

# BUDGETING IN THE CONGRESS: REFLECTIONS ON HOW THE BUDGET PROCESS FUNCTIONS

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## HEARING

BEFORE THE

## COMMITTEE ON THE BUDGET HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

FIRST SESSION

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HEARING HELD IN WASHINGTON, DC, JUNE 22, 2005

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## **BUDGETING IN CONGRESS: REFLECTIONS ON HOW THE BUDGET PROCESS FUNCTIONS**

**WEDNESDAY, JUNE 22, 2005**

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON THE BUDGET,  
*Washington, DC.*

The committee met, pursuant to call, at 10:01 A.M., in room 210, Cannon House Office Building, Hon. Jim Nussle (chairman of the committee), presiding.

Members present: Representatives Nussle, Crenshaw, Putnam, Diaz-Balart, Hensarling, Simpson, Bradley, Spratt, Moore, Edwards, Baird, Cooper, Allen, Case, Cuellar, and Kind.

Chairman NUSSLE. Good morning and welcome, everyone, to today's hearing on the congressional budget process.

Some of you may feel like this is Groundhog Day—it is. We welcome back those true warriors in the effort to reform the budget process and am pleased that we have several experts to participate in today's hearing.

First, former Congressman and former ranking member of this committee back when the Republicans were in the minority, Bill Frenzel from Minnesota. Who was well-known in his time here for his expertise in a wide range of issues and particularly for his knowledge of the budget process in terms of history and context as well as policy and even the practical politics of what has to happen. Bill, welcome back.

We also have Professor Allen Schick, who was actually involved in the development of the Congressional Budget Act and has since written some of the most perceptive analysis on the history and context of the congressional budget process that you can find.

Finally, Richard Kogan, who is well-known as a fierce partisan but also very capable and expert in the budget process and for his commitment to the integrity of that process. We welcome him back as one of the most knowledgeable individuals in the field.

We welcome all of you to the committee.

Every few years or so, we hear from a handful of experts on the congressional budget process and most of these experts will say that the process has completely fallen apart or it has lost its usefulness, it is irrelevant, and some might even say it is dead. Of course, these declarations tend to be more frequent in those years when we have missed the deadlines, run past the speeding limit signs, lump several appropriation bills into one big omnibus package, or certainly when one of the Houses of Congress has failed to even pass a budget.

In fairness, I don't think anyone, myself included, would argue that the budget process is perfect or it works perfectly through every step of the overall process every year. But I do think most would agree that, while admittedly in some years more than others, it has served as a critical tool for Congress over the last 30 years.

So before we get too far into the myriad discussions I know are ongoing on how we might reform the congressional budget process, I thought it would be a useful exercise to kind of step back and take a comprehensive look at the current process. These include various aspects and implications both for policy and in practical operations of the Congress, why we have the process, and why we need it in the first place.

The Budget Act of 1974 for the first time gave Congress an actual process for budgeting rather than a series of piecemeal responses to Presidential spending requests. It empowered Congress to set its own priorities which heretofore, prior to the 1974 Budget Act, really was not something Congress had determined in its macro sense. It empowered Congress to set its priorities, whether or not it agreed with the President, and set in motion the policy choices that it needed to follow. It gave Congress the means to determine spending by setting a limit on total spending, by directing spending to what had been determined as the Nation's most important priorities, and by the power to enforce the agreed-upon spending limits through points-of-order.

Of particular consequence this year, the Budget Act gave Congress the means of addressing mandatory spending within the context of an overall budget plan.

So, in short, the Budget Act empowered Congress to control the purse by determining its own priorities, policies, establishing a systematic means to organize its decisions, set policy goals, and combine all of this into one blueprint, the budget. This was done to guide Congress throughout one of—not only the coming fiscal year but, for that matter, into the future.

Let us take this year as an example. We have got appropriation bills moving through the House at a record pace—it is nice that we are setting this so-called record pace; it is too bad that that doesn't happen more often. For the first time since President Reagan was in office, we are providing for the most critical priorities first, with an actual reduction in many nonsecurity discretionary spending programs.

At the same time, we have got eight different authorizing committees working; talking; and considering having hearings on reform for the actual mandatory spending programs that are looking at actual savings and reform proposals. They are working in as challenging an area as Medicaid and also looking to strengthen our Nation's defined benefit pension. All of this was laid out in a budget process.

While in the interest of reform, this did not start there in every case. It is the budget that really has given the work of reform a much-needed push or calendar, if you will, and set a schedule for determining to tackle some of the Federal Government's biggest challenges in the coming years.

This year is far from over, and we have got a lot of difficult work ahead. But as far as the budget years go, so far, I would say, so good and so much for the claim that the budget process is dead.

All of that being said, I will be the first to admit that things don't go this smoothly every year; and the year is not over yet. But it is particularly important, I think in those years when Congress's priorities might not be as clear or its will as strong, that we need a strong, solid budget process to keep us headed in the right direction.

As I noted a moment ago, there are various discussions going on generating enormous ranges of ideas on how the budget process could or should be reformed. With suggestions ranging from adding a point-of-order here or there or scrapping the whole thing and starting over. I would guess that every member of this committee has at least one idea that they feel must be included in order for the definition to suggest that we have reformed the budget process successfully.

It is no secret that I have my own ideas on the right way of doing it, the correct way of proceeding, and I could easily round up a group of like-minded witnesses to tell us how great my ideas are. But, as I am sure you will gather from our panel today, that is not what I did. I genuinely believe that it is in all of our best interests to ensure that we not only have a solid grasp of what we have already done, but we also need to keep an open mind about what we actually need before we start making decisions on how we should change it.

So I want to stress once again that the purpose of today's hearing is to really take a comprehensive look at the budget process. This is about how we use it to make decisions, not about the decisions themselves. Again, it is about the rules that we go through, not how those rules are applied to actual substantive or policy decisions.

How does it help us determine priorities, set agendas, guide Congress' work throughout the year? Why do we have it? Why do we need it? In a big-picture sort of way, is it working, or why not? I think that is the critical, important discussion, in and of itself; and it is a much-needed step if we are going to lay the groundwork for budget process reform.

While I have no doubt that members might be tempted to use their time to tout their own personal ideas for specific reforms. I will ask that members of the committee try and recognize the importance of having this broad 30,000-foot discussion first before we turn to some of those specific proposals, and I will try and do that as well.

With that, I would just welcome our panelists and look forward to a good discussion for those of us that are interested in this topic and turn to my friend, Mr. Spratt, for any comments he would like to make.

Mr. SPRATT. Thank you very much, Mr. Chairman; and thank you in particular for calling this hearing and for selecting this panel. If we wanted variety and vigor of ideas, depth of experience and perspective, we couldn't have a better panel than the panel before us today. I thank all of you for coming and for presenting us with some provocative ideas.

For a good period of time in the 1980s and the 1990s, the whole notion of budget process was treated with some disdain. That was largely because we invoked the idea often, but we never achieved its purported objectives, and that is moving the budget from huge deficits into eventual balance. Then, in the 1990s, after adopting the Budget Enforcement Act of 1990 and 1991, putting some teeth in the budget process, we finally began to move toward success and in 1998 achieved what was thought unthinkable just a few years before: We actually balanced the budget. In the year 2000, we had a surplus of \$236 billion.

We have lost that path, and lots of folks are saying—and, in fact, one of the most frequently invoked phrases around this town is, we are on an unsustainable course, compiling deficits, stacking debt on top of debt with no abatement in the near term and no end in sight.

So we ask ourselves, where is the budget process today? If it worked in the 1990s—and in looking back retrospectively it appears to have worked. Even Alan Greenspan sat where you sit and said, I was a skeptic in 1990, 1991, and 1993. I thought all of this was a diversion, sort of a red herring away from the substantive subject of what do you cut and where do you raise taxes. But he said, looking back, I realize that this was a significant part of the successes of the 1990s.

Nevertheless, we have allowed two of the key budget process rules that helped us get where we got in the 1990s, the PAYGO rule and discretionary caps, go by the way, expire in the year 2002; and we have got a situation right now which the American people and Members of Congress have an awfully difficult time defending. How do we come to grips with a problem so compelling as a deficit of \$412 billion that shows little sign of abating over the next years? That is the primary concern we have got before us now. How do we get our hands around the deficit again and do in the first decade of this century what we did in the last decade in the last century of the 1990s?

There are other functions or offices of the budget that we pay all too little attention to. We haven't perfected that much since 1974. For example, disaggregation is a huge problem with respect to policymaking and with respect to fiscal policy in particular.

One of the purposes of the budget, it seems to me, budget resolution is to try to give us something so we can keep our eye on the ball and determine whether or not we are moving toward our objectives. And that is not just a balanced budget but a budget that has programmatic allocations that reflect what we think this country needs for education, for health care, for defense, for lots of other things. We don't have with the appropriation bills that we pass every year that kind of clear picture of where programmaticallly our resources are being put, and the budget ought to serve that function.

Secondly, we do very, very little analysis of generational burdens. I wonder which generation under existing budget policies is bearing the burden and to what extent we are shifting forward the burdens of programs that we are passing today. Are we investing enough or consuming too much? We ask that all too infrequently in the budget process.



So one reason for having a budget process is to force us to focus upon these issues: programmatic allocations, investment versus consumption, defense versus domestic needs. All of these things we need to do in some kind of methodical, systematic way; and, above all, we need to do it within the bounds of a sensible and prudent fiscal policy that doesn't stack debt on top of debt and leave our children with an enormous amount of debt to bear.

So the topic before us is of compelling importance, and we look forward to your testimony and your contribution to what we should be doing, what we can be doing to perfect the budget process and to move the budget back toward sensible goals.

Chairman NUSSLE. Welcome to our panelists again. We will begin by welcoming to the committee its former member and ranking member of the committee, Bill Frenzel. Welcome back to the committee. All of your testimony as written will be placed in the record, and you may all three proceed as you wish giving us your best counsel and advice. Welcome back.

**STATEMENT OF THE HONORABLE BILL FRENZEL, GUEST SCHOLAR, BROOKINGS INSTITUTION, AND FORMER MEMBER OF CONGRESS**

Mr. FRENZEL. Thank you very much, Mr. Chairman. I served in the days of quill pens, and technology is baffling, Mr. Chairman.

Chairman NUSSLE. Those were better days, I think.

Mr. FRENZEL. And thank you, Mr. Spratt. I will stipulate that both of your ideas are wonderful, and that I am for all of them.

I was here when the Budget Act was adopted. I guess I am one of those persons who has always been a skeptic, and I was at the time.

As I look back on it, there was, you know, a variety of intents and purposes being laid upon the Congress. As you know, congressional intent is very difficult to determine. Those people who drafted the bills and shepherd them through the Congress had one set of intentions. There were plenty of resisters. They had different intentions. There were latecomers with their intentions. Eventually, the bills were passed with overwhelming majorities.

Most of the people that voted for them hoped that they wouldn't ever amount to anything. Those people who drafted the bills hoped that they would be able to improve them in the future. But their achievement in passing it in the first place I think dwarfs anything that has been by those of us who have followed. I think we would do them greater honor if we could make more frequent alterations in the budget process and try to take the process in the direction that at least the drafters intended, whether the rest of the members did or not.

I think most of you at least know of the history of impoundments and the congressional reaction to the impoundments of Presidents Johnson and Nixon. Really that is what drove the budget through the Congress, although the drafters had much broader ideas than simply stopping impoundment.

The trouble that we got into right in the beginning was that a number of the budget philosophers at the time were very nervous about a new system. Even those who were most enthusiastic about the budget were nervous about a new system that would unsettle

what had gone before. And so, early on, the concept of a baseline was conceived.

As we talk about Congress actually setting priorities, which was one of the statements in the committee's paper, or taking a comprehensive approach, the baseline, of course, drives you to do what you did last year. And while the Congress has been able to make changes, particularly beginning in 1987 running down military expenditures and then later building them up again, those changes come very slowly. The baseline causes old programs to overwhelm new ones, and to establish new programs and new priorities becomes exceptionally difficult.

Congress wanted to regain the priority setting. They were jealous of the President's powers. But what they gained was simply, in my judgment, quite a slavish devotion to last year plus colas and demographics. It is never easy to allocate resources. Nobody ever wants to raise taxes very much. So, particularly in times of difficulties, it is hard to establish new programs.

I think Congress has been keenly disappointed from time to time that it hasn't been able to move priorities, but there are always old programs, that need to be funded at ever-increasing levels, that stand in the way.

Also mentioned in your paper is this theory of the comprehensive approach to the budget. Well, in those days—I think 1974 was the last year where discretionaries still exceeded mandatories—we didn't think a lot about entitlement spending. We thought about it, but it didn't seem to be a huge problem. And while taking a comprehensive look at the budget was one of the alleged virtues of the budget process, Congress didn't think about it that way.

It simply was not very anxious to take on any of the entitlements. They just wanted to watch them sit there. The real battle was over discretionaries. As long as the appropriators were able to exert enough influence so that their ability to make allocations and choices was not reduced very much, they were able to live with the budget.

For me, the main purpose of the budget process and the Budget Act is to control spending. That was, I think, among the least of the concerns of the Members of Congress who voted for the Act in 1974. As a matter of fact, you will recall that we were all Keynesians then, and the Congress used the Budget Act to spend more money than presidents wanted to spend.

So controlling of spending was not a big deal. Neither was enforcement.

Most of the people that I talked to at the time prayed that reconciliation would never be used. Most of the people I talked to did not understand what the budget was, and I will have to admit I didn't.

But having tried reconciliation in 1980 and not having committed suicide, the Congress entered into it in 1981 in a big way. The other enforcement tools of the caps and PAYGO of 1990, that Congressman Spratt referred to, were great improvements. But now they have been allowed to expire, and there is not a lot of enthusiasm to get them renewed.

It is a fact that Members of Congress would like all these enforcement tools to be renewed—just as soon as each one gets his/

her most recent bill passed. Then the enforcement will block other Members' spending and tax cuts.

There are a lot of tools available, but they need to be kept enshrined in the law. We haven't done a terribly good job of that.

I have already mentioned entitlements, but I need to say again there is the same reluctance today for Congress to really look at them. We just let them slide forward. There is nothing wrong with the Budget Act in this regard. We look at them, we wave at them, we bless them, cry over them, whatever, but there is certainly no congressional will to make many changes. We look them over carefully and decide they are just perfect the way they are.

The one thing that is mentioned in the committee paper where the Budget Act had a much greater effect than anyone believed is the idea of setting the congressional agenda. I think the drafters of the Budget Act would be aghast at how much the budget dominates the congressional calendar. I am surprised myself. Mostly, we pass a budget, break our neck to do that sometimes, and then we pass appropriations, and then we rest and go home. It certainly dominates everything we do.

Well, in conclusion, Mr. Chairman, Mr. Spratt, and members of the committee, the drafters, in my judgment, talked about all these great benefits, and political scientists and economists have found many more that the Budget Act can do, but I don't think that was the general purpose in the Congress for passing the Act. However, now that you have it and you find that it can do these extra things for you, I think it needs to be improved from time to time.

I have come before you with lots of specific suggestions. They are spread all over the record of the last 10 years, and I would simply reiterate that I think they are all worthwhile.

Let us go back to the very beginning. The people who drafted the Budget Act knew it was weak. They got as much as they could out of the Congress. They hoped to get a lot more, and they hoped their successors would get even more. I hope that you, as one set of their successors, are a lot more successful than my generation, and that you make the changes in these laws that are necessary to put the good control mechanisms into law, and leave them there.

Because there is always this strong incentive for Congress to resist order and discipline, and budgeteers will always be struggling, often vainly, to keep what I think is a relatively weak budget system in operation. The urge to spend, the urge to cut taxes, the urge to get my program—and if I have to be for yours to get mine, we can do that, too—is overpowering; and you are the last line of defense.

I am delighted that there is still some interest in serving on this committee. I hope at least some of you are volunteers. I wish you great luck and look forward to your questions. Thank you.

Chairman NUSSLE. Thank you, Congressman Frenzel.

[The prepared statement of Bill Frenzel follows:]

PREPARED STATEMENT OF HON. BILL FRENZEL, GUEST SCHOLAR, BROOKINGS INSTITUTION, AND FORMER MEMBER OF CONGRESS

Mr. Chairman, and Members of the Committee, I am a Guest Scholar at the Brookings Institution, but this testimony is my own and does not represent any position or conclusion of the Brookings Institution.

It is true, Mr. Chairman, that I was a Member of Congress when the Budget and Impoundment Act of 1974 was passed. However, I was then a very junior member of an oppressed minority, so I cannot take any credit for being a mover and shaker in the development of the Act, although I tried to be. In fact, I was an interested observer, whose recollections grow ever more dim with each passing year.

As is true with every enacted bill, congressional intent, like truth, resides in the eyes of all the beholders. There are many different interpretations of intent. I will try to describe what I thought was intended with reference to the Broad Perspectives laid out in the Committee's statement of Hearing Purpose. Some of my impressions were gained at the time, and some came in later discussions with members who I thought were among the principal drivers in the House, notably Dick Bolling for the Democrats and John Rhodes for the Republicans.

#### SETTING PRIORITIES

The conditions under which the Budget Act arose were dominated by the Congress' desire to overcome the Presidents' use of the implied power of Impoundment. Presidents Johnson and Nixon had made heavy use of impoundment, and members were enraged that money for their transportation projects had been stopped, especially to be used in carrying out military actions that many opposed.

That feeling set the tone for much of the discussion about "Congress' need to set its own priorities". The frequent battle cry was that Congress, possessor of the constitutional Power of the Purse, needed to reestablish its primary role in setting national priorities. Congress had an appealing rationale for battle it knew it could win against a weakened President.

Parenthetically, I will add here that Congress has made little use of the Budget for priority setting. Part of the reason was that a number of early Budget philosophers, prominently Senator Ed Muskie, insisted on using baselines tied to existing programs, plus COLAs, plus demographic changes. Once the baseline theory was set in concrete, it became almost impossible for new programs to compete with old ones.

Presidents could occasionally push through new initiatives, often with the help of friendly Congressional majorities. Congress could modify them, but it could seldom inaugurate new programs of its own. The old programs, escalated, claimed all the resources. Particularly in times of fiscal difficulties (most of the time), there were simply no funds for worthy new programs and projects. As long as the budget is tied to the baseline, it will be hard for the Congress to alter priorities, and impossible to budget for outcomes.

If Congress really wants to play in the priorities game, it has to find a way to liberate itself from baselines, and from the continuing domination of old programs. If you can't change the baseline, you can't change priorities. Congress has been reluctant to change either one.

#### COMPREHENSIVE APPROACH TO BUDGET

In the early 1970s, there was a growing realization inside and outside of Congress, that, unlike the Executive Branch, Congress had no way to develop an overall Budget plan. Congressional spending was merely the cumulative result of individual pieces of legislation, each passed without much reference to any of the others. It was already obvious then that there was no framework for Congress to establish a general fiscal policy.

Many people in Congress who commented on the Act through its development made mention of the need for a comprehensive approach to the Budget. How could Congress set priorities rationally unless all spending could be reviewed at once? But most of them were thinking about spending in a different way than we do today. 1974 was the last year in which Discretionary Spending was greater than Mandatory Spending plus Interest. Most people who mentioned the "comprehensive approach" were thinking of discretionary spending, rather than mandatory.

Then, as now, appropriators were suspicious of the process, and believed that they could provide whatever comprehensive approach might be needed themselves. They insisted that the Budget Act not shift their traditional control of allocations to others, especially the Budget Committee. Appropriators were strong then, and they prevailed, but they are even stronger now because directed spending on "earmarked" projects has become the rule rather than the exception.

However, appropriators may look at this question differently now. They may have a different set of incentives. Their traditional bailiwick, discretionary spending, has grown (too fast in my opinion), but much less swiftly than mandatories. When Entitlement and Interest are combined, nearly 2/3 of spending is mandatory now, and it has become the growth engine for spending. The appropriators' 1/3 of spending is getting squeezed further each year. The comprehensive approach to Budgeting

might be a bit more attractive to them now, as a potential tool to protect their discretionary spending. They have few other defenses against the rapidly rising mandatories which are consuming resources formerly dedicated to discretionaries.

Certainly, for Budget observers, insulated from jurisdictional disputes within the Congress, the huge, impending deficits are a powerful argument in favor of the need to look at everything before making judgments on anything.

#### CONTROLLING SPENDING

In 1974, Republicans were especially concerned about controlling spending and eliminating deficits (that was then). The country had endured only 4 years of deficits, and deficits did not extend into the future "as far as the eye could see". But, wailing about deficits and spending has always been an important minority function, and Republicans were in the minority at that time.

Democrats were less interested in this aspect of Budget Process. We were "all Keynesians" then, after all, and the majority was much more interested in stimulation, and, to a lesser extent, priorities, and than in control. In fact, in its early years, the Budget Act was used by the Democratic majority to increase spending above that requested by Republican Presidents. House Budget Committee members used to insist on putting new projects by name into Budget Resolutions, or at least into the Committee language that accompanied the Resolutions. Those attempts did not always survive the scrutiny of the gimlet-eyed appropriators, but they were a hallmark of the Committee in the 1970s.

Over the years, Congresses have wrestled with the notion of using the Budget to control spending and deficits (which to me is supposed to be the real purpose of the whole exercise), but the struggles seldom came to any good conclusion. We can all toll the litany of failed attempts, but I won't do it here. For now, let it suffice to note that, in my judgment, the only control features that were other than sporadically successful, were the discrete caps and the PAYGO features of the BEA 1990, and an occasional Reconciliation Bill.

There are many other suggestions for control, some of which may be effective that may be effective, but this Committee well how tough it is to amend the Budget Act, so we may never experience them. For my part, I am convinced that if the Budget Act, or the Budget process, cannot help Congress control spending and deficits, its other functions are probably not worth the time, effort and money that we are currently investing in it.

Nevertheless, I am aware of the fact that the Budget Act's "Framers" were very careful to see that the Act did not seek a specific policy outcome regarding the deficit. Their intent, I believe, was to assert the role of Congress in setting fiscal policy and priorities rather than to dictate what the policy should be. I believe that they either overestimated Congress' fiscal sobriety, or underestimated its fiscal inebriation. Either way the Act was too permissive. Had it been written at the end of the 1980s, in a period of despair after 20 years of deficits, it might have contained a heavy anti-deficit thrust.

In 1974, I said on the floor of the House that the Act "Won't guarantee a balanced Budget, even though it makes balanced Budgets more attainable". I got the first part right, and the second, wrong.

#### ENFORCEMENT

Few elements are more basic to Budget systems than enforcement. Under the Budget Act, Congress has tried, in several different ways to enforce its Budget, but the results of the enforcement mechanisms used, described charitably, have been mixed.

In 1974, many important Members of Congress expected that the Reconciliation Process might never be used. Most hoped it would not. In 1980, Congress tried it for the first time, and survived. So the process was not an unknown when it was employed in 1981 with reasonable effectiveness to impose spending reductions suggested by President Reagan. Naturally, the Congress, authorizers, taxers, and appropriators alike, hated the experience.

Not the least of the complaints was that the Congress was obliged to use its own process to enact, not its own priorities, but those of the President. And that, of course, happened again in the 1993 with the Clinton Economic Agenda, and in 2001 with the Bush Tax Cuts. On the latter two occasions, the Congressional majority was of the same Party as the President, so complaints were noticeably fewer.

The experiments with Gramm-Rudman-Hollings sequesters were exciting, but there was precious little enforcement. Whenever a sequester threatened, the Congress found a way to dodge the bullet. I suspect that this will always be true be-

cause ultimately Congress cannot, and usually will not, be bound. Stated another way, Congress can't even keep its promises to itself.

Even the Spending Caps and Pay-Go systems can ultimately be defeated, waived, ignored or allowed to expire each time Congress finds, as it inevitably does, that spending needs are compelling, or tax cuts are irresistible. My notion here is that Congress should build as many of these enforcement mechanisms as possible into the Budget process, with the hope that some of them may help sometime, but with understanding that all together they will seldom be helpful in controlling spending, or in enforcing Budgeteers' dreams.

#### ENTITLEMENTS

Entitlements were large and growing in the early 1970s, but Congress did not see them as a problem. The Budget Act did provide a regular opportunity for Congress to review the growing entitlement programs, but few people in 1974 harbored any inclinations about making changes or even doing any real oversight. Later Congresses had similar feelings. Today entitlement review has seems even less appealing.

The "third rails" of Social Security and Medicare have proved highly resistant to oversight and change. Congress was willing to make many small adjustments to reduce Medicare expenses in the 1980s, but none of them were important in the cosmic scheme of things. The big changes have all been increases.

Without the Budget Act, there is no way to make Congress address the Entitlement programs unless the country runs out of money. But there is no immediate prospect that Congress will use the Budget Process to take a serious look at the two big entitlements, or any other ones, either now or in the near future.

Review of entitlements ought to be mandated. Sunsets would help. But, whatever the rules, there is little reason to believe that Congress would want, or dare, to take them on. The Budget Act gave Congress a way to tackle them, but Congress would prefer not to do so until and unless the bankruptcy conditions of Social Security in 1982 and 1983 are reproduced.

#### CONGRESSIONAL AGENDA

I would be very surprised if the people who worked on the Budget Act of 1974 had any idea that it would so dominate the Congressional agenda. Setting that agenda and work plan is one thing the Budget Act has accomplished. There have been some years in which the Congress works on little else but the Budget and the Appropriations Bills that flow from it. When no Budget is passed, Congress just gulps and then revs up the spending machine.

Much of the criticism of the Budget process is that it has overwhelmed the legislative process. To me that is a positive development. The budget provides coherence and order to the process. The legislative process needed some order and discipline. Prior to 1974, each committee worked on whatever it felt like working on, unless the majority leadership could persuade it to handle pressing issues. The result was not exactly whimsical, but neither was it in any sense orderly.

Today, committees may feel that they would like to get out from under the Budget, but at least there is some system and plan that governs their actions. I don't believe that this was expected in 1974, but it is the one way in which the Act has had a real effect on the Congress.

#### CONCLUSION

In general, I have to celebrate the courage and success of the "framers" of the Budget Act. They were visionaries who wanted a stronger law, but produced the best one possible in the environment that existed in 1974. They were astonishingly successful, given the conditions prevailing at the time.

The Act was passed by a majority of Members of both Parties, many or most of whom hoped that it represented the least change that could then be accepted. They were right. It did not, and could not, produce the results that outside observers expected from a Budget process.

The "framers" knew it was not enough, but they hoped it could be developed through later years. It is the fault of those of us who followed that the Act has not been improved significantly. Like all organizations, the change-resistant Congress avoids risk and stays with processes and jurisdictions it knows, and likes.

Of the things we would like the Budget to do—restore Congressional control, set priorities, control spending, enforce limits, address entitlements, and set the Congressional agenda—only the last has been realized. To achieve the other purposes of Budgeting, substantial changes must be made in the Budget Act. But even more

fundamental changes must be made in the attitude of Congress about its willingness to submit to fiscal discipline.

*To set priorities*—The majority must be willing to lead, and Congress must be willing to take risks. The baseline does not have to be scrapped, but major alterations will be needed from time to time.

*To control spending, and enforce Budget limits*—Control and enforcement mechanisms are available. Congress has to enshrine them in law, and use them.

*To review entitlements*—The Congress could do it anytime, but without a forcing event, like bankruptcy or sunset, it probably won't get done.

Budgeteers have tried for years to do all these things, but every year conventional Congressional wisdom easily defeats what seem to me to be desirable changes. It will take strong, dedicated, optimistic Budgeteers to stay the course and, ultimately, carry the day. I hope there are some left.

Chairman NUSSLE. Professor Schick, welcome back to the committee. We are pleased to receive your testimony.

**STATEMENT OF ALLEN SCHICK, PH.D., PROFESSOR,  
UNIVERSITY OF MARYLAND**

Mr. SCHICK. Thank you very much, Mr. Chairman. I am pleased to be here because I was a midwife at the creation of the process 30 years ago. Like other midwives, what you care about mostly is a successful delivery; and you don't pay much attention to how the baby grows up and what it turns out to be.

But, at creation, what Congress did was to establish a process which is like a Rorschach. It can be whatever you want it to be, because it does not prescribe any particular budgetary outcome. It is an enabling process. The process does every year what Congress wants it to do.

As a consequence of this decision in 1974, the process has turned out differently in virtually every year, not only substantively in terms of spending, deficits, and revenues, but also in terms of how the budget resolutions move through Congress. It changes with shifts in the political and economic winds. It moves this way, that way, and that is literally what the Budget Act of 1974 prescribed: Let the process be what Congress makes of it.

Now that itself is very hard, because Congress is beholden and sensitive to the American people; and our voters are conflicted—some people would say schizophrenic—on the budget. They want smaller government, and they also want bigger programs. The budget process, unlike appropriations, unlike revenue bills, has to square these contradictions in public opinion; and it is not easy to do so. Doing so requires a majority in Congress to pass the budget resolution. That has always been the burden of the majority party, at least in this Chamber. In the House, the minority party has been the loyal and sometimes not-so-loyal opposition to the budget resolution; and the majority party has had to twist arms, provide sweeteners, promises, and whatever else it takes to enable the budget resolution to make it through.

In some years the budget resolution literally has been the driving force in Congress, forming, shaping, defining, and confining the legislative agenda; in other years it has done virtually nothing. Some years, it has made all the difference; in other years, none at all. Some years, you wouldn't notice if the budget resolution has not passed.

The difference between the years in which the budget resolution has made all the difference and the years in which it has made

none has almost always been defined by reconciliation. When there are no reconciliation instructions, the budget resolution merely rubber-stamps what would happen anyway. When there is reconciliation, the resolution has the opportunity to define what Congress does in that year.

The process has gone through four distinct phases over the last 30 years.

The first, launching phase, was between 1975 to 1980. Congress had reconciliation, but it was an entirely different process than was used subsequently. It was a limited process confined to appropriations enacted that year, in that session—it did not work as initially intended.

The problem in this inaugural stage of congressional budgeting was what to do about revenue and spending under existing law? That was the key problem. Regardless what the budget resolution specified, if legislative committees which have jurisdiction over existing law did nothing, then legislative inaction always prevailed over budgetary action. In other words, the budget resolution specified the amount of revenues and spending, but what mattered really was what existing law dictated.

Congress in this first stage from 1975 to 1980 lacked a means of changing existing law. That led to reorienting the reconciliation process from that year's appropriations to existing law, thereby opening the second stage of the congressional budget process that lasted from 1980 to 1990. During this period, reconciliation appeared almost every year in the budget resolution. In some years, as Mr. Frenzel indicated, such as 1981, reconciliation had a truly significant impact. In other years, reconciliation made only slight changes in existing law. But in most of the years of that decade there were reconciliation instructions, there was a reconciliation bill, and that was an empowering feature for the budget committees and the budget process.

The third stage occurred during the 1990s, when Congress actually changed the charter of congressional budgeting. In contrast to the original concept, which was that Congress could do whatever it wanted, whatever the majority voted, the Budget Enforcement Act of 1990 tied the hands of Congress through discretionary spending caps and PAYGO rules. The budget process was turned into a means of implementing the pre-made decisions of the Budget Enforcement Act of 1990. That was the period, as Mr. Spratt indicated, that the budget process turned deficits into surpluses.

Once the surplus arrived, Congress changed its behavior, not only Congress but the President certainly as well. The BEA (Bureau of Economic Analysis) rules remained the same; they lasted until 2002, but enforcement of those rules withered with the arrival of budget surpluses. Both Congress and the President found means—such as emergency legislation, advanced appropriations, and other tricks of the trade, to spend more and tax less, while pretending to live within the rules.

The final current stage, began in 2001 with disabling and then expiration of the BEA rules and use of reconciliation almost entirely exclusively for revenue legislation and, as the committee members know, for cutting rather than increasing revenues.

So these are the four stages of the budget process.



Looking back at them, we can draw half dozen conclusions about what the process has accomplished; my bottom line is the budget process has changed Congress more than it has changed budgetary outcomes.

First, it has contributed to elevated partisanship and conflict. I am not going to claim that the budget process is the sole reason for this escalation of conflict. Polarization in Congress between the two parties has many causes. But clearly the fact that Members are voting on the budget aggregates, especially the surplus or deficit, and are voting on whether to cut the deficit by trimming spending or by boosting taxes, has fueled political strife. These are great divides between the parties. They are things that Democrats and Republicans fight about, in contrast to line items, which are things you deal with in appropriation bills.

Notice the different voting patterns on appropriations and budget resolutions. Budget resolutions squeak through with few votes to spare, with the minority voting against and the majority hoping that it does not have too many defections. In contrast, many appropriations bills pass by lopsided majority. There is something in an appropriation bill for just about everyone.

Since my task today is not to make any specific recommendations, I am not going to recommend that we turn the budget resolutions into a vehicle for earmarks. But if you did, Congress would pass different budget resolutions that would have both parties' fingerprints on the final version and might even pass by a vote of 410 to 19, something like that, everybody would regard the budget process as a success.

Second, the budget process has led to an enlarged role of party leaders. Again, there are other factors at play, but the role of party leaders in this Chamber and in the Senate is far greater on substantive matters, on actual revenue and spending decisions today than it was three decades ago.

At the start of the process 30 years ago party leaders concentrated on counting and corraling the votes. Today, they cut some of the major deals, and dictate some of the major terms of the budget resolution. We have had in this committee and in others as well a transfer of legislative power from committees and their chairs to party leaders.

Third, echoing what Mr. Frenzel said: In some sessions, budget-related measures have crowded out other legislation. The great losers in the budget process have been authorizing legislation and their committees. The volume of free-standing authorizing legislation has significantly dropped over the last 30 years. In some years, one can count on the fingers of a hand the major pieces of authorizing legislation that have made it through Congress. There are factors other than the budget resolution which account for this trend; the most important is recourse to omnibus legislation, including omnibus reconciliation bills.

Fourth, House/Senate differences have become more pronounced, particularly in recent years, and these have been the main factor in some years that Congress has failed to complete action on a budget resolution. On many matters, the House and Senate are pulling in different directions. Maybe I should phrase it a little differently. The majority party of the House and Senate are pulling

in different directions, and that has complicated passage of a budget resolution.

Fifth, in some years, scoring has swallowed up the budget process. It would not be an overstatement to say that congressional budgeting has turned mostly into a scoring exercise, and that has elevated the importance of baselines. It The Congressional Budget Office, CBO, has become the high priest, so to speak, of the scoring process. It has created a cottage industry on Capitol Hill and in the K Street corridor on how you structure legislation to get the score that you want. Provisions are phased in or then sunsetted, back-loaded, or front-loaded so that CBO produces the score that you want. This practice is highly damaging, I believe, to the legitimacy of congressional budget process. I don't have a solution for it, but basically we have empowered the scorers of the process, rather than the makers of policy.

That leads to my next point, which is that baselines are not neutral ways of counting budgetary matters. They have exerted a strong influence on budgetary outcomes. Mr. Frenzel noted in his statement that the baseline has reinforced the innate incrementalism in the process and made it more difficult to change programs. I believe that baselines have had an even stronger influence; they have made it more difficult to cut spending. It is as simple as that.

The Medicaid issue in this year's budget resolution illustrates how baselines affect budget decisions. Suppose the headlines in the papers would have read that over the next 5 years, annual Medicaid spending will rise by more than \$100 billion. Cutting it would have been much easier. As a matter of fact, the governors have come up with a plan to cut more than the \$10 billion than the budget resolution specified. But because the baseline builds in spending increases, it is exceedingly difficult to cut \$10 billion. As you know, the task is much more complicated in the Senate than in this Chamber. The construction of the baseline may be neutral, but use of the baseline is rarely neutral in congressional budget outcomes.

Because of the prominence of scoring, even in years that the budget process has languished in Congress, CBO has flourished. CBO and the budget process were created in the same law, but CBO is always high on the pedestal. I described it a little while ago as the high priest of congressional budgeting. It does the score keeping; it maintains the baseline. CBO has performed these tasks with integrity, with professionalism, but it is wrong in denying that it is a player in the process.

Finally, the budget process has strengthened the President's capacity to influence congressional decisions. I recall the scene on the floor of the House in 1973 and 1974 where Members of Congress described the new process as a declaration of budgetary independence from the President. Things have not worked out that way. The budget process has given the President a cordon sanitaire to move his priorities and his programs through Congress. That has largely been done through the reconciliation process. Most reconciliation bills reflect the demands of the President on Congress.

In one way, reconciliation itself has been a powerful tool of Congress, in one other way a weak or inadequate tool. It is weak in

that reconciliation is almost entirely a means of changing the financing of programs, but not substantive policy.

Let us take Medicare, which has been the most reconciled program over the last 20 years. There have been thousands of changes to Medicare enacted in reconciliation bills. Almost all have been financing changes, such as adjustments to the premiums under part B, and adjustments of payments to providers. But with the exception perhaps of 1997, when home care was significantly changed under the reconciliation legislation, the programmatic structure of Medicare has remained intact.

Now there is a reason why reconciliation cannot itself change programs, and that is because its time frame is too abbreviated. The typical reconciliation instructions give committees only a few weeks to recommend legislation that meets the require "score." So the inevitable incentive of committees rescoring to reconciliation is to find financing changes that satisfy the reconciliation instructions. Committees don't have the leisure, the incentive, or the opportunity to take a hard, deeper look at the program and decide how it should be restructured.

That is not necessarily a criticism of reconciliation. Because if reconciliation were able to drive those deeper changes, then indeed it would shape not only the agenda of Congress but its legislative output as well, and I think that would be an undesirable concentration of legislative power and activity in a single process.

So here we have it, Mr. Chairman. Congress has been living with the process for 30 years. Thirty years ago, the question was, will it survive? Today, the question is, is it worth surviving?

Thank you.

Chairman NUSSLE. Thank you, Professor Schick.  
[The prepared statement of Allen Schick follows:]

PREPARED STATEMENT OF ALLEN SCHICK, PH.D., PROFESSOR, UNIVERSITY OF MARYLAND

Mr. Chairman, it is a pleasure to testify at these hearings and to provide historical perspective and reflections on the evolution of the congressional budget process during the past 30 years. Having been a midwife at the creation of the Budget Committees, I recall the heady optimism of the early years of the new process, and have witnessed the ups and downs of congressional budgeting over the years. In fact, the concluding chapter of one of my books was initially labeled "The Manic-Depressive Budget Process". Of course, the editor objected that people are manic-depressive, not processes. My reply was, "You obviously haven't observed congressional budgeting."

Congressional budgeting is a somewhat different process every year because fiscal and political conditions vary from 1 year to the next. One year, fiscal austerity is the dominant sentiment, another it is to finance the unmet needs of the American people. One year, Congress and the President have the same budget priorities, the next they diverge. The outward shell of the process—a concurrent resolution on the budget—has persisted through three decades, but the way Congress uses its budget tools has changed. Looking back at the history of this Committee, one can identify four distinct phases of congressional budgeting. The first stage inaugurated the process and established budgeting as an ongoing responsibility of Congress. The second added reconciliation and targeted deficit reduction as the number one priority. The third saw congressional budgeting enveloped in preset rules, the Gramm-Rudman-Hollings laws of 1985 and 1987, and the Budget Enforcement Act of 1990. The current state sees congressional budgeting principally as a vehicle for reconciliation and for adjusting annual spending limits. Each state has left imprints on congressional budgeting; today's process is an amalgam of developments over the past three decades.

(1) *Getting Started (1987-80)*. The first stage was characterized by the building of new budget institutions and the adoption of budget resolutions as an expression of congressional independence from the President and its responsibility for budget

policy. The new process did not dictate any particular budget outcome. It did not require Congress to balance the budget, nor did it prescribe revenue or spending levels. It permitted Congress to take any action a majority wanted, provided it acted within the framework of the budget process. The architects of the Congressional Budget Act assumed that a responsible Congress would require the Federal Government to operate within its means. But this aspiration was dashed by the economic adversities which coincided with the launch of congressional budgeting.

Party line voting emerged early in the House. The very first budget resolution it produced (for fiscal 1976) squeaked through 200-196. The majority party carried the full burden of corraling enough votes to get the resolution through, with almost all minority Members voting against adoption. Majority party leaders intervened to assure passage, but their main role was to persuade recalcitrant Members to back the process, even if their main role was to persuade recalcitrant Members to back the process, even if they didn't approve of the policies expressed in the budget resolution. This was not an easy chore, for adopting the resolution meant that the majority party—the Democrats in those days—had to vote for chronic budget deficits. They had to do so at least two times a year because the original Budget Act provided for both a Spring resolution before appropriations were considered and a Fall resolution, after appropriations bills were enacted.

During the early years, the Senate took a bipartisan approach, with Democrats and Republicans joining ranks to support the nascent Budget Committee. This show of support enabled the Senate Budget Committee to challenge other committees when they disregarded the policies set in the budget resolution. Yet the new process had one fundamental weakness: it did not regulate the revenues or spending generated by existing laws, even when these amounts varied from the levels specified in the budget resolution. Legislative committees frequently thwarted the budget process by doing nothing. Legislative inaction triumphed over budget action.

(2) *Budgeting with Reconciliation (1980-90)*. In 1980, Congress responded to this problem by redeploying the reconciliation process. As envisioned in the Budget Act, reconciliation was to come into play in tandem with the Fall budget resolution. It would adjust amounts in appropriations and other measures that were at variance with the levels set in the budget resolution. Because of its narrow scope, reconciliation was limited to 20 hours of floor time in the Senate. This form of reconciliation proved unworkable, for it was impractical for Congress to roll back expenditures that it had approved only weeks earlier in appropriations bills.

Congress transformed reconciliation in 1980 by attaching it to the first rather than the second resolution, and thereby reoriented it from dealing with that year's legislation to dealing with revenue and spending under existing law. The budget resolution came to be regarded as a key instrument in combating high budget deficits. Congressional independence receded in importance, and the President gained a powerful tool for influencing legislative action. In 1981, Ronald Reagan adroitly used reconciliation to reshape Federal tax and spending policies.

Reconciliation boosted the budget process, but it alarmed many other legislative committees which were concerned that it would empower the Budget Committees to dictate what they did. The chairs of almost all House committees voiced their opposition to reconciliation in an open letter to the Speaker. Over time, however, many committees came to view reconciliation as a vehicle for legislation that could not be passed in free-standing bills. The Senate responded to this tendency by adopting the Byrd Rule, which limits the types of provisions in reconciliation bills. It is a complex rule that Senate conferees often use to their advantage in resolving differences in reconciliation bills passed by the two chambers.

Shifting reconciliation to the first budget resolution rendered it useless for Congress to adopt a second resolution, and this measure was discarded in amendments to the Budget Act. Reconciliation (and other factors) spurred Congress to lengthen the time horizon of the resolution. Initially set at only 1 year, the time frame was stretched to 3 years, then five, and after several adjustments to 10 years. This time frame has become the standard used by CBO in constructing baseline budget projections.

Reconciliation probably contributed to political polarization in Congress, especially in the Senate which previously has bipartisan cooperation on budget resolutions. Reconciliation was used to make major changes in revenue and spending policies, matters on which the two parties often disagree. One should note, however, that polarization has been fed by multiple factors, and that it probably would have occurred even if Congress had not broadened its budget process.

(3) *Budget Enforcement (1990-2000)*. The discretionary caps and PAYGO rules enacted in 1990 substituted fixed constraints for congressional discretion. In contrast to the original design, which empowered Congress to adopt any budget policy supported by majorities in the House and Senate, the BEA rules restricted Congress'

power to appropriate and legislate changes in revenue or mandatory spending legislation. With key elements of budget policy fixed in law, the budget resolution came to be regarded as a means of facilitating passage of reconciliation bills. In some years, the budget resolution was crammed with “sense” of the House of Senate statements that had political value, but did not influence legislative action.

During this period, the budget process was the most important action taken by Congress in some years, and among the least important in others. In some years, it made all the difference, in others none whatsoever. The budget resolution drove the legislative agenda when it contained reconciliation instructions; it merely rubber stamped what would have happened even if Congress did not adopt a resolution. Through reconciliation, the resolution reshaped budget policy in 1990, 1993, and 1997. (President Clinton vetoed a 1995 reconciliation bill passed by Congress.) There was no reconciliation bill in 1998 and, for the first time since the budget process was introduced, Congress failed to adopt a budget resolution.

Both BEA and reconciliation require Congress to score the budgetary impact of legislative actions. In some years, scoring has been the dominant feature of congressional budgeting, impelling committees and Members to configure legislation so as to get favorable scores. Some observers believe that scoring has diminished attention to the substantive implications of budget policy; others are concerned that budgetary legerdemain has impaired the credibility of the process. Scoring determines the fate of legislation and has made much of budgeting into an arcane exercise. Generations from now, the Medicare “donut” will be a testament to the power of the scorekeepers.

(4) *Budgeting for tax cuts (2001- )*. Since 2001, the foremost purpose of congressional budgeting has been to facilitate enactment of tax cuts through the reconciliation process. With expiration of BEA, the House or the Senate have used the resolution to cap discretionary spending or to impose some form of PAYGO.

Differences between the House and Senate have become more prominent in recent years, and partisan fissures have deepened. In some years, the two chambers have been unable to resolve differences in conference, and have gone their separate ways by adopting “deeming” resolutions in lieu of a regular resolution. This device has preserved the budget process, but it is a poor substitute for the real thing. The more they rely on deeming resolutions, the less incentive the House and Senate have to hammer out budget policy that is endorsed by both chambers. There may be no loss of enforcement when each chamber goes it alone, but there is a loss of legitimacy.

Over the years, party leaders have become dominant players in congressional budgeting. The majority leadership has the burden of producing sufficient votes to pass the resolution. The House Budget Committee is beholden to the leadership and has less margin for independence than its Senate counterpart. In the House, Party leaders cut key deals and dictate many of the terms that produce the votes needed for passage. This pattern has spread to other areas of legislative activity, and has as much to do with the contemporary structure of the House as with characteristics of the budget process.

#### WHAT THE BUDGET PROCESS HAS (AND HAS NOT) ACCOMPLISHED

A fair assessment of the budget process must take account of both the objectives of the 1974 Act and the transformation of the U.S. economy and Congress that began just about the time that the process was launched. Evidently, the process did not put an end to deficit spending, nor did it halt the rise in mandatory entitlements. Using these outcomes as measures of budgetary success or failure would be unfair because the budget process cannot do what Congress does not want it to do, and Congress itself cannot do what voters do not want. Beset by conflicts in Congress and contradictions in public opinion, budgeting has muddled through under an implicit contract that the necessary votes will be forthcoming to pass the resolution provided that ongoing programs are preserved. When the needed votes appear lacking, the resolution is sweetened by accommodating additional spending. In several recent years, this implicit contract has broken down, because of conflict between the House and Senate or within the ranks of the majority party.

In budgeting, Congress must navigate through the minefields of public opinion, trying to reconcile the inconsistent demands of voters who want both smaller government and bigger programs. The task is easier when the economy is buoyant and revenues are trending upward. When these favorable conditions are absent, Congress usually prefers to spare contested programs, even if the result is a bigger deficit. With these overall conclusions as background, let us consider three interconnected questions: (1) What has been the impact of the budget process on budget outcomes? (2) What has been the impact on the conduct of budgeting, including relations between Congress and the President? (3) What has been the impact on Con-

gress, including relations between the House and Senate, the role of party Leaders, the overall level of conflict within Congress, and relations between the Budget Committees and other committees?

*Budget Outcomes.* The Budget Act empowered Congress to take a comprehensive view of Federal revenue and spending; it did so by requiring the House and Senate to explicitly vote on total revenue, total spending, the public debt, and the surplus or deficit. Before the Budget Act, the totals were merely the arithmetic sums of past and current decisions. The totals were not voted, nor were they explicitly taken into account when the House or Senate acted on revenue and spending measures.

Budget totals are an amalgam of old and new decisions. At times, Congress has effectively used the budget process to drive policy changes in revenue or spending through the House and Senate. In general, the policy changes voted in the budget resolution have been more dramatic on the revenue side of the ledger than on expenditures. Major changes in revenue were triggered by the budget resolution in 1981, 1990, 1993, 2001, and 2004. Smaller changes were driven through Congress in half a dozen other years. Some of the changes have boosted revenues, others have cut them. While the substantive merits of tax legislative are almost always matters that divide the two parties, there can be no doubt that the budget process has facilitated major shifts in revenue policy that might have been more difficult to enact if Congress had lacked this device.

The spending side of the budget has exhibited much more stability. Congress has been no more successful than the President in curbing incrementalism in Federal spending. Both discretionary and direct spending exhibit incremental tendencies, but it is useful to distinguish them in assessing Congress' control of the purse. Through the budget process, Congress has effectively decided the annual amount of increase in discretionary appropriations. Aided by BEA rules during the 1990s, the budget resolution limited the increase to the amount allowed by the spending caps. It is instructive, however, that with the arrival of budget surpluses in 1998, Congress changed its behavior, even though the BEA rules remained on the books for another 4 years. Congress, on its own initiative or prodded by the President, accommodated more spending in the budget resolution than BEA provided, using the emergency escape route and other bookkeeping devices to stay within the rules while breaching them. Budget rules and the budget process made a difference, but only when they were reinforced by political will in the executive and legislative branches.

Discretionary spending has been effectively regulated through section 302 allocations to the Appropriations Committee, each of which subdivides available amounts among its subcommittees. There is no comparable process for direct spending, almost all of which is accounted by mandatory entitlements which are controlled by statutory formulas and eligibility rules. The fundamental difference between the two types of spending is that discretionary expenditure requires annual appropriations while mandatory expenditures, including increases above the previous year's level, occur even if Congress does nothing.

As noted earlier, Congress reoriented reconciliation in 1980 to deal with this problem. But while reconciliation has been deployed frequently to change the amount spent on particular entitlements, especially Medicare and Medicaid, it has rarely been used to change the structure of programs. Most reconciliation-driven changes have been financial adjustments, such as increases in Part B Medicare premiums and decreases in payments to providers. Reconciliation's time frame—typically a few weeks between adoption of the budget resolution and committee recommendations—does not allow a serious review of complex programs.

Entitlements are a significantly larger share of total Federal spending today than they were 30 years ago. Most budget projections show their share rising over the next 30 years if current law remains intact. PAYGO has been a reasonably effective means of regulating new or expanded entitlements; it has had no effect on the incessant rise in spending under existing law. There is a fundamental reason for this, which goes beyond the machinery of budgeting to relations between government and citizens. Most entitlements are a voluntary surrender of budget control by the executive branch and Congress in order that citizens have strong, credible commitments from government that they will receive promised financial assistance when they are old, disabled, ill, unemployed, and so on. This tradeoff tells us that in the political coin of the United States, protecting the financial security of American households is deemed more valuable than upholding budget control. Because this is a political "contract", it can be undone only when Congress and the President have the political will to change its terms.

Congress has had occasional success in dealing with deficits, but the evidence is that the shortfall must be quite large before it acts. Deficit spending has been the norm in 26 of the Budget Act's 30 years, and it is likely to be the outcome for quite

a few more years. The ill-fated Gramm-Rudman-Hollings laws taught us that Congress cannot control the deficit unless it takes effective steps to regulate revenue and expenditures. But Gramm-Rudman-Hollings was not a fair test of deficit control because it was not coupled with revenue and spending controls. This may be the most effective formula for taming big deficits.

Not all budget deficits are alike. Some occur when the economy is weak, others when it is strong. Some shortfalls are truly small and have no measurable impact on financial markets, others are quite large and expose the United States to serious financial risks. The fact that the current bout of deficit spending has occurred at a time of low (and sometimes declining) interest rates has made it difficult to get political leaders to see it as a problem. Moreover, a body of economic literature argues that deficits matter less than marginal tax rates, and that it would be preferable to have a smaller government with a bigger deficit than a bigger government with a small deficit. With analysts and political leaders divided on this issue, and Americans not yet regarding deficits as urgent, Congress has not paid attention.

*The Conduct of Budgeting.* The budget resolution is more than a mere "sense of the Congress" resolution, but less than a full-blown budget. Nothing has to stop if Congress fails to complete action on the resolution. When it is adopted, as has happened in all but a few years, the budget resolution guides section 302 allocations and reconciliation. President Bush has proposed that the budget resolution be enacted as a joint (rather than concurrent) resolution. If adopted, this change would make the President a formal partner in Congress' budget process. The present role of the President is informal and political, and arises out of the fact that he can veto appropriations and reconciliations bills, as well as other budget-related measures passed by Congress. The President already exerts considerable influence on congressional budgeting, and in some years he is the dominant player. The exuberant hopes of 1974 that the budget resolution would be a declaration of congressional independence from the White House have been dashed by the realities of American politics.

Yet, even as a political partner, the President does not get all that he wants. The budget resolution impelled Congress to make significant changes in the tax cuts enacted in 2001 and 2004 and in the Medicare expansions enacted in 2003. Formalizing the President's budget role through a joint resolution is likely to have collateral effects that go well beyond relations between the two branches. One should not be surprised if a joint budget resolution were to become a vehicle for other legislation, or if conflict between the two branches would block final passage.

Congress now has much more budgetary information than it had prior to the 1974 Act. CBO has become an authoritative, independent source of data and analysis for Congress, and scoring has given Congress timely estimates on budget impacts before it acts. In budgeting, ignorance is not bliss, but information does not by itself change what Congress does. Yet there are instances where the supply of new types of budget information has almost certainly changed legislative behavior. Foremost is the baseline methodology used by COB to project the revenue, spending or deficit impact of pending or completed legislative actions. This is not the place for assessing the baseline's importance as Congress' measuring rod, but there can be no doubt that the baseline has not been a neutral device. Even though the underlying methodology may be neutral, the uses to which baselines are put are not.

Timing is a critical element in budgeting, if only because the process recurs each year. In some years, long delays in finalizing the budget resolution have allegedly held up action on other measures. These delays are often due to conflict within Congress and difficulty faced by the Budget Committees and party leaders in securing the votes needed for passage. Inertia has also taken a toll, as have political decisions to defer contentious issues until late in the session. This year's accelerated schedule shows that the House can operate within the prescribed budget calendar.

*Impacts on Congress.* The budget process has changed Congress more than Congress has changed the way it budgets. The budget process has contributed to elevated conflict in Congress, while boosting (as already discussed) the role of Party Leaders. It also has complicated relations between the Budget Committees and other congressional committees.

Congressional budgeting frames the legislative agenda for each session, compelling leaders to set aside blocks of time for the budget resolution and any ensuing reconciliation bill, the various appropriations bills, revenue measures, and other budget-related legislation. Nowadays, Congress produces many fewer free-standing public laws than it once did. Elevated conflict is the main culprit, but the time demands of congressional budgeting also have crowded out much authorizing legislation. In the contemporary Congress, it may be easier to pass an omnibus bill that sprawls over more than a thousand Statute pages and covers dozens of topics, than to obtain approval of a bill that pertains to only one subject.

Members of Congress complain about the budgetization of legislative debate; that is, defining issues and producing measures in terms of their budget impacts rather than their substantive objectives. This complaint may be overstated, but there is little doubt, as I previously suggested, that scoring determines the fate of much legislation. Sometimes, it appears, the score is the only thing that matters, as Members and lobbyists vie to get a score that will facilitate passage. By now, insiders are well versed in the tricks of the trade, how to adroitly use sunsets (or phase-ins and phase-outs) to generate a favorable score, how to show tax cuts as revenue increases by front-loading provisions that add revenue and backloading those that subtract revenue. I am not criticizing the way the game is played, but I do wish it did not have to be played at all.

It is not hard to figure out that congressional budgeting fuels friction within the House and Senate. In most years, most appropriations bills pass by lopsided margins, while the budget resolution makes it through with few votes to spare. Appropriations bills disaggregate spending issues into line items, the budget resolution aggregates them into fiscal totals. Democrats and Republicans, liberals and conservatives who disagree on the aggregates often agree on the line items, either because they logroll one another or because they favor the spending item. Democrats and Republicans do disagree on whether the budget deficit should be reduced by raising taxes or trimming expenditures. They cannot paper over these conflicts by layering the budget resolution with earmarks, as they do on appropriations bills.

Escalation of budgetary conflict affects not only the political parties, but relations between the House and Senate as well. In some years, the House and Senate passed different resolutions and could not patch over their disagreements in conference. The deeming resolution mentioned earlier are an artful device that enables each chamber to go its own way.

#### CONCLUDING THOUGHTS

The budget process has survived because enough Members want it to and because the majority leadership invests it with enough support to pull the resolution through. This is not the ideal situation for congressional budgeting, but it will have to do until the process is redesigned or Members get more enthusiastic. One should not expect a reformed process to function much differently than the current one, though adorning it with BEA-type rules can lessen conflict by pre-deciding some key issues. A Government that takes in and spends more than \$2 trillion every year needs a budget process to structure and discipline congressional decisions. Having a more tranquil process might help a bit, but with so much at stake each year, one should not be surprised if the budget process continues to limp along for another three decades.

Chairman NUSSLE. Richard Kogan, welcome back to the committee. How many years did you work here?

Mr. KOGAN. I was on the majority staff for 16 years and the minority staff for 4 years, for a total of 20. But it was the same staff in each case.

Chairman NUSSLE. Well, welcome back to the committee; and we are pleased to receive your testimony.

#### **STATEMENT OF RICHARD KOGAN, SENIOR FELLOW, CENTER ON BUDGET AND POLICY PRIORITIES**

Mr. KOGAN. Mr. Chairman, I am very glad to be home. Mr. Chairman, Mr. Spratt, it is very nice to see you again. As I said to Tom Kahn when I submitted this testimony, I have material in here that is bound to annoy virtually everybody, proving my fierce bipartisanship.

I would also like to start with two disclaimers. The first is that, while I work for the Center on Budget and Policy Priorities, these views are my own and not necessarily those of the Center; and the second is that Allen Schick and I did not collaborate on any of our testimony but nonetheless reached somewhat similar conclusions.



I would also like to say that I have ignored the request not to make recommendations, but I suppose you knew that about me before I was invited.

I have three main points that I would like to make in my testimony.

First, the congressional budget process was originally designed to make Congress an equal partner with the President when it comes to budgeting; and unless you think that presidents are too weak and Congress is too powerful, I encourage you to resist the many budget process proposals that would strengthen the President and weaken Congress.

Second, the Congressional Budget Act has, probably unexpectedly, allowed presidents to get away with budgets that are incomplete or irresponsible or both. President Bush is especially guilty of this lack of leadership, but every recent President has designed partially phony budgets and then passed the buck to Congress, dumped it in your lap.

Third, no budget process can force the President and Congress to enact deficit reduction. Rather than trying to do that, it is far better to design specific deficit reduction plans—increases in taxes, cuts in programs—and then use the budget process to enforce compliance with those plans, to prevent backsliding after those plans are implemented.

OK, I am going to elaborate on these three points. So let me start with the first one, the relationship between the President and the Congress.

When the Budget Act was enacted in 1974, its intent was to announce that the President's budget was not the only game in town; Congress could devise and adhere to its own budget plan. Given this history and intent, it seems strange to me and probably inappropriate for Members of Congress to deliberately design reform plans that would weaken the Congress vis-a-vis the President.

I am just going to mention a number of ideas that have been suggested in recent years that would have that effect; and if you want know more about them, I describe them in my written testimony.

One that would do this would be an automatic continuing resolution. Another would be a joint budget resolution. A third, in a more obscure way, would be the appropriations lockbox. Fourth would be biennial budgeting. Fifth would be any combination of line-item vetoes, enhanced rescission, or restrictions on omnibus legislation. All of these ideas would strengthen the President and weaken Congress; and my normal question to any of you, regardless of party, is why would you want to do that?

But let us move on to my second point, which could be an answer to the question of why you might want to do that.

My second point is really a question. Has the Congressional Budget Act allowed the President to run and hide? History demonstrates that it is very hard to achieve any major deficit reduction without Presidential leadership. Congress can't do it on its own when the President is sitting there and saying, "Oh, I am sorry, I am planning to veto your major budget plans for the year." Currently, President Bush is in a state of official denial about deficits, and perhaps self-denial as well.

Let me turn your attention to a table which is on page 3 of my testimony. This table is taken directly from this year's Presidential budget, but it was in an obscure document that perhaps the President didn't notice. It shows OMB's (Office of Management and Budget) long-range extrapolations of the President's own policies. And it shows that under those policies the debt held by the public would rise from its current level of about 39 percent of GDP to more than 100 percent of GDP in 2050 and around 250 percent of GDP by 2075.

Of course, this can't happen. We won't allow the United States to become basically held by creditors. What this table means is that the President's policies do not lead to an era of surpluses. If things are improving temporarily, and they are, it is a temporary improvement while we are still surrounded by a sea of large deficits.

OK, given this OMB projection, there is an obvious need for long-term change in the fundamental structure of the budget. It seems to me that both tax increases and program cuts, programs that are dear to the hearts of Democrats and maybe Republicans, and tax increases, which are unpopular everywhere, are necessary. There won't be any deficit reduction unless President Bush stops denying this reality and starts to scale back both his own spending priorities and his own tax cuts.

Given the difficulty of deficit reduction, a willingness to negotiate directly with the leaders of both parties is probably necessary. This is, I think, a fiercely bipartisan statement.

Well, how does this discussion I have just had of exploding deficits relate to the congressional budget process? In my mind, one unintended consequence of congressional budgeting is that by repositioning the budgetary spotlight away from the President and onto Congress with the creation Congressional Budget Act and annual budget resolutions, the Budget Act has allowed the President—any President, all Presidents—to get away with increasingly irresponsible budgeting.

You have just heard me criticize President Bush pretty heavily for his incomplete and disingenuous budget. But President Reagan had his "magic asterisks," unspecified cuts to be proposed at a later time. The first President Bush had his "flexible freeze" and "black box," which are two other phrases for unspecified future spending cuts. President Clinton frequently employed mechanical formulas with respect to his outyear appropriations numbers, which allowed him to deny that there was any policy content to those numbers while in effect saying, "Here are future spending cuts which will be specified later," the same thing that President Bush and Reagan had done before him. And they have gotten away with it because the budgetary spotlight has not been focused entirely on the President and the press has not spent its time examining every nuance of the President's budget or every failure of the President's budget but has immediately turned its attention to Congress; what will Congress do next?

To my mind, this ability of the President to avoid the toughest decisions has been an unfortunate side effect. I think the Budget Act should come with a warning on the bottle that says "side effects may include loss of Presidential leadership. If this condition persists for more than 4 years \* \* \*"

Well, anyhow, the diagnosis poses an obvious question: Has the improvement in congressional budgeting been great enough to justify this bad side effect? My answer on balance is very mixed. On Mondays, Wednesdays, and Fridays I say, no, history suggests that good public policy is not the necessary result of the Congressional Budget Act. So, therefore, I am not so sure that there is really an improvement in congressional budgeting to counteract the loss of Presidential leadership.

The Budget Act has given a determined majority more tools to get its way on budgetary matters. It has allowed more coherent budget plans to be concocted and enacted. The Budget Act has helped strengthen the leadership and weaken all other committees. The Budget Act has helped diminish the role of individual members as citizen legislators and diminish the role of committees as repositories of acknowledged expertise. So one result is that Congress, both the House and the Senate, are a giant step further from being the deliberative legislative bodies that they were to some extent before, and a giant step closer to being parliaments, in which their main role is to ratify decisions made by party leaders.

Among the other side effects, the Budget Act has helped foster partisanship. So to put this simply, the Budget Act makes it easier to implement budgets, whether responsible or irresponsible. It has given the leadership and this committee stronger tools, which is like giving the military bigger and smarter bombs. The real question is whether it has made any of us wiser in the use of those tools, and my answer is: Not necessarily.

OK, so as I see it, when Congress makes budgetary mistakes, as it did in 1981, 2000, and 2003, the Budget Act facilitates bigger and costlier mistakes than would otherwise be the case. So let me make a modest proposal. I noted in my first point that many budget process ideas would weaken Congress and strengthen the President. I concluded in my second point that the Budget Act has two unfortunate side effects: increased Presidential poltroonery and increased congressional partisanship, without necessarily producing better budget outcomes.

My suggestion, therefore, is to take these points to their logical conclusion and repeal Title 3 of the Budget Act, put yourself out of existence, leave CBO in place, and go back to this system that existed from 1790 to 1974, where the President was *the* player; and most particularly from 1933 to 1974, where the President's budget was the budget.

Having said that, I think it is very unlikely that this committee will decide to put itself out of existence; and, to be honest, my heart says I don't really mean what I just said. I served too long here. My heart is really with you, despite the fact that I can't convince myself that the outcomes are necessarily any better than they would be without you.

So, therefore, I am backed into my third position; and my third position has to do with the third point I made before, which is that the budget process cannot force Congress and the President to do what they are unwilling to do but can enforce budget agreements once those agreements are made.

Here again, history is a useful education. Congress enacted Gramm-Rudman-Hollings, which was a doomsday machine de-

signed to say, “Here are the disasters that will happen to you, automatic sequestration of very popular programs—veterans education, farm price supports, Medicare and so on—if you don’t enact a deficit reduction plan. It is up to you to negotiate one.”

Did this work? Did this make President Reagan come to the Democratic leadership in the House of Representatives and the Republican leadership in the Senate and negotiate major deficit reduction plans? No, it did not. What happened instead is that OMB engaged in official lying about budget projections to make it look as though they were intending to meet the targets, and, in fact, the budgetary targets under Gramm-Rudman-Hollings were missed by huge amounts, first by tens of billions of dollars a year, then by hundreds of billions per year.

Once official lying of that magnitude became so great that people couldn’t swallow it, they simply set aside Gramm-Rudman. The system didn’t work. You can’t make people raise taxes and cut spending if they don’t want to. And you can’t make them agree with people that they really disagree with on philosophical and substantive grounds if they don’t want to.

So, therefore, I would suggest that other attempts to do that, particularly attempts like the draconian entitlement cap that is in H.R. 2290 and would force approximately \$2 trillion worth of entitlement cuts over the next 10 years, 20, or 30 times the cuts in the congressional budget that was agreed to this year on in the President’s budget, that is not going to work. Actually, from my point of view, I think my conclusion that it can’t possibly work is good news because if it did work, I would hate the results.

Saying that that sort of entitlement cap can’t possibly work leads me to conclude that we are left with a prescription that says, at the very least, “Change the congressional budget process so that it does no harm.” In this regard I would go back to the PAYGO rules that were established in 1990, which say basically, stop cutting taxes, stop increasing entitlements. Don’t do that without paying for their full costs.

This suggestion has been debated enough times in recent years and it doesn’t need elaboration, but a second related suggestion to it, a sort of a smaller version of it, is to stop using the reconciliation process—which is a fast-track process. This is the only sort of legislation that cannot be filibustered in the Senate, and which, broadly speaking, is not subject to open amendment in the Senate—stop using reconciliation to make the deficit worse. Limit reconciliation to its original use from 1980 through approximately 1997, when the net effect of each reconciliation bill was to make deficits smaller rather than larger; not tax cuts and entitlement increases in reconciliation, but the opposite. And that, I think, is a change that is completely consistent with the original thinking behind the Budget Act, though not necessarily the words in the Budget Act.

I might add that I have heard that some people say that PAYGO rules or reconciliation restrictions of this sort don’t need to be applied to revenues because tax cuts pay for themselves. This isn’t true. There is a table on the back page of my testimony that compares various different business cycles since World War II on. The business cycle of the 1990s had economic growth that averaged 2

percent of GDP per person per year. The business cycle of the 1980s had economic growth that averaged 2 percent per year per person; the same, even though one was a business cycle in which there were large tax cuts at the beginning, and the other was a business cycle in which there were large tax *increases* at the beginning. Since the tax cuts or increases did not affect economic growth one way or the other over the entirety of cycle (though they will have had Keynesian short-term effects) the conclusion is that there isn't really much long-term feedback effect from revenue changes, and that, therefore, tax cuts lose revenues and tax increases gain revenues.

This can be seen more directly by looking at the growth of revenues in the 1990s and comparing it to the growth of revenues in the 1980s. Specifically income tax receipts grew at an average of 4.2 percent per year per person in the 1990s and .2 percent per year per person in the 1980s. Tax cuts lose revenues. This is the conclusion that the "starve the beast" crowd reached. After all, there is no point in cutting taxes to put the Government on a starvation diet if it doesn't succeed in starving Government. This is where Grover Norquist is completely correct. Tax cuts lose revenues. (If he were wrong, he would probably favor tax cuts anyway, though for other reasons.)

This concludes my testimony. To summarize, because my heart is with Congress and not with the President, I really don't want you to weaken yourself for the sake of strengthening him. I really don't want you to put yourself out of business or do all of those other little changes that would have the effect of hamstringing you and your ability to deal with the President. And despite the unfortunate side effects of the Congressional Budget Act—Presidential evasion and increased partisanship—I would keep the existing system. I would merely weaken its ability, your ability, to use the budget process to make the budget situation worse than it already is.

Chairman NUSSLE. Thank you.

[The prepared statement of Richard Kogan follows:]

PREPARED STATEMENT OF RICHARD KOGAN, SENIOR FELLOW, CENTER ON BUDGET  
AND POLICY PRIORITIES

Mr. Chairman, Congressman Spratt, I am very pleased to be invited home. In my testimony today, I'd like to make three points about the congressional budget process and pending proposals to alter it.

First, the congressional budget process was originally designed to make Congress an equal partner with the President. Unless you think Presidents are too weak and Congress too powerful, you should resist the many proposals that would weaken Congress and strengthen the presidency.

Second, the Congressional Budget Act has, perhaps unexpectedly, allowed Presidents to get away with budgets that are incomplete, irresponsible, or both. President Bush is especially guilty of this lack of leadership, but every recent President has designed partially phony budgets and then passed the buck to Congress.

Third, no budget process can force the President and Congress to enact deficit reduction. It is far better to design specific deficit reduction plans—specific program cuts and specific tax increases—and then use the budget process to enforce those enacted plans.

I will now briefly elaborate on these three points.

CONGRESS AND THE PRESIDENT

To begin with, the congressional budget process was designed to alter the relationship between the President and Congress. When the Congressional Budget Act was

enacted in 1974, its intent was to announce that the President's budget was not the only game in town; Congress could devise and adhere to its own budget plan. When I first arrived in Washington, the phrase "over budget" meant that Congress was considering legislation that cost more than the President had requested. The congressional budget process has changed the meaning of that phrase; now, "over budget" usually means "more costly than the congressional plan."

Given this history, it seems strange indeed, and probably inappropriate, for Members of Congress to deliberately design "reform" plans that would weaken Congress vis a vis the President. Let me list some pending proposals that would weaken Congress and strengthen the President.

- An automatic "continuing resolution," which would automatically extend the current level of appropriations into the next fiscal year if new appropriations bills were not enacted by October first. Such a proposal would make it far easier for a President to justify vetoing an appropriations bill whenever he prefers the status quo to the increases or cuts approved by Congress.

- A "joint" budget resolution, which would give the President the authority to veto the congressional budget resolution. After a veto, the President's budget would be the only benchmark left standing. This proposal would work especially badly when different parties control the two branches of government.

- An appropriations "lockbox." Under a lockbox proposal, a transient majority, through its vote on an appropriations amendment, can reduce for the entire year the amount allocated under a Congressional budget plan to the Appropriations Committee. This violates the first rule of politics: a deal is a deal. If the lockbox procedure were implemented, members of the Appropriations Committee would have far less reason to support any budget plan; budget gridlock would be more likely; again, the President's budget would be the only benchmark left standing.

- Biennial budgeting. The annual appropriations process is the one sure way that Congress can get the attention of the executive branch and push it to respond to specific Congressional concerns. Nothing awakens a cabinet secretary as rapidly and effectively as a threat to cut his staff.

- Line-item vetoes, enhanced rescissions, and restrictions on omnibus legislation. The President has the power to veto legislation if he does not agree with some aspect of it. Congress, in counterbalance, has the power to package legislation, which increases the likelihood that the President will sign legislation that contains a few policies that Congress desires but he does not. Line-item vetoes, enhanced rescissions, and restriction on omnibus legislation would each weaken the effectiveness of congressional packaging.

#### HAS THE CONGRESSIONAL BUDGET ACT ALLOWED PRESIDENTS TO RUN AND HIDE?

History demonstrates that that it is very hard to achieve any major deficit reduction without Presidential leadership. Currently, President Bush is in a state of official denial, and perhaps self-denial as well. A little-known analysis contained in the President's own budget document reveals that under his own policies, the current shrinking of the deficit will be temporary. Table 13-2, on page 209 of OMB's Analytical Perspectives, shows that unsustainable and unmanageably large deficits will reappear—deficits that will cause the burden of debt service to consume an ever-increasing share of national income. (See table on page 3.) Specifically, OMB projects that under the administration's policies, the debt will grow from its current level of 39% of GDP to more than 100% of GDP by 2050 and about 250% of GDP by 2075. Of course, this cannot happen; tax increases, spending cuts, or both will have to be enacted before we reach national bankruptcy.

And yet the figures in this OMB table present too rosy a picture, if that is possible. OMB's extrapolations are based on the President's budget, which a) completely omits the costs of Iraq, Afghanistan, and the international war on terror, b) includes no costs in any year for relief from the Alternative Minimum Tax, and c) presumes that the role of domestic appropriations in the economy can be reduced over the next 5 years to a level that has not been seen since before the New Deal. These domestic cuts are so embarrassing that OMB programmed its computers to "white out" the program-by-program funding levels—though not the grand totals—for every year after the current year.

In my view, there will not be any major deficit reduction legislation unless President Bush stops denying reality and decides to scale back both his spending priorities and his tax cuts. Given the difficulty of deficit reduction, a willingness to negotiate directly with the leaders of both parties is probably necessary.

TABLE 13-2.—LONG-RANGE MODEL RESULTS

(As a percent of GDP)

	1995	2005	2015	2025	2035	2045	2055	2065	2075
Receipts .....	18.5	16.8	18.5	19.1	19.6	20.2	20.9	21.5	22.0
Outlays:									
Discretionary .....	7.4	7.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9
Mandatory:									
Social Security .....	4.5	4.2	4.4	5.4	6.0	6.0	6.1	6.2	6.4
Medicare .....	2.1	2.4	3.3	4.6	6.0	7.0	7.9	9.1	10.4
Medicaid .....	1.2	1.5	1.9	2.1	2.3	2.6	2.8	3.0	3.3
Other .....	2.2	2.8	2.0	1.7	1.5	1.3	1.2	1.1	1.0
Subtotal, mandatory .....	10.1	10.9	11.6	13.8	15.8	16.9	18.0	19.5	21.2
Net Interest .....	3.2	1.5	1.9	2.0	3.1	4.8	6.9	9.7	13.3
Total outlays .....	20.7	20.3	19.4	21.8	24.8	27.6	30.8	35.1	40.4
Surplus or deficit (-) .....	-2.2	-3.5	-0.9	-2.7	-5.2	-7.4	-10.0	-13.6	-18.4
Debt held by the public .....	49	39	36	38	59	90	130	181	249

How does this discussion of exploding deficits relate to the congressional budget process? Well, one unexpected consequence of congressional budgeting is that, by repositioning the budgetary spotlight away from the President and onto Congress, the Budget Act has allowed Presidents to get away with increasingly irresponsible budgeting. You have just heard me criticize President Bush for his incomplete and disingenuous budget. But President Reagan had his “magic asterisk”—unspecified cuts to be proposed at a later time. The first President Bush had his “flexible freeze” and his “Black Box,” two other terms for unspecified future spending cuts. President Clinton frequently employed mechanical formulas for his outyear appropriations numbers, allowing a downward path in total while denying that there was any “policy content” to any particular outyear budget cut. In short, while the Congressional Budget Act strengthened the congressional role in budget making, it also made it easier for Presidents to avoid the toughest decisions because the press and the public have had their budgetary attention diverted to the congressional spectacle. The Budget Act should come with a warning on the bottle: “Side Effects May Include a Loss of Presidential Leadership. If this Condition Persists for More than Four Years \* \* \*”

This diagnosis poses an obvious question: has the improvement in congressional budgeting been great enough to justify the bad side effects? My answer is no. History demonstrates that good public policy is not the necessary result of the Congressional Budget Act. Broadly, the Budget Act has given a determined majority more tools to get its way on budgetary matters and has allowed more coherent budget plans to be concocted and enacted. The Budget Act has helped strengthen the leadership and weaken all committees; the Budget Act has helped diminish the role of individual members as citizen legislators and diminish the role of committees as repositories of acknowledged expertise. One result is that Congress—both the House and the Senate—are a giant step further from being deliberative legislative bodies and a giant step closer to being parliaments, whose main role is to ratify decisions made by its party leadership. Among other side effects, the Budget Act has helped foster partisanship, but without the useful British assumption that the minority is by definition loyal. To put this simply, the Budget Act makes it easier to implement budgets, whether irresponsible or responsible. When Congress makes mistakes, as it did in 1981, 2001, and 2003, the Budget Act facilitates bigger and costlier mistakes.

So let me make a modest proposal. I noted in my first point that many current budget process ideas would weaken Congress and strengthen the President. I concluded in my second point that the Budget Act has had at least two unfortunate side effects—increased Presidential poltroonery and increased Congressional partisanship—without producing better budget outcomes. My suggestion, therefore, is to take these two points to their logical conclusion: repeal Title 3 of the Congressional Budget Act—abolish the Budget Committees, budget resolutions, allocations, reconciliation, and all that, and return to the days in which the President’s budget was the budget, and Congress, in committee and on the floor, would act on the various Presidential proposals piecemeal. (I would keep CBO, which seems an unalloyed good.) This proposal would strengthen the President more effectively than the many ideas I initially discussed, while getting rid of the unfortunate side-effects of the Congressional Budget Act.

However, because I do not expect this Committee to agree to self-immolation, and because I have too much residual affection for the constructive role of this Committee can play, in the remainder of my testimony I take a different approach to the budget process reform.

“LIQUID COURAGE” VERSUS “DO NO HARM”

By 1985, the Congress had had enough of the outsized and permanent structural deficits caused by the 1981 Reagan tax cuts combined with the Reagan defense increases. In a fit of desperation, Congress enacted Gramm–Rudman–Hollings, a doomsday machine designed to produce automatic “sequestration” so unpalatable that even President Reagan would negotiate tax increases and defense cuts, while even a Democratic House would negotiate cuts in Democratic entitlement programs such as Social Security, Medicare, and Medicaid. Broadly speaking, GRH was a major failure. Serious negotiations did not occur. Instead, OMB and the Congress employed wildly unrealistic estimating assumptions and accounting gimmicks to pretend they were trying to meet the GRH targets. When the lies and gimmicks went beyond the capacity of even the most cynical to swallow, GRH was set aside.

Once Congress and President Bush (the first) agreed to scrap GRH, they also agreed on an ambitious plan of entitlement cuts, defense cuts, and tax increases. And they created a new structure to enforce that agreement, a structure of appropriations caps and a PAYGO rule applied to future tax and entitlement legislation. Two rounds of deficit reduction that were not forced by the process, but whose outcomes were enforced by caps and PAYGO, plus an unfortunate increase in income inequality, led to 8 years in a row of improved budget outcomes for the first time in US history, and 4 years in a row of balanced budgets.

The point of this history is to reinforce the conclusion that no budget process can make the President and Congress do the right thing, which is to take major and significant unpopular actions in the face of permanent structural deficits. The experience with GRH demonstrated the futility of that idea. The threat of automatic across-the-board cuts in popular programs is not enough to get antagonists to the bargaining table, because the threat can never be made credible. The more extreme the threat, the less credible it is. No matter how it is designed, the budget process cannot provide the “liquid courage” needed to make members take hard votes. Easy votes and press releases are so much more fun.

In this context, the entitlement cap included in a recent budget process proposal, HR 2290, is simply a worse and more unfair version of GRH, and is at least as likely to fail. That cap would require roughly \$2 trillion in entitlement cuts over the next 10 years. The cuts would be 20 to 30 times as great as those in the President’s recent budget or this year’s congressional budget plan, which are themselves politically troubling. This idea cannot work.

Nor should it work. Entitlement cuts of even a quarter this magnitude would significantly increase the number of Americans with no health insurance or with health insurance that covers only a small fraction of the costs of getting sick. The cuts would increase the depth of poverty for many children, elderly persons, working families, and persons with disabilities, and drive many others into poverty. It would threaten the disability benefits and pensions of veterans, the price stabilization programs for farmers, the unemployment benefits of those who are laid off, and the pension and disability benefits for all current and future Federal retirees, civilian and military alike. Yet this approach to deficit reduction is completely one-sided: neither the entitlement cap nor any other aspect of HR 2290 would do anything to scale back the very generous tax cuts I have received, none of which I needed, or the far more extravagant tax cuts the very wealthy have benefited from.

What can work is a less ambitious but fairer budget process agenda, in which the rules are changed to diminish the ability of Congress to use the budget process to increase the structural deficit. I call this the “do no harm” approach.

My first and most significant suggestion is to reinstate the two-sided PAYGO rule, which would provide a point of order against any legislation that either increases entitlement costs or decreases revenues, relative to current law, during the current and the budget year, the sum of the current year plus the next 5 years, or the sum of the current year plus the next 10 years. This idea has been debated at some length recently and so does not need further elaboration, but the idea is still fundamentally meritorious in a time in which all reputable forecasts including those by OMB, CBO, and GAO show large, permanent, structural deficits. And despite the fact that a PAYGO rule is much less ambitious than, say, an entitlement cap, even a PAYGO rule won’t hold unless both parties and both branches want it to.

I also recommend a less ambitious version of the PAYGO rule. Currently, the “Byrd Rule” prevents the Senate from using the fast-track reconciliation process to



make the deficit greater in years after the budget window covered by the reconciliation directive. However, the Byrd Rule does not have such a restriction for years covered by the reconciliation directive—in those years, the Senate can use this mechanism to make the deficit worse. I recommend changing the rule so that reconciliation can only be used to enact legislation that, in net, reduces the deficit. That was its original use from fiscal 1980 through fiscal 1999.

I might add that HR 2290 is precisely wrong with respect to the reconciliation process; that bill would amend the Byrd Rule to allow reconciliation bills that permanently increase the deficit.

I have heard it suggested that PAYGO rules or reconciliation instructions should not apply to tax cuts because tax cuts “pay for themselves.” This is utter nonsense. I recently examined average economic growth rates and average revenue growth rates over the course of the business cycles since World War II. The table below shows the results: economic growth during the 1980s, with its very low marginal income tax rates for the well off, was no better and no worse than growth during the 1990s, during which much higher marginal tax rates were imposed on the well off. And since real economic growth was the same during these two periods—an average of 2.0% per year per person—it follows that the tax cuts of the 1980s did essentially nothing to pay for themselves over the long run.

This can also be seen by looking at the average annual growth rate of revenues, and especially income tax revenues, over these periods. The tax increase of 1990 and 1993 generated substantial increases in revenues, while the tax cuts of 1981 and 2001 produced unusually low revenues. To put it most simply, tax cuts do not pay for themselves; all they do is lose revenues. The “starve-the-beast” crowd understands this perfectly well. After all, if tax cuts paid for themselves, they would in no way constitute a starvation diet. This is one fundamental way in which Grover Norquist is correct—tax cuts lose revenues. And that is why their cost must be covered within budget constraints such as PAYGO rules.

#### ECONOMIC GROWTH AND REVENUE GROWTH DURING SELECTED PERIODS

(All economic and revenue figures are expressed as average annual growth rates, adjusted for inflation and population growth, i.e., average real per-person growth rates)

Fiscal years	GDP growth	Growth of income tax receipts	Growth of payroll, excise, estate, & other tax receipts	Growth of total tax receipts	Growth of total tax receipts if capital gains are excluded
1948–1979	2.4%	1.8%	3.1%	2.3%	n.a.
1979–1990	2.0%	0.2%	2.9%	1.3%	1.3%
1990–2000	2.0%	4.2%	1.9%	3.2%	2.9%
2000–2015	2.0%	0.1%	0.8%	0.4%	0.6%

Note: revenue and economic projections through 2015 are from CBO and assume the 2001 and 2003 tax cuts will be extended and AMT relief will be enacted.

Chairman NUSSLE. I want to thank our panelists.

I am going to defer my questions until later, and I would recognize Mr. Hensarling to begin the questions.

Mr. HENSARLING. Thank you, Mr. Chairman. And in keeping with your wishes and trying to keep this at somewhat of a 30,000-foot-view, I think I would like to start out with what some may consider an obvious question, perhaps not so obvious to others, and that is what is the purpose of having a budget? I would think for most American families and for most businesses it is all about making choices about relative priorities and placing a ceiling on one’s spending.

If you accept that definition, presently we spend a lot of time in this committee debating 20 budget functions which do not correlate to our appropriations bills and are not otherwise enforceable. We all recognize that over half of our spending we characterize as mandatory and is not captured within our budgeting process. And although we have come very, very close as of recent, I am not sure the memory of man runneth to the contrary, and us actually meeting the ceiling that we have placed into our budget.

So I really have a twofold question here. No. 1, what should the purpose of the Federal budget be? And once you define that, give me one or two ideas of what we need to do to meet that definition.

Congressman, could we start with you? And it is an honor to have you back here, sir.

Mr. FRENZEL. Sure. Thank you very much, sir.

I think that the purposes and uses of a budget were set forth very well in the committee's paper on the purposes of the hearing, which include empowering Congress to control the purse, setting priorities, controlling spending, enforcing spending limits, addressing entitlements and providing a congressional agenda and work plan. I think all of those are reasons or rather functions of the budget and reasons why the Congress should have a budgeting process and should improve the ones that it has.

Every unit, from an individual to a family, to a corporation, association, cooperative, whatever, needs to know what its plans are, what its resources are, what its expected outgoes are, et cetera. And Congress should be no different from the rest of the world.

The problem, of course, is that most individuals and families don't have real budgets. They have some idea of what the concept is. And Congress, in the Budget Act, has got at least some tools that it can use to serve each of those functions.

In answer to the second question—or maybe the implied second question is, what do you do to make it better? I think you have heard a lot of suggestions today. In my judgment, the prime need has been always to control spending and to enforce whatever limitations you put on spending. And the reason for that is that the incentives in Congress are so overwhelmingly in favor of increasing the size of government and increasing programs, et cetera. I think you have to—I think one of the first things you have to do is control the spending through the device of the mechanisms that at least a number of speakers have mentioned today, including Congressman Spratt—

Mr. HENSARLING. If I could follow up on your point about controlling spending, and my apologies to the other two gentlemen, but I see that 5 minutes is traveling rather quickly here. But right now we have Medicare growing, predicted to grow in the next decade by 9 percent, Medicaid 7.8, Social Security 5½. We recently received some rather sobering projections from the Pension Benefit Guaranty Corporation about unfunded obligations there. Can we have a meaningful budget process that does not capture these long-term obligations? And shouldn't the American people be aware of the implications?

We have seen a recent GAO (Government Accountability Office) report that says, I believe, by 2035, if we don't do something to control these entitlements, that we are going to have to double taxes on our children and grandchildren just to balance the budgets. So the question is can we have a meaningful budget process reform without capturing these long-term obligations? And, Mr. Schick, I will give you a chance to answer that question in 3 seconds.

Mr. SCHICK. Congressman, I think you mentioned only one of the purposes of budgeting, which is to make choices. By the way, I disagree with my colleague Mr. Frenzel that every family should have a budget. I think that budgets and romance do not mix, and fami-

lies can be split by budgeting the way Congress is split by it. So keep families out of the budget situation.

But in addition to making choices, a fundamental purpose of budgeting in a democracy is to keep commitments, commitments to people, to voters, to citizens, to families, to people who are ill, disabled, employed, unemployed, today's workers, and tomorrow's pensioners. That is no less a function of budgeting than making choices.

It turns out that these two purposes, keeping commitments and making choices, often clash with each other, so you have got to balance the two. But imagine a Congress of the United States in which every budget was constructed on a blank piece of paper; it had complete freedom to do what it wanted. The result might be to have a great Congress and have a lousy Nation. So I think it is very important to balance new choices and past commitments.

Now, what should Congress do? I would go a little further than Mr. Kogan, and would not only bring back BEA, combine it with Gramm-Rudman-type constraints on deficits. That is, with deficit targets; but I would change Gramm-Rudman so it is tied to actual rather than to projected deficits; I would keep reconciliation; and use it principally to restrain deficits by curtailing expenditures and, when needed, boosting revenues. So that what you would end up with is a bilateral BEA, which I believe is entirely right, because a process which targets only the revenue or the spending side of the budget would be discredited very quickly; it won't have the across-the-board political support necessary to work.

The ideal then, is a budget process that treats direct spending and revenues the same way, has discretionary caps, as well as deficit targets keyed to actual deficits, and reconciliation.

Chairman NUSSLE. Mr. Spratt.

Mr. SPRATT. Thank you, Mr. Chairman. And again, to our three witnesses, thank you for some excellent and provocative testimony.

Let me focus on the whole issue of the reconciliation, because originally it was the enforcement provision and the resolution, and it when was removed, we have been searching ever since for some form of enforcement that would keep us to the budgetary outline that we had adopted earlier in the fiscal year.

Richard Kogan, or all of you, do you think that we have perverted the meaning of reconciliation, even as it exists today in a more limited form, by allowing it to be used for tax cuts that are—whose passage through the Senate is facilitated, even though they add to the deficit?

Mr. KOGAN. Mr. Spratt, on balance I do. The technician in me likes the idea that reconciliation exists as a way of implementing whatever the budget plan is, but my conclusion in looking over the last 30 years is that because the Congressional Budget Act strengthens Congress's tools to both do good and do bad, because mistakes are now doozies as opposed to smaller mistakes when they occasionally occur, it would be the better part of wisdom to limit reconciliation to what I think most people thought they were talking about in 1980 and 1981 when they were first implementing it, limit reconciliation to cutting entitlements below their current law projections and raising taxes above their current law projections, at least in net, so that, at a minimum, the reconciliation

process meets the stricture that I talked about at the beginning, which is to do no harm.

To back up a step, in the previous set of questions, one witness said that the purpose of congressional budgeting was to restrain spending. And I think that is a necessary part of any budget, but it is not the sole purpose, because, of course, that leaves totally out of the picture the question of whether we have sustainable and manageable deficits, whether the deficits are fair to future generations, whether the increase in debt is good for the United States and necessary, or whether it is bad and unnecessary, and so on.

Deficits are not the difference between spending. They are the difference between spending and revenues, and so both of these pedestals of budgeting need to be looked at, need to be taken equally seriously. Their effects are equally important, and they need to be equally constrained, and in this case, in answer to your question, equally constrained through restrictions on what can be done in the reconciliation process.

Mr. SPRATT. Professor Schick, would you agree that the reconciliation rule should be such that within the budgetary time frame, there had to be deficit reduction achieved?

Mr. SCHICK. Mr. Spratt, I would not call the use of reconciliation for tax cuts a perversion of the process, because the bare words of the Congressional Budget Act clearly allow reconciliation to be used in any direction.

Nevertheless, I strongly agree with the sentiment that you have expressed, and that is that the text of the Budget Act be revised so as to limit reconciliation to measures that reduce the deficit. And I say so for a few reasons. First, I believe fundamental tax reform such as has been enacted in this decade should not rely on the expedited process of reconciliation. Secondly, I believe that using reconciliation in this way, as Mr. Spratt has suggested, would give the House some version of the Byrd rule, a de facto Byrd rule. Members of this committee know that the Byrd rule has actually empowered the Senate vis-a-vis the House in conference on reconciliation bills. The Senate can plead weakness, its hands are tied because of the Byrd rule, and therefore the House has to recede on disagreements. So I would endorse your proposal that reconciliation be reserved for deficit reduction.

Mr. SPRATT. Mr. Frenzel.

Mr. FRENZEL. I am going to reserve on that, Congressman. I think when you have a rule, you have got to understand it is going to work in a couple of ways, sometimes not to your liking. And I need to think about that a little longer.

Mr. SPRATT. Well, let me ask you, if we reinstated the PAYGO rule, do you think it should be reinstated in its original form so that it applies to tax cuts as well as entitlement increases?

Mr. FRENZEL. I do.

Mr. SPRATT. Thank you, sir.

Now, let me ask you, Richard, Mr. Kogan, you talked about the effects of the reconciliation rule on passage of tax cuts through the Senate. Namely, it waives—it allows the time for debate to be limited and prevents the proposal from being filibustered. What about the House? Why not have a similar rule apply in the House where all tax legislation originates? Is there some problem with that?

One problem, of course, is the Rules Committee, and I would like all of your ideas as to what we can do to have rules around here that are enforceable and invulnerable to being overridden by the Rules Committee. But why not have it applicable in the House as well?

Mr. KOGAN. The House and the Senate are so fundamentally different bodies that it is not clear to me that this is a meaningful question with respect to the House. You could easily have a rule, a PAYGO rule or a rule on reconciliation, with respect to the House, but it can just as easily be waived by the rule, the special order for consideration of the reconciliation bill, which is waived by agreement by majority vote.

As you well know, when the Democrats were in the majority, the Rules Committee had two Democrats for every Republican member, plus one. And now that it is the other way around, the Republicans have two Republicans for every Democratic member plus one. And the Rules Committee is picked by the leadership at least in part for its loyalty, so that what is going to happen becomes a leadership decision.

A PAYGO rule, therefore, will only work, only be enforced in the House, if it is a rule that the leadership shook hands on. In the case of 1990, when the PAYGO rule was first designed and implemented, Mr. Foley was negotiating on behalf of House Democrats. He shook hands on that rule, and he used his position in the leadership to continue to enforce it for as long as he was in power.

But in the House the ethic really is that whatever gets 218 votes deserves to pass, and that the majority needs to govern, and that the House with its 435 Members, as opposed to the Senate's 100 Members, needs to be able to limit debate in some way. So the whole notion of the Senate having a special procedure for reconciliation doesn't really mean anything in the House, where *every* bill is considered under special procedures designed by the Rules Committee.

Unless we are going to turn the House of Representatives into the Senate—which, first of all, if you recommended it, wouldn't happen; and secondly, I don't think the House of Representatives wants to become like the Senate—unless you are going to turn the House of Representatives into the Senate, the question about whether there should or shouldn't be a PAYGO rule in the House isn't really an important question. My answer is, "Yes, of course." But the real purpose of espousing a PAYGO rule or a rule in the Budget Act that says that reconciliation directives can only be used for deficit reduction is to make the Senate, which must follow those rules or get 60 votes—to make the Senate be the implementer of that type of budget constraint.

Mr. SPRATT. One final question to the whole panel. You talked mainly about budget processes, budget tools that are on the table now, have been tried in the past, or at least are frequently discussed and recommended as improvements to our existing process, but nothing that really pushes the envelope greatly. I guess we have got enough difficulty making the state of the art work.

But we run the biggest cash budget in the world, the Federal Government, and that allows us to ignore the looming liabilities for major entitlement programs that, had they been taken seriously in

2001, might have tempered the enthusiasm for the tax cuts that were passed then. Do you think we should have some kind of annex to the budget, some kind of major mechanism that reminds Congress, brings home to us every year what the accrual liabilities are, what the present value of our major liabilities are that need to be addressed in the foreseeable future so that we take that into consideration in forming our budget?

Mr. FRENZEL. I do. If you—to look forward more than a couple of years is infinitely dangerous because estimators have great difficulty predicting what is going to happen tomorrow. Nevertheless, using a 5- or even a 10-year time frame is not adequate, and there ought to be, I think, some kind of system at least to look out into those outyears as we do for Social Security and certain other programs, at least so the Congress is aware and there is a record of what this is going to do to us.

I don't think that you want to restrict what we do today too far out because I think that is dangerous, and I am really nervous about our estimates. But I think we have to know, to look at programs over the longer term.

When your party was in the majority, you always gave us out-loaded spending programs. When my party was in the majority, we give you out-loaded tax cuts. And I guess that is part of the game, but in every case we should know what is going—to the best of our ability, what is going to happen out in those long outyears.

Mr. SPRATT. Mr. Schick. Dr. Schick.

Mr. SCHICK. Yes. The ideas you suggested have merit, present value calculations and accruing liabilities and taking a long-term perspective. But standing against these is one statistic which I think every person in this room recalls, the \$5.6 trillion surplus which was projected in January 2001.

When you build long-term projections into budget rules, you have an enormous amount of instability in budget outcomes, which are sensitive to changes in interest rates, and other assumptions. Basing budget decisions on long-term projections, which swing wildly from one year to the next may turn budgeting for rank-and-file Members of Congress into a technical exercise, and lead to manipulation of the underlying assumptions in ways that would go far beyond the manipulation which is currently practiced.

Mr. KOGAN. Mr. Spratt, you asked whether it would be helpful to include in the measurement of the budget a long-term picture, not just going out 10 years, but going out considerably beyond that, perhaps on a present-value basis. And the previous questioner also pointed to the long-term problems that we have, and I included in my testimony a chart from OMB outlining, I think, in an overly rosy way how horrible the long-term problems are. Certainly the Comptroller General has been going around to the country almost lighting his hair on fire trying to get people to focus on this problem.

My answer, therefore, is the same as Mr. Frenzel's. Yes, I think it would be useful if CBO not only did periodic, every other year, long-term graphs, but also created an annual summary present-value measure of the mismatch between revenues and expenditures. Over the long term I estimate it to be something like 5 percent of GDP, even worse than our current deficits, which are 2½

to 3 percent of GDP over the mid term, even though things will get better temporarily before they get worse again. And my estimate is by no means the most pessimistic out there.

I think having such a long-term figure estimated annually by CBO and OMB, and perhaps including that figure as an informational item in the budget resolution, will help people not get carried away by one quarter or 3 years of good news, because the looming deficits are not going to go away unless we make major changes in both the spending and tax side of the budget.

Whether one should attach budget procedures to that long-term estimate, whether one should try to control legislation based on its marginal outyear effects in the far distant future, is a much, much harder question, and I am undecided on that. I have spent actually a lot of time on that question. I was in a 2-hour meeting yesterday discussing exactly that subject. If you do have long-term procedural constraint, you must also, however, maintain the short-term procedural constraints: the rules that say that over 1 year do no harm, over 5 years do no harm on a cash basis, over 10 years do no harm, as well as over a much longer period, do no harm. You should not, under any circumstances, abandon the short-term measures and constraints and focus solely on a long-term measure.

Mr. SPRATT. Thank you very much.

Chairman NUSSLE. Let me ask unanimous consent that all members be allowed to place statements in the record today. Without objection, so ordered.

Mr. Putnam.

Mr. PUTNAM. Thank you, Mr. Chairman. And thank you for putting together this hearing.

I want to talk a little bit about the history of the act. In managing the rule on this year's budget, I had the opportunity afterwards to talk to both Mr. Young and Mr. Obey about it, and their comments were very similar to some that you made, Mr. Kogan, and essentially, in their view anyway, it worked—the whole process worked better before 1974. And in particular when there was a deficit, they were much smaller, and I think your words were, "the mistakes were small. Now they are doozies." Why is that? What fundamentally changed that caused the errors to be greater?

Mr. KOGAN. I think, as I said before, one aspect of the Budget Act is that it gave the leadership and the Congress, and, in essence, this committee, any determined majority, stronger tools. And with stronger tools you can simply make more changes. The older practice was a practice in which the President's budget may have been a coherent whole, logically designed hard choices made by the President, detailed work done by OMB. Once it reached Congress, it was divided into many pieces, and each committee acted independently. That seemed incoherent to political scientists. But I suggest that it actually had a useful conservative effect because a lot of uncoordinated committees were going off, each in their own separate way; there was less likely to be a stampede all in one direction or a stampede all in the other direction.

It is conservative in the same sense that the existence of both the House of Representatives and the Senate is a conservative approach to legislating. It makes it harder to pass legislation, any legislation. And the existence of the Senate as a nonmajoritarian

body (because they are not representing people, but rather acres) also makes it harder to enact legislation, because the House membership will, in essence, represent different interests than the Senate membership will on many occasions.

And the existence of a functioning legislature versus a President—who also wants to enact things—that may be of opposite parties, a situation that doesn't exist in a parliamentary system, also is a conservative structure. All of these conservative effects make it harder to do anything for good or for ill.

In a country like the United States, which has had basically 200 years of good luck, except for what we did to ourselves in the Civil War, it is probably useful to have an inherently conservative legislative structure that makes it hard to take lots of actions. Here we are, the richest and most prosperous country in the world. We have got something good going for ourselves. The major mistake would be to mess it up. And so that is why I think I am advocating in an inherently conservative position, which is that I am not happy that the Budget Act has given the leadership stronger tools.

Beyond that, however, I think that the Budget Act, by fostering partisanship, also raised the stakes for accomplishing something. Each party felt in Congress as though it had to say, "Here is our budget, we are going to implement it. Boy, let me show you, American public, what we can do for you." And the other party almost by definition had to say, "We disagree. We have a different philosophy." The other party, for the purposes of product differentiation, had to stress differences.

Here is where Congressman Obey, I think, was prescient. It was in 1973 and 1974 when the Budget Act was being created that he looked at the composition of the House Budget Committee, which had been designed by the Joint Study Committee on Budget Control as a permanent committee that would have 15 Members, 5 from the Ways and Means Committee, 5 from Appropriations, and 5 from all others.

Congressman Obey looked at the senior members of Appropriations and Ways and Means and saw that the Democrats were all conservative southerners, and Republicans were Republicans, and that these two committees had 10 of the 15 slots. Mr. Obey said, this is a committee that doesn't represent, A, my views, and, B, what were then the majority views in the House of Representatives, which were northern Democrats and, I might add, liberal Republicans.

He said, this committee is all wrong. He said, and he said, I think, publicly, budgeting is inherently a partisan exercise in which the two parties lay out different agendas. We need to remake the Budget Committee to reflect that reality. I am willing, he said, to go along with the Budget Act only under the following conditions. (This is amazing that a Member with 3 years of seniority at that point could command such respect, but he really did.) He said, we need to make the Budget Committee work as a partisan body, and I am going to do it in the following ways. I am going to insist that there be a leadership representative on the Budget Committee. I am going to insist that the chairman be picked not on the basis of seniority, but by each party by vote. I am going to insist that there be rotating membership. And I am going to insist that it be a larg-



er committee; the same number of Ways and Means and Appropriations members, but much larger representation from other committees. That was a way to keep, from his point of view, all of the most senior conservative Southern Democrats from dominating the committee. He got his way on all of these changes, and, therefore, from day one, the Budget Committee in the House of Representatives was a partisan committee.

Not so in the Senate. In the Senate, when the Budget Committee was set up, in the first series of budgets Senator Muskie and Senator Bellmon, the Democratic chairman and the ranking Republican, produced a joint mark which they negotiated between themselves, laid it down before the committees, got their members to vote yes, generally almost unanimously, and then got the Senate to approve these budgets by 80 votes to 20 votes.

Ultimately, though, the Obey view of the world held sway, and I think that while he is sort of a genius of a political analyst, I think the resulting partisanship has been bad for the House of Representatives and this institution.

Mr. PUTNAM. Is it a good or bad idea that we have term limits on this committee, for all three witnesses?

Mr. SCHICK. Let me go back to the previous question and join it with this one. Yes, you can make bigger mistakes when you have a comprehensive budget process that looks at priorities, aggregates, revenue spending, et cetera. In fact, Congress has made big mistakes under the process that allows it so. But I suggest that before dismantling this process, Congress should review the two causes of the Congressional Budget Act of 1974. One was mentioned by Mr. Frenzel, conflict with the President over impoundment. But there was a second cause which was equally relevant, and that was a 7-year war between the appropriations, tax, and authorizing committees in Congress. The three sets of committees fought over who was responsible for deficits, and what to do about them. Congress almost broke down over that in terms war. It couldn't deal with the deficits of those days. So the 1974 Budget Act was a treaty within Congress about how the various committees—authorizers, appropriators, revenueurs—should act on budget matters.

The second point is I believe that Mr. Kogan's history is incomplete in the following way: The main objective of Mr. Obey, and the DSG, the Democratic Study Group, which produced its own plan, was to create a weak House Budget Committee. That is what they cared about the most. They wanted a House Budget Committee that could not do very much. Look at the DSG reports of 1973 and 1974, they attacked the proposed Budget Committee as a super-committee. That was the label that they gave to it. They didn't care whether it was partisan or not partisan. They wanted a committee which was so weak that it couldn't act independently, and they succeeded from 1975 to 1980. That was the first stage I mentioned before. It was only when reconciliation was introduced that this Budget Committee had some teeth.

And since we mentioned Mr. Obey, it would be instructive to look at his attitude to reconciliation in 1982 to 1984 and how he wanted to change the congressional budget process in response to that development.

So here is the problem for you. Without reconciliation, this committee is weak; as it cannot change existing revenue or standing laws which drive budget outcomes. It can merely ratify the status quo. Reconciliation is an imperfect process. It does allow you to make big mistakes, particularly, and this is important, when the President drives you in that direction.

We are talking today about the role of Congress, but we should not leave aside the role of the President. All of us on this panel have agreed that the budget process has empowered the President. What we are in effect saying is the President's own preferences have greater prospect of being enacted because of the machinery of congressional budgeting. If you consider reinstating PAYGO or other rules, don't simply ask what it does to Congress; ask whether it sufficiently disciplines and constrains the President so that he can behave in a responsible manner.

To my mind, President Clinton would have been less bold in moving Congress toward deficit elimination and also less inventive in fudging some of the numbers, as Richard pointed out before, without the BEA rules. BEA didn't simply change the way Congress behaved, it also changed the way the President behaved. Given the President's power vis-a-vis the congressional budget process, his role has to be part of the equation.

Mr. FRENZEL. May I be heard for a moment, Mr. Chairman, on that as well?

Chairman NUSSLE. Yes.

Mr. FRENZEL. In 1972, that study committee was made up of all appropriators of the House and the Senate. And naturally, they had—I am sorry, and the taxers as well. That is correct. And it is true that the DSG led the charge to weaken what was then the Budget Committee.

The question, however, is do you make the House committee permanent, or leave it the way it is? My first choice is to make all the other committees like the budget. And my second choice, since you aren't going to achieve that, is to make the House Budget Committee permanent.

I have watched an unending chain of chairmen and ranking members go into conference and complain that because of the organization in their House, they were inadequately armed to do business with the Senate. I think it would be much better to permanentize the Budget Committee.

Mr. PUTNAM. Just a yes or no so that I am not getting in trouble with my Chairman.

Mr. KOGAN. I hate to give a yes or no because I have two hands. But on balance—

Mr. PUTNAM. You took up my other 4½ minutes. I really just need a yes or no.

Mr. KOGAN. I apologize for stealing time. On balance I come down where Mr. Frenzel does, because I think the advantages of expertise, and also the greater likelihood that there will be some give and take between the parties when you have a permanent committee as opposed to a rotating membership, outweigh the advantages of rotation, where the leadership can make sure that the committee doesn't stray from accurately representing each caucus.

Mr. SCHICK. I come down in favor of Mr. Frenzel's second choice, which is to strengthen the Budget Committee by making it permanent. I think the first choice would weaken everybody, and I don't see any gain there.

Chairman NUSSLE. I for one, think we ought to spread the love and joy around a little bit more. So, I think not making it permanent would be my choice, just so we could spread the love and joy. Don't you think?

Mr. Moore.

Mr. MOORE. Thank you, Mr. Chairman. Thank the gentlemen for being here this morning.

We have, as you know, a national debt approaching \$7.8 trillion. We have had deficits for the past 3 or 4 years of about \$400 billion range, and—both figures are going the wrong way. They are getting worse instead of better. Interest on our national debt is substantial. I think it ranks, in terms of categories of expenditures in our Federal budget, after defense and Health and Human Services. PAYGO rules expired in 2002, and yet when we tried to reimplement PAYGO rules, the majority party says yes for spending increases, but no for tax cuts.

And I have been here since 1999, and I hear it is more fun to be in the majority because maybe we could get something to happen then to try to restore fiscal responsibility, because the other party talks fiscal responsibility, and we are doing exactly the wrong thing, from my perspective. We talk about values a lot here in Washington and Congress, and yet it seems to me that the highest Federal cost right now is tax cuts, more than providing adequately for our veterans or for education that we said we value so much, and yet we shortchange No Child Left Behind about \$9 billion the first year.

My question to you is, and I think I have heard the answer from each of you, but I want to confirm this, do each of you believe that PAYGO rules, if they are reimplemented or reinstated, should be on a two-sided basis and not just for new spending?

Mr. FRENZEL. I do.

Mr. SCHICK. I certainly do.

Mr. KOGAN. Yes, I certainly do.

Mr. MOORE. Would you please all talk to your friends in the majority party and tell them that? And I am not trying to be facetious here, but it is very, very frustrating when I—I think these are good people. Ninety percent of the people in Congress are really good people on both sides of the aisle. And yet I think we have just somehow got to come to terms here with the fact that we are putting our country in a very precarious position, and we are passing on these tax cuts that we are taking, we are passing on this huge, huge debt to our kids and grandkids, which I think is immoral. We should not be doing that. To me, fiscal responsibility is a family value and should be a national value as well, and we are just doing the wrong thing here.

Any thoughts about what we can do to try to reimplement this rule?

Mr. FRENZEL. I have great sympathy for you. And if there is anybody on the committee I identify with, it is Mr. Spratt, because I sat in that seat for a long time and was abused by an aggressive

majority which did what it needed to do, and I was ground under the heel, as you are now experiencing.

All I can say is it is the job of the Minority to be the conscience, to make the points that you are making, but if you expect to—that somebody's going to listen to you, I have got to inform you, the chaplain has gone ashore.

Mr. SCHICK. For two reasons I believe that it should be a two-sided PAYGO rule. One is a budget rule doesn't have sufficient legitimacy if it favors one party's position over the other party's. A budget rule has to be neutral on its face, embraced by both parties, and I would say that, sir, even if there were no large budget deficit or looming unsustainability in the future.

The second reason is that I believe the hardest but most important thing, for a majority party to do when it changes the rule is to consider how would something work out if it is no longer the majority party at some time in the future. The Democrats, when they controlled the House, invented the modern Rules Committee. They did not envision that it would ever be used against them. They didn't envision becoming the Minority party. Well, we know how things have played out. And the same thing pertains to budget rules. The majority party should consider not what is simply in its current interest because it is the majority party, but what is in its interest in fair and foul weather as well.

Mr. KOGAN. Yes. For all of the reasons that the previous speakers have said, PAYGO rules should be two-sided. In fact, if you made it one-sided, that would not be half a loaf, but rather it actually, in my view, would decrease the likelihood of enactment of major deficit reduction. And the reason is that a one-sided PAYGO rule, which is really an entitlement cap at current law, means that one faction of the House of Representatives would have already received the budget rule that they want, an entitlement cap at current law. They would have no reason to negotiate any further.

To get real deficit reduction and agreement for unpleasant tax increases and unpleasant program cuts, you need to give both sides of any negotiation something else that they want. You need to give the conservative side an effective entitlement cap in the form of a PAYGO rule, and you need to give the other side an effective rule against tax cuts that would drain the Treasury. If you already have given away part of it, then you are no longer going to have a successful negotiation for deficit reduction.

Mr. MOORE. Thank you.

Chairman NUSSLE. Mr. Crenshaw.

Mr. CRENSHAW. Thank you, Mr. Chairman, and thank you all.

Let me go back to the process part and ask, Mr. Schick, you mentioned something that was kind of interesting. You know, we think of the budget process as making choices, and I think your point was that it is also keeping commitments, and those two are kind of in conflict. And yet it seems like maybe one of the things, and this is in the form of a question—is there something in the budget process that kind of forces us to lean more toward keeping commitments? In other words, one of the problems government has is once you fund the program, it takes a life of its own. It goes on forever, and it seems like we never really address that as much as we—we cut it a little bit, or we increase it a little bit. We don't really

say, do we really challenge why we made this commitment in the first place?

And so I guess that is the question. No. 1, is there anything in the process that kind of perpetuates that? But more importantly, is there anything that you all can think of that we could put in the process that would make it easier or more often we would actually challenge existing programs? I guess one way obviously is just—there is only so much money, so then the appropriators have to go figure out how to do it. But is there something, some process, we could put in place in terms of budget that would help the budgeteers look at programs, and, as you say, is it a commitment we ought to keep on keeping? Because there are probably some that we should, some that we shouldn't, and that in part is like making a choice.

But can you all comment on that just from a process standpoint that would really—whether it is mandatory or discretionary, I mean, and probably more, and that is another question, maybe, the mandatory part. But right now just from a discretionary standpoint, are their process—do you sunset programs, or do you—I mean, what are some things we might consider?

Mr. SCHICK. Well, in my view, the process is overly biased in favor of keeping commitments rather than making choices. It is a clash between these two that creates good budgets. It is much easier to keep commitments, obviously, than to make new choices. But I do believe that there are certain features of the current budget practices that strengthen the bias in favor of keeping commitments and make it harder to take initiatives that alter the path of spending.

What I am about to say is going to make no friends at the Congressional Budget Office. The way baselines are now used, puts commitments in concrete and makes it harder to change them.

In contemporary budgeting, the computer that runs the baseline gets the credit for spending increases, and Congress gets the blame for spending cuts. That is basically the way the baseline operates today. Imagine a world of budgeting in which we didn't have baselines, and the question would be, how much should we increase Medicaid? The example I gave earlier, over the next 5 years, should we increase it by \$20 billion or \$40 billion or \$100 billion? Congress would be making choices. I hope it would also be keeping commitments, but the baseline, the way it is engineered today makes it exceedingly difficult for Congress to pay the political price for reopening some commitments, even at the margins.

In this regard, I believe PAYGO itself was deficient because PAYGO actually strengthened existing commitments. PAYGO was triggered only with respect to new direct spending, not spending under existing law. I believe that if we look at the BEA process during the 1990s, the period that PAYGO was in effect, we will not find significant inroads made to existing commitments.

Mr. KOGAN. This is probably the one area on which Mr. Schick and I disagree most regularly. I have been disagreeing with him on this issue for a few decades and will probably continue to do so as long as both of us are kicking. Let us look at it first from a CBO perspective and institutional perspective.

To my mind, the fundamental budgetary question, not the public policy question, that you, a Member, ask when someone proposes some complicated change to Medicare is whether a yes vote would be more expensive or less expensive than a no vote. You really have to know the sign attached to your vote, and that is by definition a question of existing law. The no vote maintains existing law. The yes vote changes law. Does that yes vote make Medicare more expensive than it would otherwise be or less expensive than it would otherwise be? That is the only possible budgetary question that I think you can ask and CBO can answer; well, they can quantify it.

But if you take Mr. Schick's view in which—as I interpret it—the baseline is not a reflection of current law, but a reflection of something else, then saying whether a bill will be above or below baseline doesn't tell you whether your yes vote will increase spending above what it would otherwise be or decrease spending below what it would otherwise be.

Likewise, with revenue, a complicated change in the tax law, does it lose revenues, or does it gain revenues? You need an estimate. And even if it is unstated, the question has to be relative to existing law. And for that reason I think CBO is doing the only thing it can possibly do, which is to tell you, when it makes cost estimates, whether these bills will make the laws more expensive or less expensive than they would otherwise be, because that is what we do in Congress, we vote yes or we vote no. I mean, that is the simplest way to define a Member of Congress, as a voting machine. And that is, therefore, the fundamental budgetary question that needs to be answered.

Would sunsets help? On balance I am against sunsets. Most, a variety of major laws, and particularly the ones that are most expensive and most problematic in the long term, are ones that should logically be long-term commitments. It should logically be that retirement and pension programs, in which you pay in your entire life in the form of payroll taxes or other taxes, and expect some sort of insurance and pension and health coverage later, should be a commitment. We shouldn't say that we are going to have you pay in for a decade or two decades, but besides that there is zero promise that the program will exist in any form whatsoever when you retire. It wouldn't be logical.

And for the rest of the budget, it really doesn't matter. Our entire budgetary problem over the course of the coming decades is that Social Security, Medicare, and Medicaid will grow faster than the revenue base. All other programs in Congress taken together will grow slower than the revenue base. There is no long-term problem even with the existing current level of deficits were it not for Medicare and Medicaid, and to a much lesser extent Social Security, and yet those programs, by their design, should have benefit formulas and should be permanent. So the real question is, do we examine these three programs adequately?

Well, I think Mr. Schick answered that question. Medicare is the most legislated program that exists. We look at it all the time. The President, to his credit, is saying let us look at Social Security, you know, at least partly as often as we look at Medicare, though I don't like any of his proposals for Social Security, but at least look-

ing at it is the right thing to do. And this Congress, to its credit, is saying we should look at Medicaid. I think Medicaid is underfunded. But on the other hand, given its cost trajectory, unless you would do what I would do, which is raise taxes on myself to pay for Medicaid, which I would happily do, then you have to start looking at Medicaid cost growth and figuring out a way to deal with it. This is why I think that sunsets is not a plausible answer, but rather real budgeting is the answer.

Mr. FRENZEL. Mr. Congressman, I think when you question baselines, you raise one of the most important questions in budgeting. I said in my earlier remarks that baselines actually freeze in the past. They restrict the ability of Congress to set priorities because Congress is tied to the priorities of the past. Yes, you give COLA (cost-of-living adjustment), demographic gain, the whole business, all wrapped up in this. Net result is there is no room for new worthy projects, or there isn't enough room for those projects.

The baseline theory was promoted very heavily when the act was begun by liberals who believe they needed to keep—using Mr. Kogan's argument that we had good programs that needed to be maintained, and we couldn't, we couldn't let the Budget Act pull the plug on any of them.

The result is, we have all become slaves to the baseline. I think it ought to be amended, ought to be changed by act of Congress, and do what you want with it. Give it a 10 percent haircut every year. Start there.

The smartest guy about budgeting that ever came to Washington was Jimmy Carter who said we ought to have zero-based budgeting, start at nothing every year and see if you can justify those programs. They laughed him out of town 4 years later.

With respect to the concept of baseline, in 19—I think 67—my historians here will check me on this—I think President Johnson appointed a thing called a Budget Concepts Commission; and that is the last time we have ever had anybody, any commission or really public group, try to talk about budget concepts.

I think baselines are a great example of what a Budget Concepts Commission could do to restore some order to budgeting, and I will pass this on to you that this committee ought to inaugurate legislation to create a commission. Because, if it doesn't, some President will come along and do it some time, and then you won't have any membership on the commission. So I hope that we will take some action in this regard.

With your question about sunsets, I would sunset everything. And, obviously, that is an overstatement. There are a few things that shouldn't be sunsetted. But we have no way of looking at mandatory spending unless there is a crisis.

In 1982-1983, we ran out of money for Social Security; and we made some necessary changes. Liberals and conservatives got together, made a deal; and we did it. Obviously, it only lasted 25 years or so, and we are in trouble again, but 25 years isn't bad.

Somebody said that Medicare is the most worked-on program in Congress. Probably it is. But I can remember 10 years working on Medicare and reconciliation, and the changes that were made were infinitesimal, marginalia, and had no effect on the program what-

soever other than in the immediate year saved a couple billion dollars.

We really need a way to get to look at these programs. Right now, it is a catastrophe that will do it to us. Maybe it would not be a bad idea to sunset.

Chairman NUSSLE. We actually tried a concepts commission as an amendment a few years ago. We weren't able to—so we may be able to try that again. At least a worthwhile consideration, at least I thought it was.

Mr. FRENZEL. I think it is a good way for Congress to defend itself against the appointment of a commission by the President where you might not be participating.

Chairman NUSSLE. Mr. Edwards.

Mr. EDWARDS. Thank you, Mr. Chairman.

I have always respected former President Bush. Because in 1990 he realized that the future, the economy of this country and the legacy we left for our grandchildren was more important than a campaign promise he made of "read my lips, no new taxes," and I think that bipartisan summit that he brought together in 1990 laid the first layer of foundation for eventually having balanced budgets later in that decade.

Let me make a couple of observations why I think we are at that place again where we absolutely must have bipartisan cooperation, including the President's leadership, in solving the budget deficit. Then I would like to ask each of you whether you think the circumstances are such that we ought to do once again what President Bush and Democrats and Republicans in Congress did in 1990 with a bipartisan deficit budget summit.

My first observation is this: We are at an impasse. We have the largest deficits, nominal deficits in American history, over a billion dollars a day; and if you look at the budget projections, they go on out as far as the eye can see. I am convinced it is so serious, if we don't do something fairly soon, we are going to harm our short-term economy and our grandchildren's future.

The second observation: Why are we at this impasse? I think there are several reasons: health care costs, the war in Iraq, September 11. No doubt about it. The bottom line is, on one hand, Republicans simply don't have the political will or ability in Congress to cut spending enough to pay for their tax cuts. They could cut spending enough today to balance the budget this year without a single Democratic vote in the House, but the reality is they can't get the votes to do that, and probably for good reason. The American people wouldn't accept those values and those kind of draconian cuts.

Secondly, I think Republicans are afraid if they don't extend the temporary tax cuts Democrats will find a way to spend all that extra money.

The second reason we are in an impasse is that Democrats that might be willing, such as Mr. Spratt and myself, be willing to accept some entitlement limits and tough spending cuts won't do it as long as there is no guarantee that those tough spending cuts on the elderly and working low-income families and children's health care, those cuts aren't made at their expense simply to fund a



\$220,000-a-year tax cut for somebody that makes \$1 million this year on dividend income.

So we are at an impasse. They are in a position, for the reasons I mentioned, not to give; and they can't unilaterally solve the deficit problem. The political consequence would be too draconian. Democrats aren't willing to make sacrifices because we aren't sure that those spending sacrifices wouldn't just fund more tax cuts for the wealthiest.

So where are we? I think, if we are serious, we ought to agree—and I would sign a letter today, the chairman of this committee or any other Republican member of this committee, saying I would support a bipartisan budget summit, including the President, Democrats, and Republicans in the House and Senate, designed after the 1990 summit. If anyone has a better idea, if my Republican colleagues have a better idea, I would say to you that you don't need a single Democratic vote to solve the deficit problem. But I think we are in this problem now together. I won't focus on how we got there, but we are in it together. I think neither party can afford the consequences of trying to solve it singularly within their own party.

Let me, having made those observations, ask you your thoughts. And, Mr. Frenzel, you may have been very intimately involved in that budget summit. Is it time for us to try to replicate the budget summit of 1990 on a bipartisan basis, including the President, to solve this problem?

I will make one prediction. If we don't do this, we will be having the same discussions 5 years from now, and the deficit will still be over \$1 billion a day, and our grandchildren will have paid a terrible price.

Mr. FRENZEL. Thank you, Congressman. That is a good question. I was indeed present at Andrews Air Force Base. That was one of the reasons I left Congress, was that unpleasant experience.

I think any kind of bipartisan work is always something that I would endorse; and any calls for bipartisan compromise discussion, even a fist fight, are good if we do them together. However, the conditions are not the same as they were then. In that time, there was a Republican President; and there were Democrat majorities in both House and Senate.

If you had a summit today, you would have a Republican President dancing with his friends, the Republican majorities in both House and Senate, and you would endure what I endured at Andrews Air Force Base as the outside oppressed minority, and the decisions would be made around you and through you and over you. So, you know, the—

Mr. EDWARDS. What are the alternatives?

Mr. FRENZEL. Negotiations at Andrews were between the President's people and the Democrat managers in the Congress. Mr. Kogan mentioned Tom Foley as being one of them.

I remember particularly them negotiating the caps between then OMB Director Darmon and Senator Byrd, and that was really an interesting confrontation. Darmon got his caps, but Byrd sure got some high numbers in there before he surrendered. So it is different. I think if you called a meeting now, all you are doing is

meeting three Republican power centers; and it is probably not going to do what I think you would like to do.

Mr. EDWARDS. So the Republicans meeting on a bipartisan budget summit couldn't agree to find a solution to the problem, which is exactly my point. But I appreciate your observations. I recognize it is a different situation.

Mr. SCHICK. Since we talked earlier about keeping commitments—and commitments should be changed in order that the budget be on a sustainable course in Congress and the President be able to make choices. But every time you want to make a significant change in commitments, you need the fingerprints of both parties on it. Otherwise, you will not succeed. This is a lesson that the 2005 Social Security episode will remind us of, and is not the first time in American history that this has occurred. That is why the budget summit of 1990 worked. Each side gave something; each side got something.

At some time in the future we will pay serious attention to deficit reduction but only if we do it in a bipartisan mode. I would not preclude bipartisanship even if the majority party controls both branches of government. I think it can have an open-door policy, an open-mind policy. The bilateralism which we talked about, PAYGO rules, would be a good first step to reassure the Democrats that they have something to gain through negotiation, not simply being in opposition.

The other point I want to make is that changes can be made in the budget process to sensitize us to whether we are on a sustainable fiscal course. In my view, the current fiscal course is not sustainable.

There are a number of countries where the government actually produces—either annually, in the case of Britain; every 5 years, in the case of Australia, a fiscal sustainability report. The European Commission produces a fiscal sustainability report on every member country every year looking 30 to 50 years downstream.

Such a report should be modeled after the trustee's report on Medicare, Medicaid, and Social Security. It should be bipartisan. It would command public attention: Are we on a sustainable fiscal course? So the report won't tell us what to do about it, but it would call attention to the issue.

Mr. KOGAN. At the risk of being flip, I think that the problem is Hollywood and TV cameras in the House and the Senate. I am glad you understand where I am going with this.

Mr. EDWARDS. Sound bites.

Mr. KOGAN. Yes. And not just sound bites. Hollywood in the form of entertainment defines struggle between good and evil, the Jedi and the dark side of the force, and so on, as something that is really fun to watch on TV or watch in a movie theater. And I think that this tendency reinforces in the American public the tendency to view political discussion as our side against their side as though it were the Red Sox against the Yankees, for example, as though the Yankees really were the evil empire.

None of that is, of course, true. Compromise is a virtue for its own sake. It is a virtue not merely because you can get something accomplished that way, because you can get some deficit reduction accomplished that way and deficit reduction is needed, but com-

promise is a virtue because it reminds us that we are all Americans and that differences of viewpoint are just differences of viewpoint and are not fights between good and evil, or the righteous and the nonrighteous, or people of faith and people of lack of faith, or whatever. I think Hollywood is leading us in the wrong direction because it is training the American people to want a good fight and one side to vanquish the other.

On top of this, this leads to the natural political theory, which this President, despite his words, strongly believes. Which is that you should try to make the smallest possible winning coalition because then the spoils can be divided most narrowly among your friends and you don't have to spread some of the spoils among your opponents.

I wish it were otherwise. I think, ultimately, it is up to the American public to stop this. It is the American public which nominates and then elects the most rabid partisans. Notwithstanding the way I was characterized, I only feel that way when I am getting kicked in the shins. The rest of the time I feel that I really would like to sit down with my counterparts on the Republican side, close the doors, turn off the TV cameras, work out a deal, and then try to sell it.

Closing the doors and working out a deal and turning off the TV cameras is right. This is where Woodrow Wilson was partly wrong when he talked about open treaties openly arrived at. Yes, you have to know—you shouldn't have a secret treaty that is never known until you are at war. But, short of that, the process of sausage making really should take place within the sausage factory and not out in the open as a form of blood sport.

Mr. EDWARDS. Chairman, thank you.

If I could just say to you and take 30 seconds, since I have gone over time, but it seems to me that one common thread in all their comments is that there is an agreement that it is going to require ultimately, because of the size of the deficit, bipartisan solutions. And then the question would be raised: If I were the Republican President and Republican House and Republican Senate leaders, why would I want to require Democrats? My answer to that is: It would require Democratic input to give some credibility to some of the spending cuts so that you are not crucified for making spending cuts as you were last year when you offered a 1 percent cut and entitlement programs.

Part of the question is, would Democrats be willing to come to the table? I can't answer that. But I wish somebody in the leadership in either party or both parties would try to make that effort to bring us together.

Thank you, Mr. Chairman.

Chairman NUSSLE. Mr. Cooper, do you have questions for this panel?

Mr. COOPER. Yes, Mr. Chairman, with your indulgence. Thank you.

Chairman NUSSLE. Mr. Cooper.

Mr. COOPER. When I look at 435 House Members, 100 Senators, I see a daunting prospect for fiscal discipline. Traditionally, the President has exercised a veto to curb congressional misbehavior. As you well know, this President has never used the veto, the first

president since James Garfield in 1881 never to have used the veto; and poor Garfield was only in office for 6 months. We are in the fifth year of the Bush presidency. So that sends a pretty powerful message to our colleagues here.

There is another Presidential power that I want to focus on. That is the rescission power. As I understand it, under the Impoundment Control Act of 1974, Presidents have had an ability to single out congressional spending within an appropriations bill to send a message to Congress and, within 45 days, get a vote, a simple up or down vote, simple majority vote—in other words, it is filibuster proof in the Senate—on the targeted spending item. President Clinton used this power 163 times and in a divided government won 111 times. President Bush, to my knowledge, has never used this power.

So if you take no vetoes and no rescissions, that sends a pretty powerful message to our colleagues here that the usual executive branch disciplinary techniques are not likely to be used.

Now, to give President Bush credit, he has threatened a couple vetoes. One is over about \$10 billion in a highway bill. Another is if we were to repeal the single greatest act of fiscal irresponsibility in this age, the Medicare drug bill, \$8.1 trillion of unfunded entitlement spending supported by this President. And that is why the Cato Institute, among others, has entitled a recent report, “The Grand Old Spending Party—How the Republicans Became the Big Spenders.” And this is true even if you discount defense spending.

So my primary focus is this rescission power. Why hasn’t President Bush used it? Would it be a useful tool? Most Presidents like to use all the tools in their arsenal. Here the President has willingly foregone at least two of the major tools that he has. And, you know, to me, an external restraint is going to be helpful for this Congress if we are going to make any budget process work.

Would any of the panelists care to comment?

Mr. KOGAN. Mr. Cooper, let me start by talking specifically about rescissions. What you described is known as the enhanced rescission process, but it is not in law. Under the Impoundment Control Act as it now exists, the President isn’t guaranteed a vote. He can send a rescission message to Congress, he can withhold the funds for 45 calendar days of continuous session, which tends to run about 60 to 90 days, but, after that, if Congress does nothing, then he has to release the fund. OK? And so Congress wins by doing nothing, which is one of the things that Congress is exceptionally talented in doing. And, therefore, that could be one reason that President Bush hasn’t felt that it would be a particularly useful way to go.

Mr. COOPER. Are you implying that he is afraid of Congress?

Mr. KOGAN. I’m implying that he wouldn’t be successful, in which case he would be annoying people without achieving a budgetary goal.

Mr. COOPER. If the President were to single out spending items—for example, Senator Grassley’s \$50 million indoor rain forest in the great State of Iowa, that he would not be able to prevail on that vote and get a simple majority of Republicans in both Houses, and perhaps a lot of Democrats would join in.

Mr. KOGAN. I have two questions. One is, why would the Appropriations Committee in the Senate bring that bill to the floor when the members of the Appropriations Committee have to deal with Senator Grassley, the chairman of the Senate Finance Committee, on all sorts of important issues? Why would they go out of their way to antagonize the chairman of the Senate Finance Committee over \$50 million, which is not even a rounding error with regard to the President's budget?

The second is, however, that right now the majorities in the House and the Senate are small. You can't really afford to antagonize any of your potential allies, and I think that that possibly may be going through the President's mind.

If he had bigger majorities in the House and the Senate, then he could probably much more easily pick out projects here and projects there and programs here and programs there—it is not just projects that are subject to rescission—and get away with a temporary, even 1-year annoyance of a Member here and a Member there and even a key Member somewhere else. But with small majorities, you have to do everything you can to keep them together if you want to govern on a purely partisan basis, which this President does; and therefore he has to swallow stuff that he otherwise would not be interested in swallowing.

Mr. SCHICK. The only time in the last 30 years that rescission was effective was in the first year of the Reagan Presidency. Throughout the entire history of congressional budgeting, for every dollar rescinded by Congress pursuant to Presidential proposal, Congress has rescinded \$3 or \$4 on its own. The evidence is that the current rescission power does not arm the President with very much, but I do think that the veto power is extraordinarily effective both when it is used and when it is threatened. And if we look at the SAPs, the Statements of Administration Policy, where the President sets out his position on pending appropriations bills we find that the level of veto threats from the current President is far lower than those from his predecessors; and I believe Congress reads between the lines of these Statements of Administration Policy and concludes, it has nothing to fear, and has license to spend what it wants.

Having said this, I believe the President should have a more active, vigorous veto posture. But, keep in mind what Mr. Kogan said earlier, that over the next 30 or so years the entire risk to the budget is concentrated in three programs, and those programs are not subject either to rescission or to a veto. Those are not effective tools for dealing with them. To put the budget on a sustainable course, Congress will need additional tools.

Mr. FRENZEL. I think you have got some wonderful answers from these panelists. I have always thought the rescission power was a joke and it didn't give the Congress anything, it left all the power with Congress. And I am astounded to hear you say that President Clinton used it all those times. He certainly did it quietly, because I don't recall any enormous savings flowing from the—

Mr. COOPER. There were several billion dollars saved.

Mr. FRENZEL. Well, a billion here and a billion there is important, I think.

But I also agree with Allen on the subject of the veto. Presidents—it is a very powerful weapon. A President should use it occasionally, and I think fiscal sobriety is a great cause for using the veto. I wish he would use it much more frequently.

I think one of the restrictions is that Presidents and their people never like to lose. They hate to be seen making a big case and then get overridden, and there is probably some natural reluctance, has been at least in some of the White Houses I have been familiar with. But I think a President has got to lead, and I certainly hope the President doesn't get through his term in Garfield-like style.

Mr. COOPER. With the Chairman's indulgence, this is the President who said he had a lot of political capital and he was ready to spend it. Are you telling me that, unlike with President Reagan who showed real leadership on rescission and other Presidential powers, that this President hasn't been able to find one misguided congressional spending project in 5 years that he could perhaps muster a simple majority to uphold his rescission of? Surely there is something that they could have found to send a message to Congress that they will not tolerate much foolishness. But no such message has been sent.

Mr. FRENZEL. I don't deny that it is possible that he could have found something, but I also wonder about the comparison to President Reagan. I can only remember one veto of his, which was promptly overridden. It was a highway bill which this President is not threatening to veto. And, you know, veto is a powerful weapon. It doesn't always work, though. And I wish he would do it. I wish he would use rescissions. I think the rescission is a cream puff of a weapon, and I would rather have him concentrate on this.

Mr. COOPER. I thank the Chair.

Chairman NUSSLE. I have rarely had to try and defend a rain forest in Iowa, particularly one that wasn't in my district, but I am sure there were probably billions of dollars that went to the Tennessee Valley Authority (TVA) that could have been the subject of revisions, rescissions, vetoes or all sorts of things. So I think there is probably enough largesse that goes around to all States, I would just remind the gentleman.

This has been a great hearing, and I really appreciate the spirit in which you have approached this. You have given I think some very objective testimony to the members who were here today and were interested in listening. One of the reasons why I didn't want to ask questions to start with, is that I wanted to have a chance to listen to all the give and take, and I thought it was fascinating.

I have four categories of the advice you have given us today. One is, the rules should be fair, that is kind of what you have said. I realize that may sound overly simplistic, but I think it is fair to say that.

In other words, the rules should fashion an objective decision at the end of the day, not a subjective or partisan outcome. I think all of you have said that, even though each in your own right and in fairness are partisans and should be—I am—we all are. I appreciate the way you are giving us the advice, particularly in the PAYGO discussion. We peeled the onion back beyond the should it be extended or should it not be extended to the nuances of, if we are going to extend it, let us talk about maybe some of the tangen-

tial issues that could arise as a result. For instance, coming to a surplus back in 1990 which was not contemplated, it wasn't even close to contemplated. Which in part precipitated the fact that we allowed PAYGO to lapse because the rules to some extent were not as relevant during the time of surplus as they were during the times of deficit. You could argue that they are, but maybe in a little bit different context.

The bottom line is you have given us some good advice that the rules should be objective and not predetermine an outcome, predetermine a tax cut outcome, predetermine a spending increase outcome, predetermine a particular partisan substantive outcome, and I think that is good.

The second is that we ought to have good information. Good information, whether it was your baseline, whether it is what CBO provides you on a bill-by-bill basis or as we look long term. You have given us some great ideas in that regard.

In particular, I have been frustrated with the—and Professor Schick, you in particular gave some great testimony regarding this issue, as did Bill Frenzel, from a practical standpoint of how just because of a score keeping outcome we fashion a policy decision. Or, in order to achieve an arbitrary financial outcome, we make what would otherwise be maybe a nonsensical policy decision in the final throes of a negotiation of a conference. Let us make it fit; and the way to make it fit is to phase it in, apply it here, apply it there. But, as a result you make, in some instances, huge mistakes in the final determination of policy as a result of the making-it-fit quotient.

The third one that I really liked is the issue and I will give you equal time if I am misinterpreting any of these—regardless of the rules or regardless of the final substantive outcome of the budget process, enforce it is kind of what I heard you say. And this should be a role that we do not shrink from.

The final one is how do you make better choices, and that I think is the toughest part. I think that is really what this comes down to. And all of our machinations of trying to come up with rules or good information, enforcement or whatever, it still does come down to throwing everything out, is the Constitution. That is 435 people in the House, 100 in the Senate, and the President are trying to make choices, pluses and minuses here and there, and policy determinations, because the rules other than the Constitution can all be waived, can all be broken, can all be changed, can all be fashioned in a way to achieve something that one particular party or partisan objective wants to achieve.

That is the tough part. There is almost no proposal that I have come up with or that I have seen that really gets around that final category, and that is how do we make better choices? I have heard of a lot of reasons why we failed as a Federal Government or as a Congress. I have heard everything from C-SPAN, that I actually, before the discussion came up, wrote down. I love C-SPAN. If they are carrying us, I am not making any disparaging remarks because they may change my name under the title or something like that. It is a great and fantastic camera on the process. But, as you said, it has definitely changed the outcome because we are on cameras.

The other ones I have heard are air conditioning and air travel. As soon as air conditioning was created, the fiscal year was expanded, and we were here longer into the summer. And the other one is air travel because it allowed us to go home as opposed to staying out here and having the conversations and the discourse.

So now I add to that the Richard Kogan—and that is the budget process has now made it more difficult for us. I haven't heard that one before, but I am going to add that to my arsenal of reasons why we are melting down.

But I am not sure I agree on the partisanship. I don't know, this is something I have got to think about. I have been thinking about it the entire time: Does the budget actually make it harder for us to come together or not? And I guess I am leaning in favor of your comments that it actually does.

I think—Mr. Edwards is no longer here. Otherwise, I would say this to him, I think if he and I were locked in a room, 90 percent of the discussion would be over in the first 5 minutes. We could come to—and I think that is true with Mr. Spratt and with many of us, that on any good day, 60, 70, 80 percent of the discussion about our budget priorities and choices could probably be made fairly quickly.

All you have to do is watch the votes on the floor, and watch the appropriation bills. We put in one of the toughest budgets on discretionary spending in over a generation, and they are passing on the floor with flying colors. Yet during the budget discussion there was gnashing of teeth and wringing of hands on all sides about how the cuts weren't good enough or the cuts were too much. But now they are passing with 380 votes to whoever is left to wave the flag against them, it is amazing. Meaning to me that, as I say, 60, 70, 80 percent of the discussion is done and could be done in a non-partisan or bipartisan way. It is those last little nuances that are the toughest parts.

I don't know how you improve that, as I say, that fourth category or how you could do it with a Budget Committee. I don't think getting rid of the committee is the way to go. I know you were giving that out as kind of a devil's advocate or at least to be provocative. And it is a fair discussion, because since it has been only in its inception since 1974, it is always fair to review it.

But I do think you have given us some good suggestions today as ways to move forward. I wish I could tell you that I see a path toward making the reforms. I tend to agree with you that if it is not done in a bipartisan way that it is going to be very difficult to sustain them and have any kind of predictability long term.

I am less worried about the partisanship than I am the turf battles in achieving reform for the budget process, meaning I am more concerned about what the Rules Committee's objectives are or the Appropriations Committee or the Ways and Means Committee or the other authorizing committees. I am probably more concerned about those turf battles—some are partisan, some are bipartisan turf battles—as I am the purely Democrat versus Republican turf battles that go on around here. At least in my judgment I have seen more difficulty in reaching agreement as a result of those kind of jurisdictional turfs than I have seen with purely partisan philosophical discussions.



So much of your testimony was—I don't want to make it sound like, therefore, it is irrelevant, but you have repeated yourself often today. You have often repeated yourself over the years. As Mr. Frenzel has said, this is—to some extent, he has been here and done this many times. But we appreciate it, because we do have a lot of new members, and we have a lot of good staff. It is good to hear that historical perspective. It is good for me, and I have heard it probably as much as any member on the committee. So I greatly enjoyed and appreciated your testimony today.

I will give you each a last word of summation if you would like, either based on what I have said or any other comments. I guess let me ask it in the way of a question. This may be unfair, but since you have talked about it so much, I am going to give each of you a magic wand. You have got one proposal that you would give me as your advice of the one thing we could do. I know it is an unfair question, but I am going to ask it anyway because it is my prerogative. Kind of the one silver bullet, if you will, of the thing you would change. Would it be the baseline? Would it be PAYGO and caps? Would it be do away with the committee and throw it all out and start over? Is there one proposal that you could advise us as kind of the bane or the frustration or the one thing that you would hope we would definitely add as part of any proposal as we go forward?

Let me start with Richard, and we will go across and opposite of the way you testified today.

Mr. KOGAN. Thank you, Mr. Chairman.

I think I would start with my last proposal, which is to limit reconciliation to achieving deficit reduction. Maybe put a minimum deficit reduction target in the Budget Act. You know, a half a percent of GDP or a quarter a percent of GDP by the fifth year or something like that and say you don't do a reconciliation bill unless that bill achieves that much deficit reduction.

Chairman NUSSLE. On that point, since you have made it now twice, isn't that different than—and I don't mean this as a challenge, I am really not trying to say it that way. Isn't that a different philosophical position than many Democrats held in the 1980s where deficit targets were—and maybe they are just different in your mind because you are focusing them on reconciliation. But my understanding is that they are at least similar enough that it is kind of a little bit of a change in philosophy from the late 1980s?

Mr. KOGAN. I think it is more a change in philosophy from the early 1980s, but I think that is a valid point you make. In the early 1980s, particularly, some Democratic leaders—I am thinking specifically of Jim Wright—definitely wanted to use the budget process to achieve a major expansion of what he called anti-recession public works projects during the residual effects of the early 1980s recession. And he also wanted to use the budget process as a way of getting the Appropriations Committee to actually change the priorities in appropriations bills.

When the budget resolution took money from one function and put it in another, which is, of course, nonbinding, he said, it may be nonbinding, but this is a clear statement of what we want. We want more in the Labor-HHS Appropriations bill specifically for

education programs but also for certain other antipoverty programs. And I on behalf of the leadership am going to you, the chairman of the Appropriations Committee, and am going to tell you you are not doing your job if you just do the appropriations bills the way you want to do them. You have to do them the way we, in writing the budget resolution, want to do them.

This wasn't really a reconciliation process, but thematically it is similar to what you are talking about, using the power of the Budget Committee and the budget rules to try to accomplish goals that, in this case, both accomplished spending increases.

In actual fact, in the 1980s, reconciliation itself was only used for net spending cuts and net tax increases. So it was only used for net deficit reduction. Sometimes the amount of deficit reduction in a reconciliation bill was so little that the inherent abuse that a reconciliation bill is to the normal committee process of the House and the entire legislative process in the Senate, made it sort of not worth it. Reserve reconciliation for real deficit reduction, and then do it, is basically my recommendation.

Chairman NUSSLE. Why is your—and I know you are not a fan of President Bush, and that is pretty obvious. But why isn't the thematic deficit target of cutting the deficit in half in 5 years not a deficit target? You know the number, I know the number, and the American people know the number. The committee is working toward that number. Why is that not a deficit target?

Mr. KOGAN. That is both a very good question and also a very clever question. I was talking about deficit reduction, and I defined it in my own mind, and probably not explicitly enough in front of the committee, relative to a baseline. You heard me make an impassioned statement that, by definition, Congress has to know whether its votes are going to make something more expensive or less expensive *than it would otherwise be*. I want Congress to enact legislation that would make deficits lower *than they would otherwise be*.

Under CBO and OMB projections, the deficit is going to fall in half, more than in half all by itself if you do nothing. My view is that that is inadequate because that is just a dip before you get back to the long-run, overarching, unsupportable difference between our spending commitments and our revenue levels, and that we have to go beyond a 50-percent drop in the deficit to help prepare ourselves for the baby boomer retirement.

It is going beyond that 50-percent drop that I want. I want to enact legislation that would raise taxes and cut entitlements so that the deficit would fall faster and further. Your budget and the President's budget actually retard the rate at which the deficit would otherwise fall. From my perspective, they *increase* deficits because your tax cuts are larger than your entitlement cuts, even though the deficit will, after they are enacted, if projections are accurate, probably fall in half over that period. So we were talking in some senses past each other.

Chairman NUSSLE. Professor Schick.

Mr. SCHICK. Yes. First, let me endorse what Mr. Kogan said and offer an explanation. Congress does not need special procedures for increasing the deficit, for raising spending, or cutting taxes. The House and Senate can always marshal a majority for them. It is

much harder to cut spending or to raise taxes. Therefore, I would reserve reconciliation for those purposes and impose a Byrd-type rule in the House. I think both Chambers would be advantaged.

But my silver bullet would be to combine aspects of Gramm-Rudman and BEA, to create a budget envelope or fiscal constraint for Congress, and here is why. If these rules are in place, it is easier for politicians to make the tough choices. What you don't want a budget process to do is to complicate the life of someone who has to stand before voters and make hard decisions.

Chairman NUSSLE. Something else to blame: I had to do it because of this rule. Even though you know we can change it. That is what you are saying, use it as the bad cop.

Mr. SCHICK. Preset rules which apply both to the President and to Congress would make it easier to discipline the deficit. As I said earlier, I don't believe Bill Clinton would have behaved the way he did absent those rules.

Chairman NUSSLE. I am not sure he would have behaved that way without a Republican majority, either.

Mr. SCHICK. One final point, back to reconciliation. I recall that, in 1993, Democrats in Congress toyed with the idea of making the President's health care proposal into a reconciliation bill. If they had done so, his health reform would have become law. We would have it on the books. Of course, health reform did not contribute to deficit reduction, but the President would have had a free path to employ it in Congress.

For some reason, the leadership in Congress decided that it was wrong to use reconciliation for this purpose. That demonstrated that forbearance is the most responsible weapon of a majority party.

Chairman NUSSLE. Mr. Frenzel.

Mr. FRENZEL. Mr. Chairman, thank you for having us. I suppose all of us who have been here before understand you are sort of in the process of singing your swan song, and may I say that I certainly have appreciated your work on the Budget Committee. It is a miserable, frustrating job and one—when you assume the gavel, you only then realize how limited the powers of the Budget Committee chairman are. But you have conducted the office with great skill and grace, and I thank you for being willing to do it.

With respect to your queries, as you went through the list of things that you thought you picked out of our discussion, I would like to concentrate on the third one, which is enforcing the choices. I think it is really important that the Congress, having passed a budget, tries to keep its promises to itself. The budget is nothing without the enforcement powers, and it is so easy for Congress to lay things aside. A simple little phrase like "notwithstanding any other provisions of law" sort of unlocks great doors to glory for spenders and tax cutters alike. So I hope that that is something the committee will concentrate on.

If I had one thing to do, I might choose what Allen did. But since I think ultimately those are going to happen anyway, I would like to get back to the thought about the baseline.

I somehow would like to release the Congress from the power of that baseline and put the Congress back in charge of priorities. Maybe you just start out by dumping the demographics and the

COLAs and just start with last year, and even that would be a huge improvement. Again, marginal but important. So I would suggest that is a way the committee might look at the problem.

Again, I want to thank you and the members of the committee for an enjoyable morning.

Chairman NUSSLE. I thank our witnesses and the members who have participated today.

Mr. FRENZEL. Oh, and by the way, I should have wished you good luck in your next—

Chairman NUSSLE. That is nice of you but completely out of order. There is no swan song yet, we have got work to do, and I appreciate your advice on this work.

I have tried to move legislation on reforming the budget process a number of years. This year may be no different than that. We will hopefully have the opportunity to make an attempt, if nothing else. But your ideas and good counsel has been appreciated today and will be appreciated in ongoing fashion. We realize—the people who are probably left in the room more than any others—how important this process is and how relevant it is to us. I think, in particular, Professor Schick has been so significant to the last 30 years of Washington, the Congress, and the Federal Government, and sometimes in a good way, sometimes in maybe not quite so positive way. But it has certainly been one of the most significant—and if you don't understand it, if you don't follow it, if you are not a student of it, you may miss some of the relevance of what is happening in Washington at the time. So I appreciate that.

I think you are exactly right, and it is why this hearing is so important. But it may also be the least glamorous hearing on the Hill, but I appreciate the testimony you have provided us today.

Unless there is anything else to come before the committee, without objection, we will stand adjourned.

[Whereupon, at 12:50 p.m., the committee was adjourned.]

