The Changing Concept of a Federal Executive Budget: A Senior–Junior Exchange

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The Case for Congressional Budgeting

William Howard Taft and Frederick A. Cleveland’s vision of executive budgeting clashes with the unique status of the U.S. Congress among the world’s legislatures, and its proponents may exaggerate the potential for presidents to act as fiscal guardians. This article advocates more congressional budgeting by reestablishing effective fiscal rules and strengthening the role of the budget committees. These mechanisms would enhance fiscal discipline and aid consolidation.

Roy T. Meyers and Irene S. Rubin provide an insightful overview of the history and prospects of executive budgeting in the United States. This response largely endorses their analysis and recommendations. The first part highlights the exceptional role of Congress in public finance from a comparative perspective and concludes that executive budgeting—at least in its ultimate form—is an impossibility in the U.S. context. Instead, it is argued, fiscal consolidation requires more congressional budgeting.

The second part briefly sketches two essential reform aspects: effective fiscal rules and a strengthened budget committee process. There are grounds for being cautiously optimistic about the possibility of reengineering the legislative process, in particular because Congress has a rich history of procedural innovation.

American Exceptionalism
The congressional power of the purse is unique (Wehner 2006). No other legislature has such a degree of formal authority and actual capacity to affect budgetary outcomes. Presidential requests do not constrain congressional action, and the federal government cannot spend money or raise taxes unless it is authorized to do so by Congress. In contrast, only about half of national legislatures in member countries of the Organisation for Economic Co-operation and Development (OECD) have unlimited budgetary authority, and in some cases, the executive budget proposal is implemented if legislative approval is delayed beyond the start of the fiscal year. Moreover, Congress exercises tight control over the execution of the budget, including strict limits on transfers. In many countries, the executive has far more extensive authority to reallocate money among programs or to withhold appropriated funds.

Although some countries grant similar constitutional authority to their legislatures, none rivals the impressive organizational infrastructure of Congress. The president submits a budget proposal eight months prior to the beginning of the fiscal year; the median for OECD countries is a mere three months. Congress has a plethora of well-staffed committees to decide spending and tax measures, in contrast to some legislative bodies, such as the British Parliament, which do not even have a permanent appropriations committee. In addition, representatives and senators have access to the formidable analytic capacity of the Congressional Budget Office (CBO), which is, by some distance, the largest nonpartisan legislative budget unit in the world. From a comparative perspective, Congress is extraordinarily powerful.

Some assert that the budgetary role of Congress reflects the separation of powers (Weaver and Rockman 1993). This is, at best, a partial explanation (Lienert 2005), and more likely a misinterpretation. In many presidential systems, legislative budget powers are much more curtailed. Gabriel Filc and Carlos Scartascini (2007) survey 18 presidential systems in Latin America and find that only two of them (Bolivia and Guatemala) do not restrict legislative authority to amend the executive budget proposal. Conversely, a number of industrialized democracies with parliamentary systems do not impose significant amendment restrictions, for instance, the Nordic countries, Germany, and Italy. The Westminster countries (Australia, Canada, Ireland, New Zealand, and the United Kingdom), where parliamentary amendment authority is severely curtailed, are outliers at the other end of the spectrum. Presidentialism per se cannot explain the unique status of Congress among the world’s legislative bodies.

Rather, what makes Congress stand out is the combination of weak executive agenda-setting power with an electoral system that promotes a “separation of purpose”
Congress consists of two coequal chambers with different constituencies and electoral cycles. Senators and representatives are sometimes more inclined to serve their constituents than party leaders. This means that political majorities are frequently divided, and even unified government does not guarantee that the president will get his way. The budget process cannot be unaffected by this broader context, as Aaron Wildavsky pointed out half a century ago: “If the present budgetary process is rightly or wrongly deemed unsatisfactory, then one must alter in some respect the political system of which the budget is but an expression. It makes no sense to speak as if one could make drastic changes in budgeting without also altering the distribution of influence” (1961, 185).

However, radical change to the legislative–executive balance of power is unlikely. The idea that Congress should be at the center of budgetary decisions is not only constitutionally enshrined, it is also widely regarded as a most fundamental feature of the American political system and the ultimate weapon against executive oppression. British-style executive dominance means that the government proposal always prevails, usually entirely unaltered. With this approach, legislative approval is an “annual ritual” and “little more than a constitutional myth” (Wehner 2010, 141). Delegation to the president, along the lines envisioned by William Howard Taft and Frederick A. Cleveland, is incompatible with meaningful checks and balances. As Meyers and Rubin conclude, executive delegation is “a dead end for the U.S. constitutional system.”

It is also important not to exaggerate the potential for presidents to act as fiscal guardians. Table 1 compares total revenues, outlays, and the budget balance across administration requests, CBO reestimates of presidential proposals, and budget resolutions for fiscal years 1995–2011. The final two columns give the percentage change in the budget balance between the relevant administration request and the budget resolution, and between the CBO reestimate and the budget resolution. According to these (admittedly imperfect) measures, there is no clear evidence that presidents are systematically more prudent than Congress. Instead, for most of the fiscal years included in table 1, budget resolutions contained a higher balance than the presidential proposal or the CBO reestimate. Much could be said about the data, but most interesting is the increasingly erratic pattern. For the first time since the adoption of the Congressional Budget Act in 1974, Congress failed to agree on a budget resolution for the 1999 budget, and then again for 2003, 2005, 2007, and 2011. Given this breakdown in legislative budgeting, the crucial question is not whether more executive delegation is desirable, but rather how to fix the congressional process.

Reforming the Legislative Process

Institutional reform is not impossible, even in the U.S. context, with its propensity for gridlock. There are at least two reasons for optimism: First, when the status quo gets bad enough, even systems with many and ideologically dispersed “veto players” can generate change (Tsebelis 2002). Current deficits are unsustainable (IMF 2009a), and at some point, markets or voters, or both, will ensure that reforms become attractive enough to get adopted. The second reason is the historical record: A number of institutional reforms adopted by Congress in previous decades—namely, experiments with fiscal rules and the creation of budget committees—are powerful examples of institutional engineering that have inspired similar changes in other countries (Blöndal 2003). These ideas could, once again, form the basis for reining in the budget deficit.

The potential role of fiscal rules in budgetary consolidation is widely recognized (IMF 2009b). However, not just any rule will do; the specific design matters (Anderson and Minarik 2006). Rules work when they can be credibly enforced, and when they apply not just

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>(1) Administration Request (a) Revenues</th>
<th>(b) Outlays</th>
<th>(c) Balance</th>
<th>(2) CBO Reestimate (a) Revenues</th>
<th>(b) Outlays</th>
<th>(c) Balance</th>
<th>(3) Budget Resolution (a) Revenues</th>
<th>(b) Outlays</th>
<th>(c) Balance</th>
<th>(4) Percentage Change</th>
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<td>19.3</td>
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</table>

Sources: (1) Office of Management and Budget, Budget of the U.S. Government (various years), http://www.whitehouse.gov/omb; (2) Congressional Budget Office, An Analysis of the President’s Budgetary Proposals (various years), http://www.cbo.gov; (3) congressional conference reports on the concurrent budget resolution (listed in Heniff and Murray 2010, table 4), http://thomas.loc.gov; personal correspondence from Dr. Andrew Austin (Congressional Research Service) and Joel Friedman (Senate Budget Committee).

Notes: Figures may not add because of rounding.

a. Termed “reserve pending Social Security reform.”
c. Based on A Preliminary Analysis of the President’s Budget and an Update of CBO’s Budget and Economic Outlook, March 2009.
d. The House and Senate did not reach final agreement on a budget resolution.

Table 1 Administration Requests, CBO Reestimates, and Budget Resolutions, Fiscal Years 1995–2011 (totals in billions of current dollars)
to the approved budget but also to actual outcomes (Inman 1996). Empirical work further suggests that spending ceilings increase the size and duration of consolidation (Guichard et al. 2007). However, fiscal rules require a high degree of budget transparency—otherwise they induce creative accounting (Milesi-Ferretti 2003). The U.S. experience with the Budget Enforcement Act, in contrast to Gramm-Rudman-Hollings, illustrates most of these points. Rather than simply attempting to prescribe a deficit outcome, which was the approach under Gramm-Rudman-Hollings, the Budget Enforcement Act cleverly combined pay-as-you-go rules for mandatory expenditures and taxes with caps on discretionary spending. This established a coordinating framework for the disparate parts of the congressional decision-making machinery. The act was also underpinned by interbranch negotiation. The reinstitution of an effective medium-term framework, with limited and tightly controlled exemptions, would help get deficits under control.

Meyers and Rubin are skeptical that Congress will allow centralization within, especially in the Senate. Yet when many alternatives require a transfer of power away from the legislature, this option may become more palatable. In particular, Congress has an extremely fragmented committee structure, which is costly (Cogan 1994; Crain and Muris 1995). As Allen Schick puts it, centralized committee responsibility “encourages examining the budget in fiscal terms,” while dispersion promotes “a programme orientation” (2002, 29). The creation of the budget committees in 1974 put in place, for the first time, a congressional budget process in the proper sense, but this mechanism has broken down in recent years (see table 1). Enhanced authority for the budget committees to fix budget totals and to guide spending allocations would aid fiscal consolidation. The shift to a joint budget resolution advocated by Meyers and Rubin would give the budget committees a central role in setting an overall framework. Coordination across chambers could further be enhanced by the creation of a joint budget committee, as used in some states. Those who dismiss these proposals as wishful thinking should remember that reform ideas involving a concurrent budget resolution and the creation of budget committees, too, were once mocked as wildly unrealistic (Wildavsky 1961, 186). Regaining control over deficits requires more centralized authority over aggregates within Congress; exactly how much centralization is politically feasible remains to be seen.

Conclusions
Taft and Cleveland’s vision of executive budgeting is difficult to imagine in a context in which checks and balances—in particular the congressional power of the purse—are so fundamental to political life. Still, with the constitutional authority of Congress comes responsibility. At some point, a combination of market and voter pressure will lead to institutional reforms that help ensure more sustainable budgets. The reinstitution of effective fiscal rules and strengthened budget committee authority should be part of such reforms. These mechanisms have proven useful in comparative experience, and, perhaps more importantly, in the history of congressional budgeting. Their rediscovery may only be a matter of time.

Acknowledgments
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Notes
1. In this article, the term “Congress” refers exclusively to the national legislature of the United States.
2. In addition, Congress frequently fails to approve appropriations in time for the beginning of the fiscal year (Meyers 1997, 26).

References

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