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The Federal Budget Process Revisited: An Evaluation of Previous Reforms, 1920-1990

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I. INTRODUCTION

The Federal budget process has long been a subject of intense scrutiny and criticism. As the deficit ballooned, the president and Congress blamed each other, while the public demanded action. In 1985, Gramm-Rudman-Hollings budget balancing law was the latest in a series of actions seeking to redress the problems which have plagued the budget process. This paper traces the history of, and discusses proposals for, Federal budget reform. By evaluating the laws, policies, and procedures which have been enacted in the Federal budget area, we can discern the sequence through which decisions on economic matters are made and national priorities established. Through assessing possibilities and perils of proposed reforms, the impact of changes on the budget process and the American political system may be determined.

II. LAWS AFFECTING THE BUDGET PROCESS

The first comprehensive law affecting the Federal budget process was the Budget and Accounting Act of 1921. A congressional select committee report (1921) identified a number of problems leading to the passage of this legislation, including the fact that spending was not considered in connection with revenue; the president was not required to submit a financial plan; and spending estimates sent to Congress from executive departments were not revised by the president to make them conform to national priorities. The committee concluded that initial budget responsibility would have to come from the White House to bring the departments and agencies into line.

According to Louis Fisher (1987), "in fixing executive responsibility, however, the select committee did not intend to subordinate Congress to the president." The 1921 law established a Bureau of the Budget within the Treasury Department, and authorized the president to appoint a budget director. The BOB became part of the Executive Office of the President in 1939; its name was changed to the Office of Management and Budget in 1971.

The drawbacks of the Budget and Accounting Act became apparent over the ensuing decades. LeLoup (1986) contends that the hoped-for centralization of the budget process never materialized. He points to increasing partisanship; rapid growth in Federal spending; the inability of Congress to verify OMB estimates; and the downfall of the appropriations function in Congress as examples reasons why the 1921 law was revised. Both Fisher (1987) and Axelrod (1988) agree with LeLoup's assertion about the appropriations breakdown. Fisher observes that congressional appropriations committees were undermined by authorizing committee where funds could be approved (p. 9) "implicitly and indirectly." Axelrod, who identifies four cycles of Federal budget changes, attributes the weakening of appropriations committees' roles to change in membership; the increasing influence of authorizing committees; and the dramatic rise in uncontrollable expenditures, particularly entitlements and government contracts. Whereas the latter characteristics contributed to calls for reform, President Nixon's impoundment procedures certainly solidified support for changes. Fisher (1987, p. 11) asserts "Nixon had asked Congress for power to cut spending. Denied that authority, he announced through his Treasury Secretary that he had the power anyway." Axelrod (1988) counts as many as 60 court decisions on impoundment during Nixon’s tenure, with the overwhelming majority going against the president.

The 1974 Budget Control and Impoundment Act sought to strengthen Congress’s control over spending. Its provisions are reviewed by Mikesell (1986, pp. 81-82):

1. It requires Congress, before it enacts any appropriation bills, to adopt concurrent budget resolutions. The first resolution set target totals for budget authority, outlays, receipts, and the public debt. These targets serve as a guide for Congress's subsequent considerations of appropriations and tax measures. The resolution also subdivides the targets into 17 functional spending categories, such as defense and health, which represent broad national priorities.
2. It establishes the House and Senate Budget Committees and has charged them with the responsibility of reporting the concurrent budget resolutions. The committees also keep track of individual authorization, and revenue decisions that Congress makes during the budget process.
3. By creating the Congressional Budget Office (the congressional counterpart of OMB) and granting it broad authority to obtain data from executive agencies, the act has provided Congress with a mechanism for obtaining impartial policy and cost analyses and five-year budget projections. CBO provides Congress with all available information related to the budget and conducts budget-related studies at Congresses request. It also monitors individual spending bills and issues periodic scorekeeping reports showing the status of congressional action on these bills.
4. It has provided Congress with a firm budget timetable that coordinates the authorization and appropriations cycles with the overall congressional budget as embodied in the concurrent budget resolutions.
5. It has changed the rules on presidential impoundment of funds by establishing a procedure for congressional involvement. The act requires that any money not spent must be reported to Congress in rescission or deferral messages. Impoundments take effect unless they are disapproved by both Houses within 45 days of the president's notification. Deferrals (temporary withholding of funds from obligation are effective until overturned by either House.

Shuman (1988) provides three explanations for the failure of the 1974 law. First, presidents sometimes proposed controversial budget expenditures opposed by Congress. Second, nongermane riders attached to authorization and appropriations bills created friction between the president and Congress. Third, members of both houses often delayed appropriations bill for purely tactical reasons. Fisher (1987) states that changes instituted by the Budget Control and Impoundment Act created a multitude of budgets and lessened responsibility by the Congress and the president. LeLoup (1986) postulates that deadlines established by the 1974 law were not being met and the process degenerated into a series of continuing resolutions. After the Reagan administration's effective use of the reconciliation procedure in 1981, partisanship heightened and White House leadership waned.

Axelrod (1988) and Oleszek (1989) contend that the level of uncontrollable expenditures continued to increase. Oleszek (p. 73) recognizes that "Congress's ability to maneuver in cutting the deficit is severely circumscribed when so much federal spending is fenced off from review for political and policy reasons." In critiquing the 1974 law, Lilley (1981) comments that congressional committees failed to come up with five-year budget plans as mandated by the law, and that legislative trade-offs weakened budget authority. Davie (1981) adds that the Budget Control and Impoundment Act was designed to have an effect on tax expenditures, but was only minimally successful.

Oleszek (1989, p. 66) declares that "sharp disputes over spending priorities between the branches, chambers, and parties, plus intraparty disagreements, led to little progress in reducing the budgetary deficit. Legislative-executive deadlock characterized much of the fiscal politics of this period." Fisher (1987) estimates that from 1966 to 1975, deficits averaged $14.8 billion, whereas from 1976 to 1985, annual deficits averaged about $100 billion. The national debt more than doubled from 1981 to 1986. The 1985 Balanced Budget and Emergencey Deficit Control Act, sponsored by Senators Gramm, Rudman, and Rollings, is explained by Oleszek (1989, p. 67) below:
"GRH established a statutory pathway to 'zero out' deficits and have a balanced federal budget after six years, by 1991. It mandated that a set amount— $36 billion—must be chopped yearly from the allowable deficit ceilings established in GRH. For instance, the allowable deficit for fiscal 1987 was $144 billion, for fiscal 1988 was $108 billion, and so on down to the zero deficit of fiscal 1991. To ensure that Congress and the president met the successive installment payments on the deficit, GRH included an automatic deficit reduction mechanism called 'sequestration.'"

Fisher (1987a) notes that the sequestration process was enacted if deficit estimates of the Office of Management and Budget and the Congressional Budget Office exceeded the statutory target by more than $10 billion; the CBO and OMB would calculate requisite reductions on a program-by-program basis. Their reports would be sent to the comptroller general of the General Accounting Office, who would if necessary make across-the-board cuts.

LeLoup (1986) mentions other features of GRH, including an accelerated budget timetable (the writer omputes that each step m the process was moved up by an average of 42 days); enhanced enforcement procedures; and the provision that automatic cuts can be waived in the event of a recession or war. The law was amended in I987 to authorize OMB to make final cuts based on OMB-CBO estimates (pursuant to the Supreme

Court's decision the previous year which declared that the comptroller general was not removable by the president, therefore could not make final cuts if sequestration took effect); extended the deadline for the elimination of deficits from 1991 to 1993; and required automatic cuts be divided equally between defense and nondefense.

In evaluating the three comprehensive budget reforms discussed above, scholars differ on their final assessment. Fisher (1987. pp. 32-33) compares them in the following manner:

"When Congress launched the modern budget system in 1921, it did a good job in understanding the unique roles of the two branches. The Budget and Accounting Act fixed responsibility on the President by holding him accountable for agency estimates. As a single executive officer assisted by a central budget bureau, the President was ideally situated to do that. The 1921 Act preserved the institutional strengths of Congress by giving it full freedom to modify the President’s budget and impose its own sense of priorities. Each branch was given a mission it could effectively discharge. The Budget Act of 1974, as amended by Gramm-Rudman, offers an entirely different model. Congress assumed the responsibility for making a budget. The President is no longer responsible for the budget he submits, at least not as he was between 1921 and 1974. The current political system does not hold him accountable.”

Oleszek (1989) postulates that the 1974 law worked well until the 1980’s. It (p. 71) "provided members and committees with better information about the financial implications of their policy decisions and made them much less dependent on the White House and OMB for financial data and advice. Congress now had the fiscal tools to challenge and compete with the executive branch." Oleszek's view of the 1974 law is supported by former Congressman Robert N. Giaimo (1983), who claims that Congress is better able to identify national priorities and determine the impact of operating costs. However, writing two years before GRH was instituted, Giaimo warns against the undue influence of special interests and experts, and recommends that uncontrollable spending provisions be brought into line. Shuman (1988, p. 298) asserts that if there is anything to be learned by the 1974 and 1985 reforms, it is that "in the American political system, based on Madisonian democracy, no tinkering with ’process’ can substitute for a general political consensus on major substantive matters."

Oleszek (1989) discusses ways in which GRH has affected the budget process. He holds it has slowed the rate of growth of Federal spending and changed fiscal dialogue. Its weaknesses include exempting most of the budget from sequestration and, because GRH is linked with economic forecasts, (p. 74) "GRH's deficit levels can be met on paper with 'blue smoke and mirrors' while the actual deficit continues to grow far beyond expectations." 0MB director James Miller (1987, p. 14) believes that "GRH represents a major innovation on our political landscape, and, in my view, has had a very important effect on the budget as well as the budget process." Axelrod (1988), who traces the effect of the 1974 and 1985 reforms on budget, authorizing, appropriations, and tax committees together with its impact on legislative oversight of the administration, states the following about GRH (p. 149):

"In practice, the Balanced Budget Act fared no better than the 1974 Act. Congress missed the new timetables by wide margins. It failed to meet the deficit reduction targets. The legislative- executive deadlock on budget policy intensified. Across-the-board cuts proved to be an essentially irrational approach to budgeting. Deficits continued to dominate the national political agenda and to unnerve financial markets. But a divided Congress failed to come to grips with the underlying causes."

Despite the momentary euphoria surrounding the near-on-time passage of the 1989 Federal budget, and notification by OMB director Miller that the budget fell within the $10 billion leeway allowed by GRH (*Congressional Quarterly Weekly Report*, 1988), other factors were less promising. For one, the Reagan administration reported on Friday, October 28, 1988 that the final accounting for fiscal 1988 showed a deficit of $155.1 billion, a $5.4 billion or 3.6% increase from fiscal 1987’s $149.7 billion deficit. Second, with the 27th deficit in the last 28 years (the only exception being 1969, when government revenues exceeded spending by $3.2 billion), the national debt stood at $2.61 trillion *(Wichita Eagle-Beacon*, 1988). Third, it appears that even the revised GRH deficit targets were not met. The 1988 deficit was $11.1 billion over the $144.0 target. The target for fiscal 1989 is $136.0 billion. When the administration presented its 1989 budget to Congress last January, 0MB estimated the budget deficit would be $129.5 billion *(New York Times*, 1988), but the figure stood at $145.455 billion as of October 15, 1988 *(Congressional Quarterly Weekly Report*, 1988). That Congress and the White House are no longer subject to GRH penalties does not guarantee, given recent experience, that spending will hold at the agreed-to levels. Overall, spending from 1980 to 1987 increased 23% (*The Washington Post National Weekly Edition*, 1988).

III. EXECUTIVE BRANCH BUDGET REFORMS

There have been three major efforts by different presidential administrations to improve budget planning, execution, and oversight. Each sought to overcome traditional budget impediments, which are identified by Mikesell (1986, p. 155) as "(1) the administrative department basis for budget requests and appropriation; (2) the short-period concept for costs in budget consideration; (3) the focus on agency inputs rather than products or outputs; and (4) the absence of comparison of project costs with project benefits."

In 1965, President Lyndon Johnson announced that the planning-programming-budgeting system, previously used in the Defense Department, was to be applied to civilian agencies. He describes the goals of the system below (Johnson, 1966, p. 916): "This program is aimed at finding new ways to do jobs faster, better, less expensively; to to insure sounder judgement through more accurate information; to pinpoint those things we ought to do more, and to spotlight those things we ought to do less; to make our decision- making process as up-to-date as our space- exploring equipment. In short, we want to trade in our surreys for automobiles, our cannon for new missies."

The general characteristics of PPBS are outlined by Ott and Ott (I972). They include the following:

1. Specification of objectives: PPBS would focus on goals to be achieved rather than on the amount of money to be spent. The program budget was then developed on agencies' particular goals and objectives.
2. Specification of alternative means of achieving objectives: After identifying its goals each agency specified alternative methods for achieving those goals. Many different alternatives would be developed.
3. Analysis of costs and benefits of alternative means: Each policy alternative was analyzed and costs and benefits were assigned. The alternative with the greatest benefit and least cost was selected.
4. Systematic use of analysis: If PPBS is to be successful, analysis needs to be conducted throughout the process and extend into future years. Future planning is emphasized.

PPBS was most successful in the departments of Health, Education, and Welfare (HEW) and Agriculture, and the Office of Economic Opportunity, according to Harper, Kramer, and Rouse (1969). They summarize the factors contributing to PPBS's effective implementation (p. 624):

1. A sufficient number of analysts were assigned to both bureau and agency level staff.
2. The analysts were well-qualified.
3. The analytic effort had access through the formal organizational structure to the heads of the agencies and bureaus, to program managers, and to lateral, particularly budget, staffs.
4. The informal relationships between analytic staffs and agency heads, program managers, and lateral staffs supported the analytic effort.
5. Agency heads strongly supported the development and use of analytic outputs.
6. The general attitude in the agency was that the analytic effort is primarily for the benefit of the agency rather than for the Bureau of the Budget.

Lee and Johnson (1977, p. 97) state that PPBS was "developed internally in each agency with only a modicum of coordination from the Bureau of the Budget or OMB." LeLoup (1986, p. 277) explains that the Bureau of the Budget "lacked commitment to PPB because the new budgeting system was imposed from the top. Many veteran officials were as resistant to the new system as many agencies were. As a result, the bureau often failed to encourage the agencies to make an honest effort at implementation."

Other problems eventually led to the demise of PPBS. LeLoup (1986) asserts that PPBS was not suited to some agency needs, and that certain agencies were resistant to PPBS, particularly in middle-level management. He states that (p. 278) "some agencies made honest attempts to use analysis in their budgetary decision-making while many only went through the motions." Harper, Kramer, and Rouse (1969) found the six agencies making least progress with the new budget system were Commerce, Housing and Urban Development (HUD), National Aeronautics and Space Administration (NASA), Post Office, and Transportation. In a separate study, Mosher (1968) evaluated the failure of PPBS in the State Department, noting that the president and Secretary of State did not provide (p. 24) "continuing indication of support" necessary for the program to take hold. Jernberg (1972) contends that PPBS took no account of Congress, causing unprepared House and Senate appropriations committees to ignore PPBS materials submitted to them and demand a return to line-item procedures. Mikesell (1986, pp. 151-152) delineates three problems with program budgets, including "(1) many public activities contribute to more than one public objective and the best programmic classification for them is not always apparent...(2) cost estimates for programs may be less meaningful for public decisions than imagined... and (3) program budgets may have little public impact on decisions." LeLoup (1986, pp. 277-278) observes that PPBS quite simply "failed to penetrate the routine of budgeting. PPB reformers tried to impose a very formal structure over the existing budget process and it was not accepted...while the formal system of PPB failed, many of the best ideas reappeared in the subsequent budget reforms that were initiated in the 1970's."

The second executive branch budget reform, Management by Objective (MBO), was implemented in the early 1970s by the Nixon administration. Tosi and Carroll (1975) propagate three activities involved in MBO: goal setting; participation; and feedback. Aplin and Schoderbek (1979, p. 104) describe the MBO system below:
"The management by objectives process employed by managers and administrators is in essence a management cybernetic system. In theory and practice, the minimum requirements for a cybernetic system are the definition of a system's 'goal' (desired state), the development of means or capabilities to attain the goal (transform unit), the establishment of criteria to evaluate goal attainment, and finally a system designed to monitor or measure the

output level or the system's achievements. This cybernetic model can be employed to detect deficiencies in an MBO program and 'fine-tune' an existing MBO program."

LeLoup (1986) asserts that the requirements for MBO were less rigid than PPBS; it was intended to be more decentralized than PPBS and not all agencies were included in its implementation. Brady (1975) analyzes the effect of MBO on the Department of Health, Education, and Welfare. He lists several short-term benefits from HEW's adoption of MBO, and states that it was responsible for improvements in overall management. On the other hand, he found (p. 481) "the primary constraint to the success of MBO at HEW has been an attitude on the part of some managers that the regular attention required of them by such a system is either (a) not consistent with their roles or (b) not as effective a way to manage as some other approach." Overall, Brady warns that if MBO is not employed as a vital part of running an organization, (p. 485) "it will atrophy and become useless." Many of the same reasons why PPBS failed as a budget device are cited for the downfall of MBO. Rose (1979) blames the wide variance in the clarity and logic of objectives sent to agencies by OMB, and OMB's own loss of interest in the budget technique, as major factors in MBO's decline. He surmises that (p. 216)

"the best explanation for the loss of OMB interest in management by objectives is their discovery that it was only an apolitical reform. Analysis of presidential objectives filed by agencies with the OMB shows that 81% for 1973 and 80% for 1974 were apolitical. The objectives were noncontroversial, because they referred to consensual aims...The absence of controversy made such objectives safe for bureaucrats to present to political superiors. But it also meant that busy Executive Office staff had no positive incentive to take an interest in them, and paid a high opportunity cost in time to monitor noncontroversial achievements of government, when there were many controversial issues to seek to influence."

Aplin and Schoderbek (1979) hold that the shortcomings of MBO included misinterpretation of strategic goals, performance criteria not reflective of objectives established, and the logistical problem of information gathering, storage, and retrieval. Finally, Levinson (1975, p. 500) criticizes MBO because of its "reward-punishing psychology that serves to intensify the pressure on the individual while really giving him a very limited choice of objectives."

The third budget reform adopted in the executive branch was zero-base budgeting (ZBB), adopted by the Carter administration in 1977. According to Mikesell (1986, p. 152), a ZBB system "annually challenges and requires defense of all agency programs. The system does not presume that an agency will receive at least its prior year's appropriation level." In 1977, OMB reported the following objectives for ZBB:

1.Involve all managers at all levels in the budget process.
2. Justify the resource requirements for existing activities as well as new activities.
3. Focus the justification on the evaluation of discrete programs or activities of each unit.
4. Establish, for all managerial levels in the agency, objectives against which accomplishments can be identified and measured.
5. Assess alternative methods of accomplishing objectives.
6. Analyze the probable effects of different amounts of performance levels on the achievements of objectives.
7. Provide a credible rationale for reallocating resources, especially from old activities to new activities.

LeLoup (1986, p. 280) states that the title of this budgeting system tends to mislead the public. When agencies are asked to submit a minimum level of services, "this may be 75 to 85 percent of current funding." Taylor (1979) identifies the three basic elements of ZBB as (1) creating decision units; (2) analysis of decision units and the formulation of decision packages; and (3) ranking. Taylor (p. 156) asserts that ZBB must also be evaluated after its initial implementation: "Priorities may be reviewed to ensure that they are still relevant, decision units may be added or deleted as appropriate, new decision packages may be formulated to meet newly identified needs, and cost and output data may be refined and updated."

Mikesell (1986) discusses the potential strengths of the system, such as consideration of alternative delivery devices; requiring a review of priorities throughout an organization; and forcing an evaluation about the objectives of agency activities. Alternatively, Mikesell mentions the volume of paper used in package development; the possibility of contrived performance information; ZBB's failure to compare service costs with service worth; and the fact that all spending activities are not amenable to zero-base procedures as problems in its use. Taylor (1979) cites interest on the national debt; entitlements such as social security and veterans' benefits; long-range procurement and construction programs; and national security and foreign affairs as examples of areas where ZBB would not work, though he believes the system could be used effectively in agencies providing services to the government; where the government acts directly as the provider of service; and in formula and project grant programs. Taylor recommends that (p. 161) "ZBB be viewed as an approach to resource allocation rather than as a uniform set of procedures to be applied by rote regardless of the nature of the program, organizational level, or management's needs."

Scholars assessing the impact of ZBB give it mixed results. Mikesell (1986, p. 155) postulates that "whether it contributes to or hinders the decision process is uncertain, but some key elements have survived a presidential transition. The Carter administration introduced Federal ZBB, and the Reagan administration ended the name, but decision units, variable funding level documentation, and priority rankings remain. As with PPB, the name died, but useful practices continue in the budget system."

But LeLoup (1986, pp. 280-281) has a different perspective:

"In the first few years, the results were hard to find. Most of the budget items were funded at or slightly above current service levels. Unlike PPB and MBO, ZBB was rapidly adopted by the bureaucracy and became part of the routine of budgeting. No separate offices were developed and ZBB used the same data used in regular budget preparation. But this ease of implementation can be explained by the fact that ZBB did not change the way budgets were made. The result is that ZBB did not have much of an impact on the budget...ZBB, MBO, and PPB were quickly fading memories by the 1980's...Compared to PPB, MBO, and ZBB which had little impact on the budget, top-down budgeting in the Reagan administration had a dramatic effect on the size and scope of agency operations."

Shick (1979, pp. 229-230) holds that although ZBB has produced "worthwhile managerial efficiencies in federal agencies,...ZBB will have to move to more fundamental program issues if it is to have much staying power." He contends that President Carter's 1979 budget, which advocated a multiyear budget framework, is an admission of the limitations of ZBB. Shick (1979, p. 230) adroitly sums up the executive branch budget reforms reviewed above: "For budget watchers who have seen a parade of innovations and fashions over the past thirty years, the road from ZBB might lead back to PPB." The possibility that less comprehensive reforms can cure the problems of the contemporary Federal budget process, and particularly the deficit, is debated in the next section.

IV. EVALUATING PROPOSED REFORMS

There is no dearth of ideas for improving the Federal budget process and reducing the deficit. What is at issue is the feasibility and impact of reforms. Dunn (1987), after detailing the conditions and complications of the Federal budget deficit crisis, outlines political, educational, structural, constitutional, and policy solutions. Political ideas encompass a bipartisan economic summit and political campaign reform. Whereas the latter change seems remote, the bipartisan economic summit proposal has been realized in two ways. First, Congress and the president held joint discussions in the Fall of 1987, which led to agreements on spending levels in many areas. The meetings have been credited with accelerating the budget process during 1988. The second example of bipartisan cooperation in deficit reduction is the recently created National Economic Commission, a blue-ribbon panel of 12 members who have been *(Time,* 1988, p. 50) "given the deadline of March 1, 1989, and $1 million to produce a politically acceptable fiscal blueprint for the next Administration and Congress."

By Fall 1988, however, this panel was in turmoil. According to the *Wall Street Journal* (1988, p. 1) "the growing discord among members of the National Economic Commission demonstrates that while budget deficits have narrowed in the last two years, the politics of dealing with the deficit have become increasingly difficult." Hopes for a unanimous set of recommendations have be abandoned. The commissioners disagree on tax increases and whether to use the surplus in social security trust funds to trim the deficit. Since President-elect George Bush opposed the creation of the commission in the first place, the utility of this reform remains in doubt.

The educational solutions suggested by Dunn (1987) are media coverage of economic issues and economic education in the schools. He reasons that (p. 7) "in a democracy, the people need information to make decisions, and they are dependent upon the media to provide that information most of the time. Thus, people cannot bring pressure to bear on Congress to cut the deficit until they know how it is affecting them." This proposal was supported by the *Cleveland Plain Dealer* in a July 1987 editorial which stated that (p. 4E) "the need for political reform and budgetary education remains the highest priority."

Dunn (1987) divides structural solutions into those which could be initiated by Congress on the one hand, and by president on the other. Legislative reforms include centralization of the committee process; revenue neutral requirement; two-year budget cycle; omnibus appropriations bills; creation of standard data base; statutory inducement to congressional action; and procedural encouragement of bipartisanship. Executive reforms to tackle the Federal budget deficit include a creation of a Department of Economic Affairs and a dialogue on monetary and fiscal policy. Perhaps the reform which has been debated the most of those above is the proposal for a two-year budget cycle.

LeLoup (I986) argues that this change would provide both authorization and appropriations committees with additional time for more scrutiny, but could on the other hand (p. 239) "increase the uncertainty in establishing budget totals already inherent in the process." A *Cleveland Plain Dealer* editorial states that (1987, p. 4E) "the lack of annual deadlines might encourage the process to become less efficient, and encourage even greater procrastination and stubbornness in Congress and the White House." An American Enterprise Institute analysis of budget reform proposals contends that while the two-year budget cycle would have a significant effect on the budget process (1985, p. 45), "there is disagreement on whether it would make better use of congressional time, on its impact on budget control and on whether it can be correlated accurately with economic conditions."

President Reagan advocated biennial budgeting in his 1988 State of the Union message. He claims that *(Weekly Compilation of Presidential Documents,* p. 94) "a 2-year budget cycle offers several advantages—among them, a reduction in repetitive annual budget tasks, more time for congressional oversight and consideration of key spending decisions in reconciliation, and fewer gimmicks, such as shifting spending from one year to the next."

Dunn (1987) forwards two constitutional solutions to the federal budget deficit—a line-item veto amendment and a balanced-budget amendment. The balanced-budget amendment reform is supported by President Reagan. In his 1988 State of the Union message, he states that *(Weekly Compilation of Presidential Documents,* p. 92) "the political process's inability to overcome inertia, along with the persistence of special interests has led many Americans to despair of achieving budgetary balance without constitutional reform. That is why 32 States have applied to the Congress to call a constitutional convention for the purpose of proposing a constitutional amendment to require a balanced budget—only two States short of the number required by Article V of the Constitution."

The AEI analysis maintains that (1985, p. 58) "proponents and opponents of a balanced budget amendment to the Constitution disagree on whether such an amendment is needed, on the wisdom of writing economic policy into the Constitution, and on the impact such an amendment might have on the U.S. economy." Raymond Saulnier, former chairman of the President's Council of Economic Advisors, declares that although this reform proposal would have an (1988, 158-159) "anti-deficit effect," it should be rejected nonetheless. He cites several reasons for his position, including the claims that a balanced budget is not always what the economy needs; an amendment would not guarantee zero-deficit; and that it is not clear that a constitutional amendment "could deal adequately with the central concepts of the budget or with the usual practices of budget making without being written in language so technical as to make it an unseemly addition to a document that is on the whole written simply and felicitously."

LeLoup (1986) likewise mentions drawbacks of the balanced budget reform. For one, although supporters point out that every state except Vermont currently requires a balanced budget, critics of the proposal posit that most states have capital budgets where deficit financing occurs apart from the operating budget. Secondly, having to adhere to such an amendment in a recession or wartime could undermine national policy. Thirdly, opponents doubt whether the amendment would be enforceable, and raise concerns about involving the judicial branch in addressing budget disputes. Critics finally note, according to LeLoup, that this reform proposal would eliminate the option of using fiscal policy to stabilize and stimulate the economy.

The AEI analysis states that (1985, p. 60) "arguments for and against the adoption of a line-item veto can be divided roughly into two categories: issues relating to the balance of power between the executive and legislative branches, and arguments on the efficacy of the line-item veto as a way of reducing deficits." On the first point, whereas some argue that Congress has subverted presidential power by attaching riders to funding measures or passing appropriations bills very late in the session, thereby forcing the president to accept a bill with objectionable features or reject it in its entirety, opponents propagate that the existing veto power is a potent tool, and that granting the president an item-veto power would increase his political leverage at the expense of Congress. An example of the last point is provided by LeLoup (1986, p.286): "An executive can threaten to item-veto a project in a legislator's district if that legislator does not support him on other legislation."

Fisher (1987, p. 26) critiques another argument on behalf of an item-veto power, the fact that 43 state governors presently possess the power:

"Although the states function as 'laboratories' to test social and economic programs, the item veto is not easily plucked from the states and engrafted onto the national government. The item veto is sustained by a unique culture in the states and cannot be severed from it. State constitutions differ markedly from the Federal Constitution, especially in their distribution of executive and legislative powers. A much greater bias exists against legislators in the states that at the national level. State budget procedures differ substantially from congressional procedures. Appropriations bills in the states are highly detailed to facilitate item vetoes by governors. In contrast, appropriations bills passed by Congress contain few items. Appropriations are made in lump-sum. Finally, state judges have encountered chronic problems in discovering a coherent and principled theory for the item veto power. These conceptual problems might be duplicated and possibly compounded at the national level."

As to the utility of an item-veto for reduction of the Federal budget deficit, several scholars doubt its impact. Lamar (1988, p. 17) states that "spending that is truly discretionary (read politically negotiable) amounts to less than 15% of the $1 trillion federal budget. Even if the President could manage to veto $150 billion of spending from these areas, the savings would barely equal the interest on the national debt." Ornstein (1985) argues that an item-veto could increase government spending as a result of deals negotiated to protect certain programs from the item-veto. Conversely, President Reagan joins many other former chief executives in his support of the item-veto power. In his 1988 State if the Union message he pronounces *(Weekly Compilation of Presidential Documents,* p. 94) "I will forward my proposal for a line item veto. It would allow future

Presidents to remove from spending bills those items that are extraneous—without threatening the continuation of vital government programs."

Dunn's (1987) last set of solutions to eradicate the Federal budget deficit concern joint policies by the president and Congress, including a freeze on present spending levels; a moratorium on new programs; devolution to states of selected Federal programs; privatization of Federal programs; and increased revenues. Alan Reynolds (1988, p. A15) comments on the feasibility of the first point above: "It should prove reasonably easy to limit increases in spending to about 4.1% a year after 1989, as Vice President Bush proposes, since current policies have increased spending by only 4.5% a year from 1985 to 1989."

There have been a plethora of comprehensive proposals advanced to reduce the Federal budget deficit. Blustein (1988, p. 21) offers a formula of progressive spending cuts and tax increases which are designed to cut the deficit by about $28 billion per year to achieve a $3.8 billion surplus in 1993. *Time* magazine (I988), based on a projected Federal deficit of $128 billion in 1992, recommends raising $79 billion on revenue through four-year increases in selected individual income taxes, corporate taxes, excise taxes, and in fees for ports and waterways. Likewise, the magazine identifies $49 billion in cuts over four years to produce a balanced budget. A deficit reduction game referred to as Debtbusters II, created by the Roosevelt Center for American Policy Studies (1987), includes a worksheet which specifies five-year savings in 41 different programs. If all of the defense and foreign aid cuts, social security, Medicare, Federal retirement reductions, domestic program decreases and tax increases were adopted, they would result in a one-year savings of $100.12 billion, or $500.6 billion over five years. The *New York Times* (1988) reports the findings of a recent Gallup poll survey, which queried 3021 Americans about their views on the Federal budget deficit. The survey found that 59% of respondents think the deficit is a "bad thing." Given a list of 20 deficit reduction measures, majorities favored but three: a tax increase for people earning over $80,000 per year (64%); and tax increases in alcohol (65%) and tobacco (61%) products. Spending reductions such as cutting defense expenditures (37%), freezing all but the most vital programs (36%), and freezing all spending (36%) are supported, but cutting Medicare benefits (49%), reducing spending on public education (43%) and eliminating COLA increases for social security recipients are strongly opposed (36%). Of six new proposals to deal with the Federal deficit, including legalizing marijuana and taxing its sale; selling national parks; legalizing gambling; selling strategic oil reserves; selling national wilderness areas; or creating a national lottery, majorities oppose all except the last, which is favored by 59% of respondents. Overall, the results mirror nationwide support for entitlement programs and for some tax hikes, though these probably offset one another. A national lottery, like many of the single reforms proposed above, appears only wishful thinking for the time being.

V. CONCLUSION

A *Wall Street Journal* article (Seib and Wessel, 1988) reports that if the next president does not revise current budget policies, spending will increase to about $1.4 trillion by 1993, or 24% above current levels. The ramifications of such spending will be far-reaching.

This scenario is indeed gloomy, for it portrays a nation of the brink of fiscal failure. Indeed, the Federal budget deficit has already significantly altered policy-making and the lives of those who make and influence policy, according to Lawrence Haas (1988, p. 1460):

"In a sense, cultures are defined by the problems they face. For Washington, the deficit has become an all-consuming problem of perhaps unprecedented proportions. It establishes limits, if not straightjackets, for policy-makers in the White House, Congress, and the private sector. It shapes the day-to-day lives of lawmakers. It sets the strategies of lobbyists, and it limits their aspirations. The deficit culture that has grown up around this problem has a distinct, undeniable tone: tentative, defensive, penurious, frustrated, gloomy. Issues that were once tackled with gusto are sidestepped, put off for another day or handed off to others. Supporters of existing programs withhold ideas for improving them for fear that negotiations could lead to cuts. Time is spent protecting the status quo."

Given these realities, we have only one alternative: there must be a change in attitude as well as behavior. American citizens must become educated about the Federal budget so that they can join elected officials in battling the forces of the deficit dilemma. Together, we have got to set priorities and be willing to sacrifice to achieve these ends. But there is no reason not to be upbeat about the challenge. For a zero-deficit is likely to lead to economic prosperity and national well-being. The task needs to begin now.

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