 1950 down to about 3 and a half today. And further into this century, as the baby boom generation retires, it will drop to 2 people working for every 1 person retired. . . . It becomes pretty obvious, if you have only two people working to pay for one person retired, those two people are going to have to pay a lot more in taxes to support that one person. . . . So this creates a huge . . . unfunded liability [in future years as more money is taken out of Social Security than is paid in]. We do not know how we are going to pay for [Social Security and Medicare] in the out years.[64]

Many proposals have been advanced to deal with the long-term funding challenge, but each is controversial. For Social Security, the proposed changes include raising the retirement age, reducing benefits for future retirees, increasing the payroll tax rate, requiring affluent retirees to pay taxes on their benefits, and raising the amount of income subject to Social Security payroll taxes.[65]

Politically, there are risks for any lawmaker or political party that advocates such recommendations. In the 112th Congress, Rep. Paul Ryan, R-Wis., the chair of the Budget Committee, was one of many members of the fiscally conservative GOP-controlled House willing to take that risk. Representative Ryan has suggested overhauling Medicare and partially privatizing Social Security and cutting benefits. Many Democrats strongly oppose such proposals, arguing in Social Security's case that it will have no effect on escalating deficits ($1.5 trillion in 2012) until 2037. "Blaming Social Security for our deficit is nothing but an ideological attempt to slash benefits and privatize the program," declared Sen. Charles Schumer, D-N.Y.[66]

Why would congressional Republicans hand Democrats a political weapon that could erode GOP support among elderly voters in the next election? A Republican pollster suggested an answer. "It may be hard to understand why someone would try to jump off a cliff" to resolve a long-term entitlement spending issue, he said, "unless you understand that they are being chased by a tiger, and that tiger is the Tea Party."[67] Other GOP strategists disagree. They underscore that because of crushing budget realities the time is right politically for entitlement reform, provided the party does not move so fast as to "outstrip public opinion."[68]

Many analysts and public officials contend that the real entitlement budget buster of the future is not Social Security but the soaring costs of Medicare and health care in general: "The long-term fiscal problem truly is fundamentally one involving the rate at which healthcare costs grow. . . . Social Security and aging are important, but it is not where the money is," explained President Obama's former budget director.[69] Representative Ryan's 2012 budget plan proposed a major overhaul of Medicare—federally subsidized vouchers for seniors so they can purchase health insurance in the private sector—and Medicaid—block grants to the states to care for low-income individuals and

families. Mitt Romney's selection of Ryan as his running mate reflected the popularity of the Wisconsin representative's approach among many Republicans, but the GOP ticket's defeat makes it unlikely that the Ryan budget will be enacted over the next few years.

With health care costs rising faster than inflation, with the graying of society, and with the advent of costly new medical technologies, Medicare is already paying out more in benefits than it is receiving in taxes. President Obama's landmark health care law, the Patient Protection and Affordable Care Act, aims to slow rising health care costs, but the outcome is unclear. Medicare's actuaries wonder whether the savings expected from the law's provisions will be enough "to reduce the perverse economic incentives [such as defensive medicine] and costs built into the health care system."[70] In short, citizens want Lexus health services on a Chevrolet budget.

Elected officials often focus first on Social Security because there is a rough consensus on the solutions to constrain its soaring cost. Not so with Medicare. Setting aside the president's health care law and Representative Ryan's health proposals, the other steps "Congress could take now to restrain Medicare's growth are politically perilous. Deny end-of-life care? Restrict eligibility? Reduce treatments? Raise costs?"[71] Even more frightening from a budget perspective is the prospect of providing long-term nursing home or other care for the elderly. Long-term care, said former representative Earl Pomeroy, D-N.D., is "the elephant in the living room that no one's talking about."[72] And Medicaid, a federal entitlement program for indigent and low-income persons that is jointly funded by the national and state governments, has "now surged past Medicare to become the nation's largest health care program."[73]

In short, an entitlement revolution is under way as the government today transfers more than half of federal monies to eligible families and individuals. "Call it government by ATM," remarked an analyst. "You walk up, hit the buttons, and the cash to which you're entitled pops out."[74] This transformation in the federal budget—away from discretionary to direct (or mandatory) spending—raises the question of whether this funding ratio is sustainable. Congress and the president face at least a dual fiscal challenge: the battle for scarce resources between entitlements and discretionary spending, and the struggle within the discretionary category between domestic versus defense and homeland security spending.

Two other major components of the budget merit separate mention as well: tax expenditures and interest on the national debt.

Tax Expenditures. An estimated $1 trillion is consumed by indirect spending, also called tax expenditures or tax preferences. This is the revenue that is forgone through various tax credits, subsidies, or deductions such as the home mortgage interest deduction. Rep. Jim Cooper, D-Tenn., declared that if "there is anything more out of control than entitlement spending," it is tax expenditures.[75] Compared with mandatory or discretionary spending, these expenditures receive scant public attention. One study noted that "much like entitlement programs, [tax expenditures] are on automatic pilot and do not receive sufficient scrutiny as part of the budget process."[76] Significantly, the total value of all tax preferences is virtually equal to the total value of all discretionary spending.

Negotiations between the White House and congressional leaders on deficit reduction in 2012–2013 have focused on ways to cap or otherwise limit deductions and other tax expenditures.[77] Like other government programs, tax expenditures have their own political constituencies that will fight attempts to eliminate or reduce this conglomeration of tax breaks and subsidies. Of the some 250 tax expenditures, most "disproportionately benefit those at the top of the economic ladder."[78] Scholars who study tax expenditures sometimes refer to this form of federal largess as "the submerged state" or the "hidden welfare state."[79]

Interest on the Debt. "There is a cancer eating away at the budget from within," wrote a journalist, and it is the ever-increasing interest that must be paid to service the national debt.[80] In 2013 interest payments on the national debt exceeded $300 billion, and in 2021 they are projected to be over $925 billion. This development further compounds the difficulty of resolving the long-term deficit. In 2014 interest payments are projected to "surpass the amount spent on education, transportation, energy, and all other discretionary programs outside of defense." In 2018 interest payments will surpass Medicare spending.[81] The options for Congress to slow the growth of interest payments on the debt appear straightforward, but they are politically controversial and substantively complex: tax more, spend less, combine those two, and foster economic growth.

To focus greater attention on issues such as tax expenditures, the debt ceiling, interest on the debt, entitlements, and much more, Congress passed almost forty years ago a landmark budgetary measure, the Congressional Budget and Impoundment Control Act of 1974. The goals of that act included bringing greater coordination and coherence to legislative budgeting and strengthening Congress's power of the purse. However, the results have been mixed because it is no easy task to control and monitor federal budgeting.

THE 1974 BUDGET ACT

Congress refocused its budgetary attention in the 1970s after its loose control of the purse strings gave rise to charges of financial irresponsibility. President Richard Nixon blamed Congress for annual deficits, consumer price hikes, high unemployment, and inflation. He also refused to spend monies duly appropriated by Congress, a practice called impoundment. Even though his administration lost every court challenge to the impoundments, Nixon held the political high ground. These diverse pressures prompted Congress to tighten its budget procedures.

The Budget and Impoundment Control Act of 1974 was landmark legislation. Among its principal features was the creation of House and Senate Budget Committees, as well as the CBO. The nonpartisan CBO prepares economic forecasts for Congress, estimates the costs of proposed legislation, and issues fiscal, monetary, and policy reports. The 1974 act also limited presidential use of impoundments and established a timetable for action on authorization, appropriation, and tax measures. The timetable has been changed periodically, and Congress commonly misses some of the target dates (see Box 14-2 for the timetable).

Of the many complex features of the 1974 act, two are central components of Congress's current budget process: the concurrent budget resolution and reconciliation. These two elements compel much of the time-consuming work, attract the attention of many interests and participants clamoring for fiscal resources, and influence policy decisions and outcomes.

Concurrent Budget Resolution

The core of Congress's annual budget process is adoption of a concurrent budget resolution. This measure is formulated by the House and Senate Budget Committees, which consider the views and estimates of numerous committees and witnesses.

The resolution consists of five basic parts. First, the budget resolution estimates what the federal government will spend in a fiscal year and for at least

BOX 14-2 The Congressional Budget Timetable

Deadline	Action to be completed
First Monday in February	President submits budget to Congress
February 15	Congressional Budget Office submits economic and budget outlook report to Budget Committees
Six weeks after president submits budget	Committees submit views and estimates to Budget Committees
April 1	Senate Budget Committee reports budget resolution
April 15	Congress completes action on budget resolution
May 15	Annual appropriations bills may be considered in the House, even if action on budget resolution has not been completed
June 10	House Appropriations Committee reports last annual appropriations bill
June 15	House completes action on reconciliation legislation (if required by budget resolution)
June 30	House completes action on annual appropriations bills
July 15	President submits mid-session review of his budget to Congress
October 1	Fiscal year begins

Source: Bill Heniff Jr., *The Congressional Budget Process Timetable*, Congressional Research Service Report 98-472 GOV, March 20, 2008.

the four following fiscal years. For each fiscal year covered by the resolution, the spending is expressed in terms of both budget authority and budget outlays. Second, the total aggregate spending is then subdivided among twenty functional categories such as defense, agriculture, or energy. For each category, the target indicates what Congress expects to spend in those substantive areas. Third, the budget resolution stipulates the recommended levels of federal revenues needed to pay for the projected spending during each of the fiscal years. Fourth, the budget resolution identifies the estimated deficits (or surpluses should they occur, which is infrequent). Fifth, the total outstanding public debt (savings bonds, Treasury securities, and other government obligations) permitted by law is also specified for at least the five-year period. In effect, the budget resolution sets the overall level of discretionary spending for each fiscal year.

The budget resolution is Congress's fiscal blueprint. It establishes the context of congressional budgeting; guides the budgetary actions of the authorizing, appropriating, and taxing committees; and reflects Congress's spending priorities. A senator described the purposes of the budget resolution: "[The budget] resolution would be analogous to an architect's set of plans for constructing a building. It gives the general direction, framework, and prioritization of Federal fiscal policy each year. Those priorities then drive the individual appropriations and tax measures which will support that architectural plan."[82]

In a period of polarized politics, partisan issues dominate debate on these resolutions as Democrats and Republicans battle over spending levels for their competing priorities. Since Republicans took over the House in 2010, House Budget Committee chair Paul Ryan has pushed a bold, politically risky budget blueprint that would slash nearly $6 trillion in federal spending over ten years, including, as noted earlier, the two health care entitlement programs (Medicare and Medicaid). Ryan called his budget blueprint the "path to prosperity." House Democratic leader Nancy Pelosi dubbed it a "path to poverty."[83] It is not unusual for minority party members in both chambers to vote as a bloc against the majority party's budget resolution.

The House and Senate each consider a budget resolution. In the House, budget resolutions are typically considered under special rules from the Rules Committee, which limit debate and impose restrictions on the number and types of amendments. In the Senate, the 1974 budget act sets a fifty-hour limitation for consideration of the budget resolution, unless members accept a unanimous consent agreement imposing other time restrictions. Amendments can be taken up and voted on after the fifty hours, but without debate. This circumstance often leads to "vote-a-ramas" over several days, when senators may "cast back-to-back votes on a dizzying array of dozens of amendments," often with the two Congresses in mind. As national policy makers, members of Congress may have to cast tough, but responsible, votes, which will "serve as valuable campaign fodder" for opponents in the next election.[84]

When the chambers pass budget resolutions with different aggregate and functional spending levels, as is normal practice, House and Senate members

usually meet in conference to resolve their disagreements. The conference report is then submitted to both chambers for final action. Because Congress's budget resolution is not submitted to the president, it has no binding legal effect. Instead, it outlines a fiscal framework that enables Congress, through its Budget Committees, CBO, and other entities, to monitor all budget-related actions taken during the course of a year. When the House and Senate are late or unable to adopt a concurrent budget resolution, each chamber usually adopts a resolution (H. Res. or S. Res.) reflecting the budget levels and enforcement procedures contained in the resolution adopted by one chamber but not the other. The failure to pass a budget has become far more common in recent years amid the fierce partisan warfare over spending and taxes. The Democratic Senate did not pass a budget from 2010–2012, prompting severe criticism from Republicans. When Congress passed a bill temporarily increasing the debt limit in January 2013, House Republicans insisted on a provision that would dock the pay of members of either chamber if it failed to pass a budget. Although some observers doubted the legality of the provision, it highlighted the breakdown in the budget resolution process.

Reconciliation

The 1974 budget act established a special procedure called reconciliation, which is an optional process authorized when Congress adopts the budget resolution. Its basic purpose is to bring revenue and direct spending (entitlement) legislation into conformity (or reconciliation) with the fiscal targets established in the concurrent budget resolution.[85] Its basic objective is to make changes in federal policies that result in budgetary savings. First used in 1980, reconciliation has been employed over twenty times since. It is a controversial process that "forces committees that might not want to reduce spending for entitlements under their jurisdiction to act and report legislation."[86]

Reconciliation is a two-step process. In the first step, Congress adopts a budget resolution containing a provision that usually instructs two or more House and Senate committees to report legislation that changes existing law. The instructions name the committees required to report legislation; they give each committee a dollar figure for mandated savings but do not specify the policies to achieve those goals; and they establish a deadline for reporting legislation to achieve the savings. In the second step, the House and Senate Budget Committees compile into an omnibus reconciliation bill the legislative changes in revenue or direct (entitlement) spending programs recommended by the named committees. If the instructions involve only one committee in each chamber, then those panels would bypass the Budget Committee and report their recommendations to the full House or Senate. On several occasions, reconciliation directives have provided for the maximum of three reconciliation bills during each fiscal year: one involving taxes, another on spending, and a third on raising the statutory debt limit.

Reconciliation in the House is considered under the terms of a rule from the Rules Committee. Procedurally, however, reconciliation is focused on the

Senate, because measures governed by that optional process are treated differently from other bills or amendments. Reconciliation bills cannot be filibustered (a statutory time limit of twenty hours is placed on debate); passage requires a simple majority instead of the supermajority (sixty votes) needed to stop a talkathon; and amendments must be germane (the Senate has no general germaneness rule) and deficit-neutral (tax cuts or spending increases must be offset by equivalent revenue increases or spending reductions). There is little surprise that measures likely to arouse controversy in the Senate, such as tax bills, are attached to filibuster-proof reconciliation measures that could pass by majority votes. Democratic senator Robert Byrd lamented that reconciliation "can be used by a determined majority to circumvent the regular rules of the Senate in order to advance partisan legislation. We have seen one party, and then the other, use this process to limit debate and amendments on non-budgetary provisions that otherwise may not have passed under the regular rules."[87]

To prevent just such a usage of reconciliation bills, senators adopted the so-called Byrd Rule (named after Senator Byrd) in the mid-1980s. Under this complex rule, measures cannot be included in the Senate reconciliation package if they are viewed as extraneous provisions that are not primarily budget-related. When the parliamentarian rules that a provision violates the Byrd Rule, it is dropped from the bill unless sixty senators vote to waive the Byrd Rule.[88] Such provisions have been called "Byrd droppings."

The Byrd Rule played an important role in the 2009–2010 fight over health care reform. Some Democrats hoped to pass the massive overhaul through reconciliation, but doing so would have resulted in numerous provisions being dropped due to Byrd Rule violations. Democrats passed the overhaul through the standard sixty-vote cloture process in December 2009. However, before the bill could go to conference, Democrats lost their filibuster-proof margin in the Senate when Republican Scott Brown pulled off a dramatic upset in a January 2010 special election in Massachusetts.[89] To enact reform, Democrats had to resort to a complicated procedure in which the House adopted the previously passed Senate bill without any amendments, and the two chambers subsequently approved a set of minor changes to the legislation through reconciliation. The latter changes, however, were limited to budget-related adjustments that could pass muster with the Byrd Rule.

In summary, reconciliation offers a powerful procedure for fiscal policy. In a classic case, President Ronald Reagan and GOP congressional leaders used it for the first time on a grand scale in 1981. A reconciliation bill dictated deep, multiyear reductions (about $130 billion over three years) in domestic spending. Not long afterward, Congress also agreed to Reagan's tax legislation, the Economic Recovery Tax Act of 1981, which sharply cut tax rates for individuals and businesses. The revenue losses caused by the tax cut, combined with increased defense and entitlement expenditures and insufficient spending reductions in other areas, soon pushed annual budget deficits to levels unprecedented in peacetime, from double- to triple-digit shortfalls. Since the 1980s,

Congress has been grappling with large deficits, with only a brief interlude of surpluses during the Clinton presidency.

A Revised Budget Process

The growth of budget deficits after 1981 became the prime congressional issue as lawmakers and presidents adapted to a new world: the politics of deficit reduction. Numerous proposals were put forth to deal with the problem. A prominent approach has been to set binding deficit or spending targets, which would be enforced through across-the-board cuts—known as "sequestration"—if the targets were not met. One difficulty with sequestration, however, was that it could always be forestalled by adoption of a new budget law delaying the pain. An additional strategy, embodied in the Budget Enforcement Act of 1990 (BEA), was to subject tax and entitlement programs to a new pay-as-you-go (PAYGO) procedure, which required that any tax reductions or any increases in mandatory (entitlement) spending be offset by tax hikes or reductions in other entitlement programs. As the chief counsel of the Senate Budget Committee explained, "The 'pay-as-you-go' label implies that Congress and the President may cut taxes or create [new entitlement spending] programs—that is 'go'—if they also agree to provide offsetting increased revenues or spending reductions—that is 'pay.'"[90]

Throughout much of the 1990s, the GOP-controlled Congress and President Clinton waged fierce battles over deficit reduction. As part of their political game plan, Republicans sent Clinton appropriations and reconciliation bills making deep cuts in federal programs. The president vetoed the measures, forcing two partial shutdowns of the government—the longest in congressional history. A fiscal breakthrough soon emerged, however. Indeed, much to the surprise of most observers, an era of budget surpluses arrived in the late 1990s. The robust economy and booming stock market led to much higher federal revenues, while presidential and congressional budgetary decisions during the first George Bush administration, such as passage of the Budget Enforcement Act (BEA) of 1990, as well as President Clinton's 1993 economic package, encouraged fiscal restraint and led to budgetary savings. The end of the Cold War also led to reductions in defense expenditures. "Just about everything broke right that could have broken right," said Robert Reischauer, a former CBO director.[91]

Not everyone believed that the politics of plenty had arrived or, if it had, that it would last indefinitely. Some lawmakers suggested to their colleagues that budget surpluses stood for "BS." Another economic recession, they said, could be around the corner. "The truth is there is no surplus," exclaimed a senator, citing a national debt at the time of $5.7 trillion.[92] Nevertheless, on January 30, 2001, the CBO revised its surplus projections over the next decade upward to $5.6 trillion. Shortly after President George W. Bush entered office, he and congressional Democrats began to argue about what to do with the huge projected surplus. Although many lawmakers and pundits recognized that the ten-year projection might never materialize—a slowing economy, international crises, or other reasons could intervene—politicians of both parties had their own ideas on how the surplus should be spent. It was a case of fiscal projections driving policy making, even though the money was not yet in the bank.

President Bush's top priority when he took office was a sizable tax cut. And on June 7, 2001, he signed into law the largest tax cut ($1.35 trillion) since Reagan's twenty years earlier. A little more than three months later, terrorists attacked the United States, and new demands and challenges confronted the country. The brief era (1998–2002) of surpluses came to a quick end.

What happened to the surplus? It disappeared because the factors that produced it reversed themselves. Instead of defense and intelligence cutbacks, the nation was paying for military conflicts in Afghanistan and Iraq, reconstruction of those countries, and enhanced homeland security. A record ten years of uninterrupted economic growth ended and the stock market performed poorly, shrinking federal revenues. The large tax cuts pushed by the Bush administration also contributed to the growing revenue shortfalls. Moreover, Congress's statutory fiscal constraints—spending caps and PAYGO—expired on September 30, 2002. Thus policy makers were now free to let the deficit increase without worrying about how to pay for tax cuts or spending hikes. While PAYGO had been effective when it was in place, it clashed with Republicans' goal of cutting taxes since it required finding savings to pay for lost revenues. When Republicans took control of the House in the 112th Congress, they put in place a "cut-as-you-go rule" (CUTGO), which focused on spending cuts to mandatory (entitlement) programs. Thus increases in entitlement spending must be offset only by spending reductions in other mandatory programs. However, tax initiatives are exempt from the CUTGO rule. House Republicans could thus cut taxes without finding offsets for the lost revenue.[93] The Senate, meanwhile, has adopted its own PAYGO rule, meaning that the two chambers are following different rules for paying for new programs. This means that tax hikes—off the table in the House—can be used in the Senate to offset new entitlement spending.[94]

Even as deficits have receded from the trillion-dollar levels observed during the Great Recession (2009–12), President Obama and Congress continue to confront a serious imbalance between spending and revenues. The CBO estimates that deficits will be in the $500-billion range over the next several years, before rising once again in the early 2020s as rising medical costs and retiree benefits increasingly stress the federal government's fiscal situation.[95]

If deficits remain high in the years ahead, the federal government faces a serious dilemma: how to fund competing priorities and commitments. As one budget analyst put it, "What we have done in the last several years is decide we can cut taxes, fight two wars, increase homeland security, expand government entitlement benefits, and leave the bill to future generations."[96]

The problem for Congress and the White House is determining what set of policies aimed at improving the nation's fiscal prospects can attract the necessary votes. As one analyst observed, on one side are people who stress the "national neglect" theory. Being competitive globally and flourishing at home

require major government investments in areas such as education and transportation. On the other side are those who emphasize the "national gluttony" model, which holds that excessive federal spending must be curbed first, based on the theory that a nation cannot spend its way to prosperity.[97] Any attempt to reconcile these competing worldviews underscores the fact that federal budgeting is about more than numbers. It reflects the divergent views of the two political parties about what policies best serve the country's short- and long-term interests.

CONCLUSION

Today, lawmakers are preoccupied with scores of important policy issues: an ailing economy, defense and homeland security, joblessness, energy sources and usage, and the health of various domestic social programs. Former representative Barney Frank, D-Mass., has posed a question that crystallizes the debate over these various concerns: "What is the appropriate level of public activity in our society?"[98] Democrats and Republicans tend to answer that question differently. Governing, however, means making choices. Future decisions about budgeting and national priorities will surely reflect the values, goals, and interests that result from the confrontations and accommodations inherent in America's pluralist policy-making system.