

Testimony of Richard Kogan,
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before the House Committee on the Budget,
to be delivered on September 25, 2008

Are Fundamental Changes Needed to the Congressional Budget Process?

Chairman Spratt, Mr. Ryan, thank you for inviting me to testify on the Congressional budget process. While I am currently employed by the Center on Budget and Policy Priorities, this testimony represents my own views. Those views have been shaped by my 35 years in this field, including 21 years staffing this Committee.

Today I would like to make two points. First, I see no fundamental problems with the congressional budget process, but I do see fundamental problems with the legislative process as a whole — and short of amending the Constitution, I don't know how to correct them.

Second, I think that in most cases, focusing on the long-term effects of budgetary decisions may be doing as much harm as good.

Let me elaborate.

It's the legislative process, not the budget process

It is becoming harder to pass congressional budget plans in the House or Senate than it used to be, and it is becoming harder for the House and Senate to compromise on a budget plan — even when both chambers are nominally controlled by the same party. By the same token, it is becoming harder to pass appropriations bills on time (or at all), even when those bills are consistent with the congressional budget plan.

Yet these difficulties are not confined to the congressional budget process. Here are two other examples. Climate change, fueled by the increase in greenhouse gas emissions, seems to pose a very serious risk to our future well-being. And there is even wider public agreement that the existence of 11 million illegal immigrants in the United States can't possibly be optimal, either for them or for the many who are fortunate enough to be here legally. Yet despite widespread agreement that something should be done, comprehensive legislation dealing with immigration or with climate changes seems out of reach.

Why is this? Why does legislative gridlock seem to be getting worse? And what can be done about it?

My answers are not encouraging. I think it is difficult to enact legislation addressing major issues such as climate change or immigration reform — or the long-run debt problem, for that matter — for two reasons.

- The public wants easy, costless solutions. But there are no easy and costless answers to illegal immigration, and especially not to climate change or to the long-term debt explosion. We need to elect candidates who explain which taxes they will raise and which major programs they will cut. I don't see many such voters.
- The framers of the Constitution designed a system under which major legislation requires the concurrence of a determined majority of the House, a supermajority of the Senate, and the President. They very deliberately sacrificed legislative efficiency; they made the conscious decision that life, liberty, and the pursuit of happiness by individuals was more likely to occur if the federal government was slow, inefficient, and constantly at odds with itself.

As I see it, partisan rancor and an inability to address big issues has been the norm, not the exception. The federal government miserably and catastrophically failed find a legislative solution to the biggest single problem it ever faced — the problem of slavery. Since the whole point of politics is to resolve disputes without one side killing, torturing, or imprisoning the other, the first half of the 19th century and the resulting Civil War can surely be thought of as the biggest political failure in U.S. history. But there have been other failures of great consequence, such as the fact that it took from the founding of the republic until the 1930s to legalize the unions, and it took a century after the Civil War to pass a Civil Rights Act and a Voting Rights Act. Political failure is the norm, not the exception, and it has nothing to do with the congressional budget process.

Why do the problems of legislative gridlock and partisanship seem to be getting worse? My answer is that the Great Depression and its aftermath have finally worn off and politics in America has reverted to the bad old days. It seems to me that the Great Depression of 1929-1933, and the extremely long recovery from 1933 through 1946, was a unique time in US history, a time in which the natural inefficiency of the US legislative system was overcome by the fact the Democratic Party gained an overwhelming control over all the levels of government. This led to the enactment of much legislation that could never otherwise have been enacted (the legalization of unions and other protections for workers, a minimum wage, deposit insurance, effective bank regulation, Social Security, and so on). This overwhelming partisan control also encouraged many Republicans to become somewhat accommodative, so that they could influence the shape of legislation to a certain extent rather than being entirely ignored.

But that era has passed; the two parties now have a far more equal chance to control Congress than from 1933 through 1992. Moreover, modern polling, fundraising, and political advertising make it far less likely that one party will control more than two-

thirds of the House and Senate; a party that finds itself on the losing side of some public issue is far less likely to walk itself over a cliff. So the politics that were endemic from 1789 through 1932 — partisan warfare, gridlock, and an inability to address major social or economic issues — have returned and if anything are even more strongly entrenched.

How do we change this? Most ideas would require constitutional amendments.

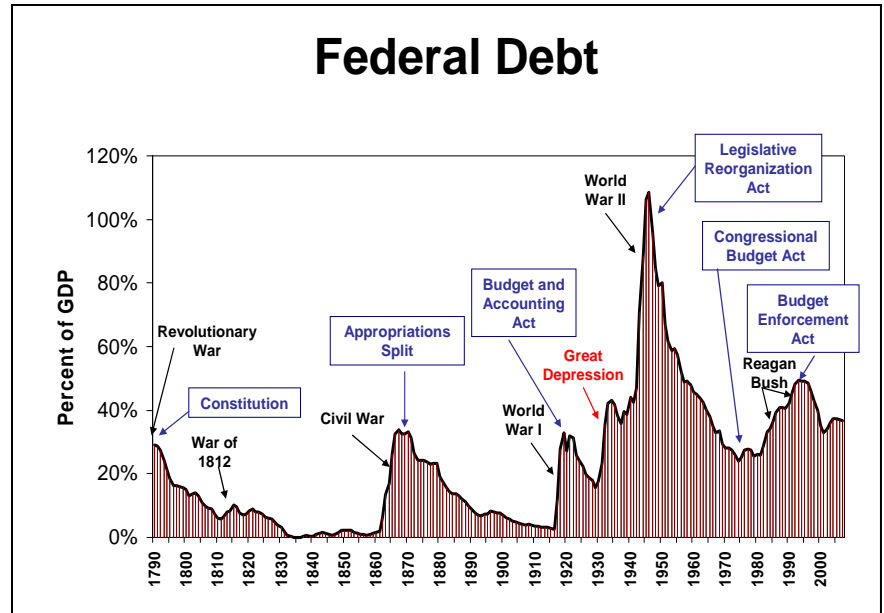
- We could have a unicameral legislature.
- We could even have a parliamentary democracy, in which the unicameral legislature selects the President. But legislative efficiency is provably greater under parliamentary democracies (if paired with single-member districts and therefore a two-party system), there is nothing inherent in a parliamentary democracy that instills any special wisdom in either the electorate or the Members.
- Short of this drastic step, we could amend the Constitution to provide for public financing of all primaries and elections and the prohibition of independent political expenditures. This could help at the margins by diminishing to some extent the influence of special interests. But to be frank, legislative inefficiency, partisanship, gridlock, and shortsightedness are not caused by special interests, only exacerbated by them.
- Another option is to amend the Constitution to eliminate the Senate's filibuster rule and ban supermajorities generally. Again, this is a step towards making our government a bit more like a parliamentary democracy, in which the minority party has less ability to slow down or halt legislation. This would improve legislative efficiency, but removing filibusters may not improve the quality of legislation.
- A final option is to amend the Constitution to establish a national, nonpartisan redistricting commission with the sole authority to draw congressional boundaries and the mandate to balance the competing goals of compactness and competitiveness. A reasonable case can be made that if the number of competitive districts were closer to 400 than to 70, there would be fewer diehard partisans and so a greater willingness to compromise rather than to create gridlock for partisan advantage.

I have asserted that there is nothing fundamentally wrong with the congressional budget process per se, although it is imbedded within an inefficient and often dysfunctional legislative process. Now let me make this point in an entirely different way.

The graph I am now displaying shows the level of debt — as a percentage of the economy — from 1790 through the present, using data provided by the Congressional Budget Office. As is immediately evident, throughout its history our nation has

noticeably increased debt under three and only three circumstances: major wars, the Great Depression, and President Reagan's failed budgetary experiment. You will also notice that virtually every major increase in debt — that is, every period of extremely large deficits — was followed by some change to the budget process.

- After the Revolutionary War, we first tried the Articles of Confederation and then the Constitution.
- After the Civil War, the Appropriations Committee was split off from the Ways and Means Committee.
- After World War 1, the Budget and Accounting Act was created, so the Cabinet Secretaries would not unilaterally ask for their own budgets but would become part of an organized, overall budget presented by the executive branch.
- After World War 2, the Legislative Reorganization Act provided that there should be omnibus appropriations, so each appropriations subcommittee could not just head off on its own.
- And after the end of the failed Reagan experiment (it turns out that you can't balance the budget by enacting huge tax cuts and huge defense increases, even when, as Reagan did, you get 80% of the domestic cuts you request), Congress negotiated a budget summit agreement in 1990 that, among other things, created the Pay-As-You-Go rule.



As this brief history makes clear, Congress seems to be most interested in budget process reform when deficits get out of hand. I suppose this is human nature, but a look at the facts strongly suggests that far more often than not, big deficits are caused by major wars, or major economic calamities — not by any failure of the budget process. I therefore suggest, quite seriously, that a strengthened War Powers Act might be the best piece of budget process legislation you could enact. You might add a strengthened system of regulatory oversight of the financial world, so that their periodic brainstorm don't drive the real economy into the tank.

If neither of these appeals to you, I would suggest raising taxes and cutting major programs. But, as Rudy Penner famously pointed out more than a decade ago, the process is not the problem; the problem is the problem.

The long-term vs. the short term.

I have a second, briefer point that I'd like to make. When the Congressional Budget Act was signed in 1974, it created a system for annual, one-year budgets. Not surprisingly, Members focused on what was in front of them. If they believed the deficit for the coming year was going to be too high, they felt some duty to raise revenues in that year — or at least forgo some tax cuts — and to cut programs in that year — or at least forgo some program increases. In short, they designed budgets that made an immediate difference, and then tried to implement them. Admittedly, this was not easy.

Within a reasonably short amount of time, however, some members realized they could squeeze into a one-year budget a tax cut that started small but then grew in the outyears, or a program increase that started small but then grew in the outyears. Budget process experts, including me, concluded that we would be able to enforce budget discipline more effectively if we expanded the budget horizon to five years or even longer. Formal multiyear targeting was enacted in 1990 as part of the Bipartisan Summit Agreement.

I believe in retrospect that multiyear budgeting has probably done as much harm as good — maybe even more. The reason is twofold. First, with the focus being on a multiyear path, both the president and Congress could focus on the slope of the curve rather than on any immediate actions they might take to raise taxes and cut budgets. If the path showed a steep downward slope, they could brag about their plans to “cut the deficit,” or eliminate the deficit in three years or five years or whatever. This talking point seemed to obviate the need to do anything real about the budget during that Session of Congress; the path got them off the hook.

In fact, legislation might be enacted that would increase costs or decrease revenues in the short run while appearing to do the opposite in later years; goodies would be distributed immediately, the path of deficit reduction would appear even steeper, and a fiscally virtuous eventual result would appear even more likely, when in reality it had been made less likely.

Worse yet, it was especially easy to massage the outyear numbers so that the multi-year path *always* looked good. One method was to assume an improving economy. Another method was to assume that normal appropriations for the functioning of government programs could and would be squeezed in the outyears — in real terms, or in real per-person terms — in a way that Congress was evidently unwilling to do in the budget year.

Assumptions that were even more egregious could be made, such as that ongoing costs — of wars, or tax cuts, or natural disaster — would simply disappear in future years.

My firm conviction is that Congress generally acted more responsibly when its budget horizon was only one year than when it was longer. I suggest that this one of many cases in which the rule of unintended consequences has trumped the predictions of budget theorists.