

**THE GEORGE WASHINGTON UNIVERSITY
IBI - INSTITUTE OF BRAZILIAN ISSUES
THE MINERVA PROGRAM
FALL/94**

"Theory and Operation of a Modern National Economy"

FINAL PAPER

THE BUDGET PROCESS IN THE U.S. CONGRESS

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Fall, 1994

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PART I - U.S. CONGRESS

"... ambition must be made to counteract ambition".
James Madison, "Federalist"

I.1 - The Structure of Congress

The basic structure of Congress - the creation of the House of Representatives and the Senate - was decided at a very early stage in the Federal Convention. From the beginning it was generally agreed that the national legislature should be bicameral.

James Madison, a delegate from Virginia, recorded that "The Thrid Resolution, 'that the national legislature ought to consist of two branches' was agreed to without debate or dissent, because the main idea was regarded the legislative from tyranny, and guaranteed the liberty and stability".

I.1a - The House of Representatives

The House of Representatives was designed as a representative institution. Its most important function was to represent and to regulate the various interests and concerns in American society.

According Madison, "the regulation of these various and interfering interests forms the principal task of a modern legislation and involves the spirit of party and faction in the necessary and ordinary operations of governmen". ¹

I.1b - The Senate

The first function of the Senate is to provide a moderating, stabilizing counterweight. It should be the source of a more considerate, more experienced, long-term view of a good public policy.

The second is to act as a guardian of the interests of the states, and to protect them against encroachment by the Federal Government. It has to persuade the people of the states that their interests would be safeguard in this system of government.

¹ James Madison "The Debates in the Federal Convention of 1787".

Essentially, the Senate is given a power that might be construed as a restraining function. A major part of its responsibility is to control any abuse of power by the House of Representatives or the Federal Government in general.

I.2 - The Power of Congress

Both - the House of Representatives and the Senate - guarantee to Congress specific prerogatives. The general powers granted by the Constitution are intended to strengthen the national legislature.

Early, the Congress has the power to raise taxes, to regulate commerce, to coin money, to declare war, and to raise an army and navy. To ensure that these grants of power would be effective, the Constitution give the power to make all laws, according Maison, which shall be necessary and proper for executing the previous powers, and all other powers vested by it.

Each chamber has one specific power. For example, the House has the prerogative of initiating all legislation regarding taxes, and has the means of controlling the other institution government.

The Senate, according to the Constitution, has the power to confirm the President's appointment of Ambassadors, other public Ministers and Consuls, Judges of the Supreme Court, and all other officers of the United States, and the right to ratify treaties.

I.3 - Limits of Power

The powers granted to Congress by the Constitution are substantial, and include, not only legislative, but some executive and judicial functions as well.

These powers, however, are not unlimited. The Constitution places eight specific limitations on Congress's power (Article I, Section 9). For example, it is prohibited to violate the personal security, the private rights, the right of property, the establishment of a state religion, and the free speech, press or assembly.

Although the Constitution does not explicitly state who should interpret these constitutional restraints, this function has been performed by the Supreme Court.

The final constraint upon congressional power is the system of "checks and balances" which are built into the political system. The creation of a bicameral legislature and the legislative process itself is divided between Congress and the President, including the President power of the veto.

I.4 - The Legislative Process

The Legislative Process begins with the introduction of a bill. Although a considerable portion of the legislation is initiated by the Executive and the member of Congress who introduce it acts merely as a "sponsor", there is still considerable freedom for individual to introduce their own proposals. Assistance with drafting legislation may be provided by interest groups, or by the House of Representatives or Senate offices of the Legislative Counsel.

Once it has been introduced, the bill is numbered to a committee. The task of referral is theoretically in the hands of the Speaker of the House of Representatives and the President "Pro Tempore" of the Senate but, in practice, tends to be done by the parliamentarian of each chamber.

Most referrals are uncontroversial as the jurisdiction of the committees are clearly defined by the rule of each chamber, public laws, and procedure.

The work of the committees is at the heart of the legislative process. The committees operate as a "little legislatures" and they may hold hearings, offer amendments, rewrite and finally report or approve a measure. They also may consider the proposal fails at all (that is, they may "kill" it).

Essentially, the committees act both as refining and screening devices. They provide forums for the detailed discussion of a legislation and ensure that bills with limited support do not progress any further.

The next stage for a bill, after it had been reported out of a committee, is to be placed in the House legislative calendar ², and in the Senate calendar.³

I.5 - The Committee System

The committee system is the central element of the congressional infrastructure. Their organization and functions reflect the much wider political forces to which each branch of Congress is subject.

The creation or abolition of committees not only reflect the shifting for public policy, but, also, their internal structure alters with the changing goals of their membership.

The way of committees operate are essential to understanding the legislative process and the dynamics of congressional development.

As the chamber which tends to initiate legislation in the early Congresses, the House was the first to create legislative standing committees.⁴

There are currently sixteen standing committees in the Senate and twenty-two in the House.

I.6 - The Floor Activity

² There are five calendars in the House: bills which raise or spend money are assigned to the Union calendar; all other major bills are assigned to the House calendar; uncontroversial bills are assigned to the consent calendar; private immigration bills and claims against the government are assigned to the private calendar and motions to discharge committees from further consideration of legislation are assigned to the discharge calendar.

³ The Senate has only two calendars: the Executive calendar, on which treaties and Executive nomination are listed; and the calendar of business, to which all legislation is passed.

⁴ The Claims Committee was created in 1794; Commerce and Manufactures, Revisal and Unfinished Business and Ways and Means in 1795. In 1807 the Committee on Audit and Control of the Contingent Expenses of the Senate was created in the House and Senate.

The activity which takes place on the floors of the House of Representatives and the Senate is probably the most visible aspect of Congress at work.

Not only will the terms of debates, amendment and voting affect the possibility of legislative success, but differences in the floor procedures of the two chambers reflect their different constitutional design.

An understanding of floor procedures is important for two main reasons:

- a) they are a vital aspect of the legislative process;
- b) they highlight institutional differences between the two chambers.

I.6a - The House of Representatives

One of the first rules of the House was adopted when the first Congress met in 1789 and dealt with the scheduling of motions, the methods of voting, and the conditions of debate.

As the House grew in size and its workload increased, a complex set of rules and procedures were involved to regulate every aspect of floor activity.

The first limit on debate in the House was made in 1811 when the chamber approved the motion of the "Previous Question" as a means of invoking closure. The result of moving and carrying the previous question was to cut off debate and bring the House immediately to a vote on the main question.

Floor activity in the House begins with the scheduling of business. After being reported out of a committee, each bill is placed on one of the four legislative calendars used by the House of Representatives.

Although a considerable portion of the legislation that comes before the House is processed either by consent or by suspension, the normal route of the floor major bills lies through the Rules Committee.

For the first century of its existence, the Rule Committee was a select committee which met at the beginning of each Congress to prepare a biennial set of procedures for the chamber, and then went out of existence.

The Rules Committee is an important centralizing force in an otherwise decentralized chamber. It provides a mechanism for introducing some other into the legislative process. Although the committee can, and occasionally does, act contrary to the wishes of the leadership, it generally works with the Speaker. For that reason, the rules suggested by the committee are rarely rejected on the floor of the House.

After adoption of the rule, the House is resolved into the Committee of the Whole on the State of the Union. This is a parliamentary device which is used to expedite business, and the procedures differ from those used when the chamber is operating as a House of Representatives.

The first task of the Committee of the Whole is a general debate on the measure under consideration. Normally, the debate last one or two hours, but occasionally may last much longer. The time is divided equally between the majority and minority floor managers, who, after their initial statements, may invite other members to speak.

The task of the majority floor manager is to gain the passage of the bill while the minority floor manager may seek to amend or "kill" it. Provided the bill has not been sent to the floor with a "closed" or "modified" rule, an amendment may be offered by any member.

After all amendments have been voted upon, the Committee of the Whole "rises" and the chamber is reconstituted as the House of Representatives with the Speaker in the chair. The purpose of the House is to ratify the decisions taken into the Committee of the Whole.

There are five methods of voting in the House of Representatives: a voice vote, "when the Speaker judges from the volume of shouts of aye or nay that answer him which side is in the majority"; a division, "when members stand and are counted"; a teller vote, "when tellers appointed for each side, and those supporting or opposing the measure pass by their respective tellers"; a teller with clerks vote, "in which the name of those passing by each teller are recorded"; and a ye and nay vote, "when the clerk reads out the name of each member who answer Yea or Nay". (Bailey, p.132)

I.6b - The Senate

As in the House, the first stage in the process for obtain floor action in the Senate for a measure reported out of a committee is for it to be placed on a calendar. Any senator may propose a motion to call up a measure on either. If this motion is made during the first two hours of a session, it is not debatable. Otherwise, the motion may be subject to a debate and a possible filibuster.

To a certain extent the Senate's unanimous consent agreement may be viewed as the functional equivalent of the rules granted by the Rules Committee in the House. Both waive the rules of their respective chambers.

But must be approved by the membership of their respective chambers: in the Senate by unanimous consent, and in the House by the majority vote. The main difference between the two devices is the fact that unanimous consent agreements are worked out in private between individuals, while rules are drafted in public by a standing committee.

The voting process occurs when the floor debates finish. Voting can either be by voice, "when the volume of support for a measure is gauged"; by division, "when senators stand to be counted"; or by roll call, "when each senator's vote is recorded". (Bailey, p.134)

From this description it can be seen that there are considerable differences between the floor procedures of the Senate and the House of Representatives. The large, more complex House operates on the basis of the formal vote which allows the majority to dominate. The Senate, on the other hand, tends to use informal arrangements which accommodate the interests of the individual.

The emphasis on individual rights makes it much more difficult to construct winning coalitions in the Senate than in the House. Legislative coalitions must be carefully negotiated, and constantly subject to revision, in order to minimize the

possibility of obstruction. Only by taking into account the wishes of most of its members will legislation pass through the Senate.

I.7 - The Conference Committee

Before a bill can be presented to the President for his signature or veto any differences in the versions passed by the House and the Senate must be reconciled. Often this can be done fairly easily. Either one chamber can simply adopt the other's version of a bill, or else the two chambers may send the bill back and forth between them, amending each other's amendments until identical language is arrived at.

This role means that the Conference Committee occupies an extremely important position in the legislative process. "As Representative Dennis E. Eckart (Democrat, Ohio) has stated: "Conference Committees are the ultimate high for legislators. They are the Supreme Court of legislation. If you don't get it here, there's no other place to go". (Bailey, p.139).

A Conference Committee for a bill is established when both the House and Senate formally vote to disagree with the other chamber bill.

I.8 - Leadership

The party leaders have become one of the most important factors influencing the way in which the House and the Senate function. Although the U.S. Constitution makes only skimp reference to the role of the leaders in Congress, and does not mention political parties at all.

The role of the party leaders is to provide a centralizing force in a institution where the emphasis is upon fragmentation.

The Speaker, the majority and minority leaders, and the majority and minority whips, are the fundamental components of the party leadership structure in the contemporary House of Representatives. Of these five offices, by far, the most important is that of the Speaker. The Speaker enjoys a visibility and authority which is unsurpassed by any other member of Congress, either in the House or the Senate.

The leadership structure of the House of Representatives,
100th Congress

The task of the majority leader is to help the Speaker and other party leaders to formulate the party's legislative program, and then guide that program to the House. He must negotiate with committee chairman to ensure that important bills are reported by the committees, and then consult with party members in order to schedule floor action. The majority leader's role is that of co-ordinator. Not only must he be able to ensure that the disparate elements of the House are working together, but also see that there is some co-ordination between the legislature and the White House.

The role of minority leader is very similar to that of the majority leader. Like his counterpart, he must consult with leading members of his party, particularly the ranking minority members of the committees, and encourage them to act in accordance with agreed party positions. If his party occupies the White House, he is likely to assume the role of the President's chief spokesman in the House.

Unlike the majority leader, however, it is not the task of the minority leader to schedule legislation. In fact, the power of the minority leader is derived mainly from being at the centre of an important information network in the House, though as chairman of his party's committee on committees he may be able to obtain a prestigious committee slot as a reward for his loyal supporter. Providing support of the Speaker and the leaders of both parties in an extended leadership structure composed of the whips system and a number of party committees.

The whip's office has become a major source of information for members. "Whip packets" and "whip advisores" given details of legislation and forthcoming votes are often distributed to "junior representatives". In return, the whips seek to gather information which may be of use to the Speaker and majority leader when deciding upon a legislative strategy.

In the Senate there is no institutional or party official comparable in power and prestige to the Speaker of the House of Representatives.

The U.S. Constitution provides the Vice-President of the United States shall be President of the Senate, but shall have no vote, unless they are equally divided. The Senate can choose a President "pro tempore" in the absence of the Vice-President. Since 1945, the practice has been for the longest serving member of the majority party to assume the office of President "pro tempore".

The leadership structure of the Senate, 100th Congress

Generally, party leadership in the Senate has tended to be collegial in nature with the leader needing to cooperate with committee chairman and individual senators. This has meant that the pattern of leadership in the chamber has reflected changes in the Senate's membership, committee structure, norms and rules.

The post of majority and minority whip were first established in the Senate in the early twentieth century. Since then, both offices have evolved to perform much the same function as the whip system in the House of Representatives.

As the Senate is a smaller institution than the House, the two floor leaders have not deemed it necessary to delegate power to their whips. Instead, they have tended to perform the whip's role of collecting and disseminating information themselves.

PART II - BUDGET PROCESS

"No money shall be drawn from the Treasury except in consequence of appropriations made by law". (Art.I, Sec.9, US Constitution)

II.1 - Historical

The budget process has been presidentially driving and has relied for passage on executive-congressional cooperation. The House has depended up on the executive to propose available budget and has generally altered that document only marginally.

The process, instituted in the 1920s, assumed that Congress was ill-suited to undertake budgeting on its own and that executive leadership was required. The budget reforms of the 1970s did not alter that fundamental reality, although is left Congress somewhat better equipped to develop its own budget in the event of serious intergovernmental conflict or executive default.

In 1974, was instituted the new budget process and established the Congressional Budget Office – CBO, and the Budget Committees. It gave to the House a more effective mechanism for achieving fiscal control.

II.2 – The Budget and Accounting Act of 1921

The 1921 Budget Act was na acknowledgment about the new theory that government spending could influence the course of the aggregate national economy (now know as fiscal policy). This Act meant that the President and the Congress recognize the budget aggregates, because of their macroeconomics effects were as an important as budget details.

It also helped give Congress a better handle on spending by strengthening the authority of the House and the Senate Appropriations Committees. It also created, and the Executive size, the Bureau of the Budget (later renamed the Office of Management and Budget – OMB) and established a presidential budget process by

requiring the President to submit an annual budget to Congress. Before this centralized approach, Federal Agencies submitted their spending request to Congress on an individual basis.

Thought this process was designed to bring greater control to federal spending, it also created a system that eventually increased the President's power to shape spending policies. The reason for this is the executive branch was given tremendous resources to prepare a budget. It became the only real source capable of developing and analyzing budgetary and economic information. And it was the only agent able to package its spending priorities as a coherent whole to deal with such macroeconomics issues as inflation, unemployment, and investment.

By 1970, control over establishing spending priorities has shifted dramatically away from the Congress and toward the President. Member of both parties in the Congress were disturbed by President Nixon's assertion of budgetary powers. He was using "backdoor" spending, that is, contract authority, loan authority, and mandatory or open-ended entitlements, to evade the regular appropriations process. Most significantly, he was impounding funds; that is, refusing to spend money that had been constitutionally appropriated.

The impoundment crisis was the immediate catalyst of the 1974 Budget Act, but its long-term antecedents were firmly rooted in the congressional reform movement that reasserted itself in the late 1960's. The Senate passed financial disclosure legislation and began registering lobbyist.

The Legislative Reorganizations Act of 1971 was designed to improve the ability of Congress to deal with increasingly complex and technologically-oriented legislation, and also required the President to update budget figures in reports for the Congress. The House established a Committee on Standards of Official Conduct (commonly called the Ethics Committee).

The House also began, for the first time, to vote for its committee chairman at the start of each Congress. Before then, seniority alone determined who served as chairman. The new procedure required a vote of confidence by the Democratic Caucus. Chairman who failed to win confidence could be challenged by other members.

In this climate the legislative branch needed to change in order to participate as a equal party with the executive branch. Congress was at a distinct disadvantage because it did not have any capacity independent from the executive branch to analyze the President's budget or to develop a fiscal policy of its own. In particular, it did not have any unbiased reliable estimates of the cost social security and other forms of entitlement spending.

It found itself unable to pass, before the beginning of fiscal year that, then began on July 1, the 13 regular appropriation bills that together made up to discretionary part of the President's budget.⁵

⁵ The 13 Appropriation Bills are; Agricultural, Rural Development, and Related Agencies; Commerce, Justice and State, the Judiciary, and Related Agencies; Defense; District of Columbia; Energy and Water Development; Foreign Assistance and Related Agencies; Interior and Related Agencies; Labor, Health and Human Services, and Education; Legislative Branch; Military Construction; Transportation and Related

II.3 – The Congressional Budget and Impoundment Control Act of 1974

II.31 – Budget Committees and the Congressional Budget Office

The fragment nature of congressional actions on the budget virtually forced Congress to establish a special committee to develop a systematic procedure to assure effective congressional control over federal spending and fiscal policy.

A direct result of the special committees's efforts was the passage of the Congressional Budget and Impoundment Control Act of 1974, establishing permanent standing Budget Committees in the House and Senate and a Congressional Budget Office (CBO) to act as an information and technical resource for the Congress.

The CBO was created to give Congress the capacity for analysing and developing economic and budgetary information independent of the President.

Congressional Budget Office – CBO

The Budget Committees were created with responsibility for drafting a concurrent resolution on the budget and directing the congressional budget process. In the 103d Congress, the House Budget Committee had 43 members and the Senate Budget Committee had 21. The ratios are determined at the beginning of each Congress based upon each party's strength.

The Budget Committee were superimposed on the existing committee structure. The House Budget Committee has no legislative jurisdiction of its own other than reporting as concurrent resolution, but the Senate Budget Committee does have jurisdiction over the 1974 Budget Act, the Balance Budget and Emergency Deficit Control Act of 1985, and their amendments.

Unlike the Senate, no member of the House Budget Committee serve more than 6 consecutive years as Chairman. Four of the seven House Budget Committee Chairmen had contested elections for the chairmanship. The Senate has changed Chairman only because of retirement, resignation or a change of party control. Any senator can serve on its Budget Committee.

The House, however, requires that the total membership of its Budget Committee include five members⁶ each from the Ways and Means and Appropriations Committees, and at least one from the majority of the Rules Committee. Perhaps, the most important provision of the Budget Act itself for gaining early acceptance by the entire membership was the Budget Committees power to review legislation in order to prevent utilization of "backdoor" spending by House and Senate authorizing committees.

Agencies; Treasury, Postal Service, and General Government; and, Veterans Affairs, Housing and Urban Development, and Independent Agencies.

⁶ Three majority and two minority.

The Budget Act prohibits most types of “backdoor” spending. The House and Senate Appropriations Committees work closely with their respective Budget Committees in enforcing the act’s provisions through careful review of authorization legislation that has a budget impact.

The Budget Committees were given responsibility to draft a concurrent resolution on the budget. A concurrent resolution is approved by Congress in the same manner as a statute, but it does not have the force of law because it is not presented to the President and therefore cannot be vetoed and does not require the President’s signature.

The resolution is intended to provide the Congress with a legislative measure that relates the disparate parts of the budget to the whole and of enforcing budget targets on itself.

The Budget Act requires that Congress pass its concurrent resolution on the budget by April 15 of each year. This resolution sets targets in 5 areas:

- a) total new budget authority (that is, new legal obligations that will result in the immediate year or future outlays of government spending);
- b) total budget outlays (that is, actual spending in that particular year);
- c) total budget revenues;
- d) total budget surplus (or deficit);
- e) total public debt.

The Congressional Budget Resolution for 1975 marked the first time that Members of Congress had an opportunity to vote on budget totals.

The concurrent resolution also sets budget authority and outlay targets for the various functional categories in the budget. There are 20 categories in all, covering such areas as a national defense, veterans affairs, income security, education, energy, health, transportation, and interest on the debt.

The pertinent committees in the House and Senate are supposed to work within the targets allocated to them in the concurrent resolution. The authorizing committees, for example, the House Committee on Education and Labor, continue to establish their own separate funding limits.

The Appropriations Committees fund the authorized programs within the targets set within the concurrent resolution.

The revenue-raising committees of the House and the Senate are responsible for meeting the revenue targets set in the budget resolution. Resolutions since 1980 fiscal year had multiyear targets covering at least 2 fiscal years in addition to the current year.

The Budget Act originally provided for two budget resolutions. The second was designed to modify the five aggregates as changing economic circumstances might require. The second resolution would be passed by September 15 and be followed if necessary by a reconciliation resolution (September 25) that would force committees to respect spending ceilings if they had been exceeded or not been met. But the second resolution has turned out to be unnecessary and was stricken from the Budget

Act. The reconciliation process has evolved into the primary means of controlling spending entitlement and mandatory programs.

Reconciliation is a two-stage process that seeks to bring mandatory spending and revenues in line with Congress's budget resolution. In the first stage, the concurrent resolution send instructions to committees about how much they should decrease (or increase) budget authority, outlays and revenues. At the second-stage, these changes are put in a reconciliation bill drafted by the authorizing committees with spending and revenue jurisdiction.

The Appropriations Committee in the House or in the Senate are generally not subject to reconciliation instruction. Instead, they are governed by the binding spending limits on discretionary spending set forth in the budget resolution.

Congress passed nine reconciliation laws between 1980 (when the first time reconciliation was used) and 1992. The frequency with which reconciliation has been used indicates that this procedure has become a regular part of the budget process.

In order to provide added congressional involvement, the Budget Act moved the start of the fiscal year from July 1 to October 1. The extra 3 months gave Congress more time to act on the 13 appropriations bills before the new fiscal year began. Initially, his change helped.

The 1977 fiscal year was the first time in a decade that all the regular appropriations bills were enacted before the start of the fiscal year. Only in 1989, however, has Congress been able to enact its appropriations bills by October 1. There has been improvement in meeting the time but strict compliance is still lacking.

The impoundment provisions of the 1974 act provide a means for Presidents constitutionally to delay or withhold previously enacted spending, but only with notification or approval of the Congress. This provision was the key to getting the President to sign the bill into law. Thus, the budget process and the impoundment control procedures corrected the two main deficiencies that had weakened congressional control of the purse.

The budget process part of the act set procedures and timetables for Congress to establish its own comprehensive program for the nation's taxing and spending priorities.

The impoundment procedures prevented the President from unilaterally rejecting legislative decisions on appropriations. But joining budget and impoundment control into a single act, Congress sought to ensure that the power of appropriations assigned to it by the Constitution was exercised more responsibly and effectively.

Almost immediately, liberals in the House and Senate – those who favor government spending as an economic tool as well as a means for social justice – thought they could use the budget process to direct spending for various programs they supported.

Conservatives – those who advocate restraint for spending in domestic programs – thought the new process could be used to control spending for these very same programs.

But the budget process proved to be ideologically neutral. It has been used to direct spending as well as control spending.

Depending on the economic circumstances of the time, it has been used to call for tax increases and tax cuts. It has been used as a deficit reduction process as well as a means of providing for a public investment spending strategy.

According to Nicholas Master, “the first test of the Act was during the 1975 recession. The United States faced double-digit unemployment. The step was to incorporate in the budget resolution reported by the House Budget Committee, spending allocation for the job stimulus proposals. The success of the budget process, led by the House Budget Committee, in responding to this macroeconomic crisis firmly established the new budget process in Congress”. (Master, p.5)

The authors of the Budget Act generally assumed that if members all had the same macroeconomic information then they would be able to deal rationally with policy choices as to the division of budgetary resources, as well as develop a coherent fiscal policy. In other words, if Congress had the capacity to provide its own information, then Congress would exercise self-discipline to “do the right thing” with revenues and expenditures.

It did not work out that way, Congress certainly had first-rate information, thanks in large part to Alice Rivlin, who organized the CBO and was its first director.

The House and the Senate Budget Committee also have staffs that are highly regarded. But having the capacity for analysing macroeconomic information proved not enough. By the mid-1980’s Congress discovered that is also needed control mechanism to force itself to take certain actions.

These mechanism would automatically force spending cuts if Congress failed to use self-discipline in carrying out its budget resolutions. The sequestration order, as it is called, to implement the spending cuts is issued by the President.

During the 1970’s, the Senate was concerned primarily with broad, sweeping economic issues. “The House’s emphasis was on individual programs. The Senate budgeted from the top down; the House from the bottom up”. (Masters, p.6)

The primary issue in the House was how much to add or subtract in any given year from the CBO baseline, which the previous year’s spending adjusted for inflation and growth in entitlement programs. The Senate’s approach was what the House called formula budgeting, such as across the board cuts in spending or freezing spending at last year’s level.

House members were more concerned with individual programs and believed they could best protect them by dealing with them as line item. As a result, the House found itself voting on many amendments in relatively, small amounts to ensure funding for particular programs. The Senate also had no amending process for budget resolutions, “but all Senate Budget Committee Chairmen have opposed specific line-item amendments, arguing that such decisions were the prerogative of either the Senate Authorizing Committees or the Senate Appropriations Committee”. (op.cit. p.6)

Masters concludes that the political emphasis on the deficit in the 1980’s resulted in the House making decisions similar to those that had been used in the Senate, because the new approach involved across-the-board reductions in a variety of programs, spending freezes such as holding spending limits to the previous year’s

level as mentioned above, and “budget summits” between the Congress and the President. (op.cit p.7)

These new methods did not eliminate partisan divisions in the House. In fact, House Budget Committee Republicans even began to refuse to participate in the House Budget Committee’s markups.

The deficit previously unimaginable in the 1980’s⁷. This problem did more than anything to institutionalize the role of the Budget Committees in Congress. They were the only committees able to deal coherently with this macroeconomic issue. Other macroeconomic issues – unemployment, investment strategies, inflation – all had to fall behind the deficit in emphasis.

It was in this period that Congress began imposing procedural control mechanism on itself as a means of achieving a balanced budget. Control mechanisms soon became the primary thrust of the budget process, replacing the self-discipline that had been hoped for as a result of increased capacity on the part of Congress.

II.4 – Budget Control Mechanism

II.4 a – The Act of 1985

The Balanced Budget and Emergency Deficit Control Act of 1985 was resolution prepared by three senators: Gramm, Rudman and Hollings (GRH). This act set specific deficit reduction target and mandated across-the-board sequestration of federal spending if the targets were not met.

Many members had hoped that the control procedures, at the very least, would give them political cover in reducing spending or raising taxes by claiming that sequestration⁸ – if they had failed to act – would be a worse alternative. This part of the process has worked well. However, in a few instances where it was invoked, it causes grave concern among the members of both Houses.

The first version was declared unconstitutional because it provided that the President’s sequestration order be controlled by estimates determined by the Comptroller General (an agency of the Congress).

The second version, called GRH-II, corrected this problem and gave OMB the power to determine the estimates for the President’s sequestration order.

Both versions of Gramm-Rudman-Hollings signaled that the budget process had evolved from a capacity mechanism to one of control. Capacity provided a procedure for Congress to respond to a variety of macroeconomic issues, including

⁷ “Under President Reagan, the national debt went from under \$1 trillion when he took office over \$3 trillion by the time he completed his second term 8 years later. Another \$1 trillion of debt was added by President George Bush in less than a 4-year period” (Master, p.7)

⁸ Sequestrations is a automatic procedure for making spending cuts required by the Gramm-Rudman-Hollings law if Congress and the President fail to make them legislatively shortly after Congress adjourn for the year, separate sequestration procedures are used for “discretionay spending” and “mandatory spending” programs. If necessary, there is a last sequestration for all nonexempt programs.

the deficit. The focus on control has severely restricted congressional action by forcing it to deal primarily with one issue, the deficit.

II.4b – The Act of 1990

The most cleaning legislation ever imposed upon the Congress in terms of controlling the budgetary outcome came in late 1990. President Bush and the Congress agreed up on a budget accord that would reduce the deficit by half a trillion dollars. \$135 billion of which came in form of new taxes. This agreements referred to as the Budget Enforcement Act of 1990 (BEA).

This act revised the Gramm-Rudman-Hollings deficit targets by making them adjustable rather than fixed; extended the sequestration process through fiscal year 1995; and created a “pay-as-you-go” process requiring any increase in entitlement or mandatory spending or decrease in revenue to be offset so there is no net increase in the deficit.

It also placed separate spending caps on the three major categories of discretionary spending: defense, domestic, and international. After three years, the caps were to be combined into a single discretionary cap.

II.4c – The Act of 1992

The Balanced Budget Enforcement Act of 1992 is a statutory approach designed to provide for a balanced budget within a 6-year period.

This bill includes stringent control procedures that require the President to submit a balanced budget; requires both the President and the congressional budget committees to use the same economic assumptions in the formulation of their budget; and includes a sequestration order if the Congress fails to meet its revenue and spending targets. This bill also incorporates spending caps “pay-as-you-go” provisions.

Thought process is important, control mechanisms demonstrated that process is no substitute for making policy decisions. Reducing the deficit, let alone balancing the budget, is a matter of policy choices, although those choices may be limited by economic conditions.

The election of Bill Clinton as President and his emphasis on economic stimulus and deficit reduction has put the national spotlight once again on the Congressional Budget Process. For the first time in twelve years it will not be possible to explain budget networks as the result of purely partisan politics.

These changes in the congressional budget process show that the Congress no longer is an inactive spectator to the President or an eraser stamp in formulating fiscal policy. Congress definitively has succeeded through the budget process in giving itself at least a meaningful voice in controlling budget decisions.

APPENDIX

Interview with Deborah Berg, Press Secretary of Senator Slade Gorton (Republican, Washington State), did in November 7, 1994.

✍ Is the Senator Gorton member of some committee?

Yes, The Senator is member of three committees. Commerce and Transportation, Appropriations and Budget Committees.

✍ What is the difference between appropriation and authorization bills?

All funding bills starting on the House. The authorization and appropriations bills are all originated on the House side. The President submits his budget to the House, actually Congress. The House shares them in 13 different committees of spending bills, or the appropriation bills. For instance, education, urban development, health care, defense. are all appropriation bills, and there are sub-committees to analyze them.

✍ Which are the differences in the House and the Senate procedures relating to budget process?

The budget bill goes to the floor activity in the House side and in the Senate side to approval. Both bills are send to Conference Committee in order to discuss differences between the two bills. When the differences are recognized, the final bill is send back again to be passed, and then send to the President.

✍ When does start and when does finish the fiscal year in U.S.?

The fiscal year starts in October 1st and finishes in September 30, every year.

✍ What happens when the budget is not voted until October 1st?

All the appropriations bills have to be passed by that date, but if not, the Congress vote the Concurrent Resolution. This resolution is na extension of the appropriations bills (until November 1st), that extending the last budget na permits government expenditure until he new bill be approval.

✍ What is the difference between budget bill and others ordinally bills?

Money. The ordinary bills can happen any year, but the appropriation bills have to be passed every year. They are first priority. Money is definitely priority.

✍ How do you know if the President is spending exactly what the budget prescribes to programs?

It is democracy. Yhe mechanism of control is hte feed-back that the Congress receives from the States that have spending in programs in which they have Federal

funds. They have to justify their budgets. This is a definitely control. There is not one central person, one individual to control this process. You have different individuals from Federal and State agencies involved in it.

✍ How can the society, or interest groups participate of the budget process? Do they have access to CBO?

I could say that the access is much more directed to Senators and Congressmen. All of them represents different groups.

Interview with Alice Rivlin (former director of the CBO, 1973-1983, published in Arnold, p.237)

✍ What is the rule of CBO in the budget process?

The CBO is the informational and analytical arm of the congressional budget process. It provides information, analysis, and projections to the Congress as it considers budget alternatives. In a sense is a counterpart to the Office of Management and Budget (OMB), which provides the President with the information, analysis, and projections that go into his budget proposals. It is different than the OMB in the sense that the CBO works for the Congress and therefore has to be a nonpartisan agency. It doesn't make recommendations to the Congress in the way that the OMB might make recommendations to the President. It always gives options and alternatives to the Congress to consider,

✍ From your discussions with members of Congress, which factor – politics or fiscal policy considerations – more sharply influences the size and composition of the budget?

I don't think most politicians make a sharp distinction in their minds between "politics" and "right fiscal policy" most of the time. Nor do I find it easy to make the distinction myself. Most politicians try to do what they think is in the national interest and specially in the interest of their constituents. They are very concerned with being perceived as "fair". In practice, most of them become persuaded that policies that especiallt benefit their areas are indeed good for the country, or are, at least, "fair". If they have defense industries in their districts, they became genuinely convinced of the need for a strong defense and the importance to that defense of the particular weapons produced in their district. If they have a large farming constituency, they become dedicated to the idea that the national interest involves strong support for farmers.

The fact that politicians tend to see the national interest in terms of what is good for their constituents does not strike me as a major problem. That is how representative democracy is supposed to work. The fact that political campaigns are heavily financed private money, however, is a serious problem. It enhances the power of people and

industries with strong economic interest and plenty of cash, often to the detriment of the rest of the population.

✍ What is the major long-run consequence of running annual budget deficits?
If the government is using a large fraction of the nation's saving to finance the budget deficit, less is available to finance productive investment. It is possible to compensate by borrowing the savings of other countries, but this leaves us indebted to them. In the long-run, persistent federal deficits cut domestic investment and reduce the future standard of living.

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FALL, 1994**