Since 1998, budgeting reforms at the federal level have unraveled extensively. The budget process has become ad hoc, fragmented, and opaque, balance has been elusive, and the failure to prioritize has become endemic. One cause was the mismatch between the budget process in 1998, which was designed to eliminate deficits, and the emerging budgetary surpluses of that time. A second contributing factor was the desire to reduce taxes while expenditures were increasing as a result of wars and natural disasters. The consequences of this great unraveling include the failure to fund Medicare and Social Security adequately when the opportunity was presented, as well as threats to constitutional and democratic governance. Renewed reform may require greater transparency and a willingness to embarrass elected officials with iconic stories.

Ideally, budget documents should be transparent and inclusive, and revenues should equal or exceed expenditures. The decision-making process should be predictable, and the publicly approved budget should be implemented with as few changes as possible. Public money should be spent efficiently, effectively, and honestly, and to that end, budgeters should examine and prioritize claims carefully.

Since roughly 1998, the federal government has retreated from these norms of budgeting. Deficits reappeared, followed by a flourishing of budget gimmicks. The number of budgetary earmarks grew beyond the ability of legislators to evaluate and prioritize. Some of these earmarks have been revealed as rewards for financial donors, contributing to the impression that government is corrupt. The budget process has become much less predictable and accountable. In addition, the federal budget has become more fragmented and has lost some of its transparency. Post-9/11 defense and intelligence activities increased the size of the black budget, providing pockets of secrecy in which other activities could be hidden. Continuing increases in contracting out have removed large chunks of the budget from public view, further eroding the openness of the budget.

How did budgeting unravel so quickly and so thoroughly? What can be done to bring national-level budgeting closer to the professionally accepted norms?

The Return of Chronic Deficits
Between 2000 and 2002, the budget swung from surpluses to deficits. Spending was pushed up by a series of disasters, including the terrorist attacks of 9/11 and several hurricanes, and then was increased further by wars and the passage of a new Medicare prescription drug program. At the same time, revenues were lower than they otherwise would have been because of reduced tax rates and the elimination of some taxes altogether. Reducing taxation at a time of rising costs suggests a loss of fiscal discipline.

Table 1 shows the turnaround from surpluses to deficits. Economists consider the difference between the aggregate amount of revenue and the aggregate amount of expenditure as the relevant measure of the size of the deficit because that figure represents the impact on the economy. This gross deficit, which includes Social Security surpluses, is represented in the first column. Because Social Security surpluses are technically “off budget,” that balance arguably should not be used to pay for operating deficits or to make them look smaller. The second column, which measures the deficit without Social Security balances, reflects this budgetary (as opposed to economic) perspective. The third column shows the size of on-budget deficits as a proportion of the size of the economy.

Between 2000 and 2005, revenue declined from 20.86 percent to 16.82 percent of gross domestic product (GDP) while spending increased from 16.13 percent to 18.62 percent of GDP. The tax reductions contributed more to the deficits than did homeland security–related increases in spending. In all, 37 percent of the change can be attributed to increases in defense and homeland security, 15 percent to increases in domestic discretionary and entitlement programs,
The Great Unraveling

and 48 percent to reduced taxation (Carlitz and Kogan 2005).

The Unraveling of the Budget Process

From 1990 to 1998, the Budget Enforcement Act governed the federal budget process. The law provided spending caps for discretionary domestic spending and required that decreases in revenue or increases in entitlements be offset with additional revenue or cuts in entitlement spending. Implementation was not perfect, but the law strengthened the norm of balance by increasing the expectation that increases in one area had to be offset by decreases somewhere else. Supplemental appropriations were not exempt from this discipline, except for genuine emergencies. The rule reduced the temptation to slip all kinds of expenditures into supplemental appropriations because legislators had to propose cuts to fund the earmarks or program expansions they were proposing, implying that their projects were more important than those of other legislators or programs that helped larger numbers of people or protected the environment. For a number of years, this limit on emergency supplemental appropriations was generally observed, but when budget balance was achieved, the exception for emergencies began to be abused and the requirement for offsets ignored.

When the Budget Enforcement Act lapsed in 2002, it was not renewed. The budget process defaulted to the 1974 Congressional Budget Reform Act. The key feature of that act gave Congress the ability to check the underlying assumptions in the president's budget proposal and create its own briefer budget proposal in the form of a concurrent resolution. A concurrent budget resolution is an agreement between both houses that guides the appropriation process by providing spending ceilings and priorities among major governmental functions. The concurrent resolution can take the president's budget proposal as guide, or it can make substantial changes in the president's priorities and totals, but it must be identical in both houses.

However, neither the House nor the Senate was able to approve a concurrent budget resolution for fiscal years 2003, 2005, or 2007, three of the five years since the end of the Budget Enforcement Act. The result does not necessarily leave Congress without any budget guidance as it passes appropriations legislation, but the lack of a concurrent budget resolution makes the process less predictable. The default position if there is no concurrent budget resolution and if no action is taken to create some kind of substitute is for the last passed budget resolution to hold. Normally, in the absence of a concurrent budget resolution, each house will pass a deeming resolution, taking a figure such as the total in the president's budget proposal or the total from the budget resolution passed in that house of Congress in that year—or even the total passed in the other house—as the new total for allocations so that the appropriations process can begin. The deeming resolution substitutes for the budget resolution in the budget process. If the House and Senate adopt substantially different deeming resolutions, resolving the differences later can be difficult.

The congressional budget process has been highly variable from year to year and difficult to follow. Consider, for example, the action in 2006 in the House (for fiscal year 2007). The House was unable to pass a budget resolution before the April 15 deadline because of a narrow split between Democrats and Republicans and policy divisions over the deficit and cuts in social services. The appropriation process can begin without a budget resolution if the House passes a deeming resolution, taking a figure such as the total in the president's budget proposal or the total from the budget resolution passed in that house of Congress in that year—or even the total passed in the other house—as the new total for allocations so that the appropriations process can begin. The deeming resolution substitutes for the budget resolution in the budget process. To do that, however, the House needed agreement on totals that it was unable to produce in the budget resolution. Instead, in order to give themselves some time to come to agreement on the overall totals, the House “deemed” on an appropriation-by-appropriation basis. That is, each appropriation that came up was given, or deemed, a spending cap within which to work, even though the sum of those appropriations had not yet been agreed upon (Cohn 2006). This way of proceeding defies the intent of the Congressional Budget and Impoundment Control Act of 1974, which was to first determine the totals and then to work out the details consonant with the broader picture.

In mid-May, the House was finally able to pass a budget resolution, but as there had been no conference with the Senate, there was no concurrent resolution and no enforceable spending limits.

Table 1 Growth of Federal Deficits (billions of dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Deficit/Surplus with Social Security</th>
<th>On-Budget Deficit/Surplus</th>
<th>On-Budget Deficit as a Share of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>236</td>
<td>86.4</td>
<td>0.9</td>
</tr>
<tr>
<td>2001</td>
<td>128</td>
<td>–32.4</td>
<td>–0.3</td>
</tr>
<tr>
<td>2002</td>
<td>–158</td>
<td>–317.4</td>
<td>–3.1</td>
</tr>
<tr>
<td>2003</td>
<td>–378</td>
<td>–538.4</td>
<td>–5.0</td>
</tr>
<tr>
<td>2004</td>
<td>–413</td>
<td>–568.0</td>
<td>–4.9</td>
</tr>
<tr>
<td>2005</td>
<td>–318</td>
<td>–493.6</td>
<td>–4.0</td>
</tr>
</tbody>
</table>

An overarching deeming resolution was still needed. Rather than create an opportunity for a renewed fight by putting the deeming measure in a separate piece of legislation, the House leadership included the deeming resolution in a procedural vote on the rules for considering a completely unrelated piece of legislation (U.S. House, Budget Committee Democratic Caucus 2006).

Even when Congress passes a concurrent budget resolution, implementation of the plan has been problematic. Between 2000 and 2004, the Rules Committee in the House waived points of order on virtually every piece of appropriations legislation, even though those rules were the primary means for enforcing compliance with the budget plan (Kogan 2004). Congress has been more concerned with projecting an impression of caring about budget balance than actually doing the hard work of balancing the budget. One result has been a resurgence of budget gimmicks, such as shifting money around in appropriation bills and increased use of emergency supplemental measures that include nonemergency items (Baumann 2006). One such gimmick was employed in 2006 when, in preparation for the fall elections, House and Senate budgeters resisted some of the Bush administration’s proposals to cut domestic spending. Congress planned to take money from the defense budget for domestic programs, appearing to stay under the budget ceiling; the ensuing reduction of the Defense Department budget could be made up with a bigger emergency supplemental appropriation, which would increase the size of the deficit. More generally, the so-called emergency supplementals became a broader mechanism for spending more than budget targets on a broader assortment of programs (Taylor 2006). This deterioration of the budget process in the legislative branch has been magnified by a loss of transparency.

**Reduced Transparency**

Reduced transparency in the budget comes from increased use of gimmicks in order to minimize the size of the deficit, to make proposed expenditures look cheaper than they are, or to claim credit for deficit reduction or avoid blame for programmatic cuts. Transparency is also a victim of the increased size of the black, or secret, portion of the budget, as well as the increased amount of contracting with the private sector. The increased use of tax breaks makes it difficult for the public to see and understand budget choices and for budgeters to make intelligent prioritization decisions.

**Gimmicks**

The lack of budgetary balance has led to considerable sleight of hand. Tax-reduction proposals have been scored in a misleading fashion, making them look as if they would not cost anything; the implications for out-years have sometimes been dropped from the budget, making future costs appear to vanish. The unified budget has been fragmented by placing unpredictable costs of the wars in Afghanistan and Iraq into supplemental appropriations put forward just after the regular budget is proposed. The president’s policy proposal for privatizing Social Security was initially represented as a solution to Social Security’s funding problems, when in fact it would substantially increase Social Security’s financial woes.

**Tax Expenditures**

Tax expenditures represent revenue the government does not collect that it would otherwise be owed if it were not for tax breaks. Tax expenditures are relatively less visible than direct spending, especially because their costs may increase in later years, beyond the budget horizon. The real costs may not be visible at all.

At first glance, tax expenditures do not appear to be symptoms of a budget process gone wild because estimates of revenue lost to tax expenditures have begun to come down in the last few years. The costs have come down because of changes to the tax structure, which make tax breaks worth less; however, the costs have not come down because the budget process evaluates, prioritizes, and controls tax breaks. In fact, the number of tax breaks per year has been increasing. In 2005, the Center for American Progress reported the average number of tax breaks in each of the past three presidential administrations: For the George H. W. Bush administration, the average number was 1.5; during the Bill Clinton administration, the average was 3.4; and for the George W. Bush administration, the average was up to 5.3 per year (Irons and Power 2005). In 2004, nine new tax expenditures were added (GAO 2005), and the executive budget proposal listed 22 new or expanded tax expenditures passed in 2005 (OMB 2006, 203).

The increase in the number of tax expenditures is problematic, in part, because tax breaks sometimes operate as spending earmarks—as a way for political incumbents to earn support by giving benefits to local industries or particular supporters. This possibility can lead to corruption as companies seeking tax breaks donate to politicians’ campaigns or take legislators on golfing trips in the hope of winning support for their petitions. When they function as favors for supporters, tax breaks may be embedded in unrelated legislation or otherwise blocked from scrutiny.
Tax breaks are not routinely compared with direct spending and hence escape budget prioritization. They are not included in either the Government Performance and Results Act or the more recent Performance Assessment Rating Tool evaluations, and thus they are not reviewed regularly in terms of whether they are achieving their goals. They are not included in spending caps, and though they represent revenue losses, there is no requirement that they be offset by revenue increases elsewhere or reductions in spending. The total amount of money lost to the Treasury, despite the recent reduction in the tax rates, is more than $700 billion a year—several times the size of the annual deficit. A recent Government Accountability Office report argued, “Although tax expenditures are substantial in size, little progress has been made in the Executive Branch to increase the transparency of and accountability for tax expenditures” (GAO 2005).

The Black Budget
The term “black budget” refers to the portion of the budget that is kept secret. All spending for intelligence gathering and analysis is in the black budget, as are some costs for weapons development and acquisition. The size of the black budget has been growing rapidly. Recent estimates of the intelligence portion are about $44 billion; estimates of secret weapons programs have been running at about $29 billion (Shane 2005; Weiner 2005). Items in the black budget are not available for public scrutiny or debate, and they do not compete with other projects or programs in terms of priority. A minimal amount of oversight is provided by inspectors general and the Government Accountability Office, but often the results of their investigations are not public.

Because of the lack of scrutiny, it is tempting for politicians to put into the black budget items that do not have to be there for national security purposes. In recent years, earmarks have been inserted into the black budget in order to hide them from public view. In the past, intelligence committees abided by a norm that prohibited them from inserting pork into the secret budget, but according to a former inspector general for the Central Intelligence Agency, because of a breakdown of budget discipline, they have begun to ignore their own norms (Snider 2003).

Contracting
Contracting out increased during the Clinton administration, but the George W. Bush administration has made further increases in contracting a major priority. As a result, the amount of contracting has been expanding rapidly over the last few years. Between 2000 and 2005, “Spending on federal contracts grew over twice as fast as other discretionary federal spending” (U.S. House, Committee on Oversight and Government Reform 2006). In its database on grants and contracts, called FedSpending.org, OMB Watch shows that contracts rose from 11 percent of total federal spending in 2000 to more than 20 percent by 2004 (OMB Watch 2006; see also www.fedspending.org). As contracts take up larger proportions of government budgets, the problems of public accountability and the measurement of efficiency and effectiveness multiply.

Rebudgeting and Unpredictability
Ideally, budgets are determined before the beginning of the fiscal year and last for a whole year. But if the budget is not passed on time, last year’s budget may be extended for weeks or months into the new fiscal year, and if there are many large supplemental appropriations, the budget does not, in fact, last anything close to a whole year. Add to continuing resolutions and supplemental appropriations a third way of reshaping budget allocations during the year—reprogramming. The latter tends to have the additional problem of being hard to detect, even for congressional oversight committees.

Continuing Resolutions
When there is disagreement among legislators or between legislators and the president about budget totals and how those totals should be allocated, it is difficult for Congress to pass the budget resolution that guides its decision making, and it is equally difficult to pass the separate appropriation bills in a timely fashion. Knowing that the budget is not balanced seems to further drain enthusiasm for getting the task done. One result is that Congress must pass continuing resolutions to keep agencies funded. These continuing resolutions usually

Because of the lack of scrutiny, it is tempting for politicians to put into the black budget items that do not have to be there for national security purposes. In recent years, earmarks have been inserted into the black budget in order to hide them from public view.
state that an agency may only spend what it received the previous year, but they may specify that the funding for a particular appropriation will be at the level already approved in one committee or House. While they fund the agencies, such continuing resolutions avoid the work of examining expenditure proposals and prioritizing them according to need.

When there are a series of continuing resolutions, each lasting a different amount of time and at different levels of spending, predictability suffers. Agency managers may not know their budget levels from week to week—sometimes even from day to day—and this process may go on for months. While agencies are covered by continuing resolutions, their administrators do not know when or whether they will get a new appropriation or what the total will be. If they do get an appropriation, it may cover only three-quarters or half of a year.

Sometimes, after one or more continuing resolutions, an omnibus measure is passed, lumping the remaining unapproved appropriation legislation into one huge bill. The bill is so big and so little time is given before it comes up for a vote that many legislators who vote on it do not know what is in it.

**Supplemental Appropriations**

The weakening of the budget process and the loss of fiscal discipline has manifested itself in the growth of so-called emergency supplemental appropriations. Emergency supplementals are not offset by spending decreases or revenue increases; consequently, they contribute substantially to the growth of deficits.

Because emergency supplementals have been used to pay for the costs of the wars in Afghanistan and Iraq, they have fragmented the budget in ways that partly obscure the costs of war and the size of the deficit. The costs of these wars may have been unknown and unknowable for the first few years, but after that, with a given number of troops on the ground who need to be fed, armed, clothed, and transported, basic costs are estimatable and, in fact, are submitted to Congress shortly after the main budget proposal. The administration has preferred to fund the wars through emergency supplemental appropriations, presumably because they are difficult to delay or disagree with (we have to support the fighting men and women in the field) and provide broad spending discretion. Moreover, by treating war expenditures as unpredictable emergencies, politicians avoid questions about where the money will come from to pay for them.

When major supplementals are going to be passed and do not need to be offset, it is tempting for Congress to slide nonemergency expenditures into them as well. Items that were squeezed out during the regular appropriations process to keep spending under budget resolution caps sometimes are added back into supplemental appropriations that do not require offsets (sometimes painful trade-offs) and hence appear free. The growing amounts of supplemental appropriations are shown in table 2.

In 2005, a Congressional Research Service study called attention to the changing levels of supplemental appropriations over time:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$16,952</td>
</tr>
<tr>
<td>2001</td>
<td>$27,479</td>
</tr>
<tr>
<td>2002</td>
<td>$45,317</td>
</tr>
<tr>
<td>2003</td>
<td>$81,107</td>
</tr>
<tr>
<td>2004</td>
<td>$117,103</td>
</tr>
<tr>
<td>2005</td>
<td>$160,410</td>
</tr>
</tbody>
</table>

Supplemental appropriations began to increase after 1998, when budget balance was reached and discipline began to relax. After the demise in 2002 of the Budget Enforcement Act, which had required offsetting cuts in spending or increases in revenue for supplemental appropriations, only 0.5 percent of the supplemental budget authority was offset. These supplementals thus contributed directly to the deficit. The Congressional Research Service estimated that “if 25% of the supplemental appropriations in fiscal years 2003 through 2005 had been offset (the average offset for previous years), federal debt held by the public would have been reduced by over 1% or almost $65 billion. Presently, reducing federal debt by $65 billion could save about $2 billion annually in interest payments to the public” (CRS 2006, 2). If the costs of the wars had been presented in the regular budget and offset, the savings would have been more than twice the Congressional Research Service estimates.

**Reprogramming**

Reprogramming means taking money from one program inside an appropriation and giving it to another.
one in that same appropriation during the budget year. Though it is difficult to know the exact amount of reprogramming that goes on during the year, the amounts seem to be increasing. It is not only the wars that have required increased reprogramming of funds but also emergencies, such as hurricanes and earthquakes. Reprogramming also increases when there are budget cuts, which leave some agencies unable to function properly.

The president asked for a great deal of increased discretion over how appropriation accounts would be spent, and he received some, but not all, of what he requested. As Senator Robert C. Byrd, who worried about the prerogatives of Congress, described, “The Administration wanted to increase the Department of Defense reprogramming authority from an annual amount of $2.0 billion to 2.5 percent of its total budget, a staggering sum which would exceed $9 billion. I recommended against this large new grant of authority to the Department of Defense. Rather than provide an unprecedented $9 billion transfer authority, the legislation before us includes a $3.5 billion transfer authority” (Byrd 2003).

In 2003 and 2004, the appropriations committees made it easier for the Department of Defense to reprogram moderate amounts of money without any reporting. By the following year, however, legislators had become concerned about the amount of reprogramming that was going on because it was unclear where the money would be taken from, and the reporting was often vague, late, or lacking on major reprogrammings:

The routine use of BTRs [reprogrammings so small that they fall below the threshold for reporting], withholds [holding back authorized spending to create funds to reallocate], and taxes [exact a fee or payment from programs to cover administrative or capital costs of a higher-level unit] is increasing and becoming more widespread, affecting nearly every program. Of particular concern is that the scope and the impact of their use are not readily visible to the Committee, and in some cases, not visible to OSD [Office of the Secretary of Defense] or Service headquarters. Moreover, according to GAO the use of these mechanisms can have a substantial impact on the funding levels for specific programs, and in some cases lead to a major redirection of a program after the appropriation has been enacted. There have been instances in which cumulatively, more than 10 percent of funding for a particular program has been shifted to other purposes.

… Most importantly, the Committee is concerned that the extensive use of these practices, coupled with a failure to provide adequate visibility into their use and impact, substantially increases the risk that the Department of Defense may be circumventing the intent of the Congress. (U.S. House 2004)

Reflecting these concerns, Congress put transfer and reprogramming constraints into the Defense Appropriations Act in 2005. These constraints were customary and moderate, prohibiting the Defense Department from spending any money to prepare a reprogramming request if the purpose was routine or if the program had been previously rejected by Congress. The president rejected these constraints, arguing that he was free to move money around within an appropriation, even if Congress had explicitly forbidden spending for such purposes (White House 2005).

In sum, the terrorist attacks on 9/11 provided both a reason and an excuse for the administration to request much greater discretion about how appropriations would be spent during the year, especially for defense, homeland security, and intelligence. Although Congress did not go along with all that the administration requested, the flexibility to change the budget during the fiscal year increased, adding further uncertainty to within-year budgets and reducing the accuracy of the budget that passed Congress in full public view.

Earmarks and Pork
Congressional spending on pork has increased in recent years. Citizens Against Government Waste, a taxpayer watchdog group, identified 9,963 pork projects in the 11 appropriations bills for fiscal year 2006, costing taxpayers a record $29 billion. According to the group’s figures, the total cost of pork has increased 29 percent since fiscal year 2003 (Finnigan 2006).

The Congressional Research Service recently did a study on earmarking, which is not exactly the same as pork but an overlapping concept. They examined earmarks in each of the appropriations bills from 1994 to 2005; they did not consider supplemental legislation, however, so their figures likely underestimate the totals. According to the study, there were huge increases in earmarking from 2002 to 2005 in agriculture and transportation appropriations (CRS 2006).
With the erosion of the norm of balance after 1998, it seems there has been little control over earmarks and pork spending. There are so many earmarks, often stuck into must-pass bills or added to legislation at the last possible moment, that they routinely escape examination and prioritization.

The Importance of Budget Failures

The effect of the deficit on interest rates, though real, has not been as great as one might have predicted because foreign governments, banks, and citizens have been buying and holding U.S. debt. Thus, there has been no shortage of money to lend and little need to increase interest rates in order to attract lenders. The downside is that the United States has become so dependent on borrowing from foreign countries that the way foreign governments might use that dependence has become a concern to some legislators.

Less speculatively, the growth in the debt has increased interest payments. When mandatory interest payments squeeze out other spending, the capacity to budget—to allocate according to changing needs—is diminished. Table 3 shows net interest payments as a percentage of federal outlays from 1998 to 2008. Net interest payments are the actual dollars the government pays each year. This is the figure that actually substitutes for and takes priority over other spending. Congressman John Tanner has observed, “The federal government will spend $247 billion in net interest in 2007 and it will rank as the fourth largest spending item in the government’s budget after Social Security ($581 billion), the Department of Defense ($503 billion), and Medicare ($387 billion). Net interest on the federal debt displaces other investments…. It doesn’t educate a child, build a road or keep the nation secure” (Tanner 2006, 13).

Interest on the debt, supplemental appropriations, tax expenditures, earmarks, and the black budget all threaten the capacity to budget because they reduce the ability to prioritize expenditures. In moderation and used appropriately, they may be good on balance, but as they grow as a percentage of the budget, their negative consequences begin to outweigh their pluses. Supplemental appropriations, though supposedly only for emergencies, take a chunk of money out of the budget because these expenditures, so they argument goes, are so important that they need not be compared to other needs. Items of less urgency or importance are often mixed into supplemental appropriations precisely because the supplemental are treated as urgent. Tax expenditures are not compared to direct outlays and hence also thwart prioritization. Earmarks have been drawn out of the hurly-burly of competitive budgeting—regardless of their comparative merit—and funded.

Items placed in the black budget do not compete with other possible expenditures and receive less scrutiny than normal items, so that even failing projects may continue to be funded.

The growth of debt and the muddled and opaque budget processes that grow up to obscure deficit spending have major implications for democracy. When the rules change every year or are not adhered to, when guidelines on budget totals are buried in unrelated legislation, when expenditures are moved out of the defense budget and then funded in supplemental appropriations, and when the impact of tax cuts is erased from the budget, the process can be neither fair nor open, neither democratic nor accountable. Scholars and citizens who watch from the sidelines may have no idea who is making the key decisions or even what deliberations took place.

Deficit spending locks in current spending and policy priorities for future generations; the lack of transparency weakens accountability, making it difficult for citizens to follow what is going on, let alone hold elected officials accountable for the choices they make; and

Table 3 Net Interest as a Percentage of Federal Outlays

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>14.6</td>
</tr>
<tr>
<td>1999</td>
<td>13.5</td>
</tr>
<tr>
<td>2000</td>
<td>12.5</td>
</tr>
<tr>
<td>2001</td>
<td>11.1</td>
</tr>
<tr>
<td>2002</td>
<td>8.5</td>
</tr>
<tr>
<td>2003</td>
<td>7.1</td>
</tr>
<tr>
<td>2004</td>
<td>7.0</td>
</tr>
<tr>
<td>2005</td>
<td>7.4</td>
</tr>
<tr>
<td>2006 (estimate)</td>
<td>8.1</td>
</tr>
<tr>
<td>2007 (estimate)</td>
<td>8.9</td>
</tr>
<tr>
<td>2008 (estimate)</td>
<td>9.7</td>
</tr>
</tbody>
</table>

the weakening of checks and balances between the legislative and executive branches opens up the possibility of less accountable, less responsive, less controllable, and more authoritarian government. At the very least, it presents challenges to constitutional governance.

Over the last five years, a majority of decision makers at the national level have preferred a policy of reducing taxes, especially to the wealthy. Although that is their right, and they have been elected in part to carry out that policy, one would assume that in the future, other candidates might represent a majority opinion that is different, and those future representatives should be free to implement the preferences of those who elect them. However, they will be forced instead to keep paying for the present policy, which is funded by debt. By funding their policy preferences through debt, current elected officials lock in their decisions and force citizens of the future to pay for present policy choices. This is a fundamentally undemocratic position because the future citizens who have to pay the bills will have no say in the current policies. Moreover, by creating a huge unfunded liability in Social Security and Medicare—by not fixing those programs when the opportunity was presented—today’s decision makers will force reductions in those benefits in the future because the amount of money needed to fix them later will be so large it will be politically impossible to collect. In this way, as well, current decision makers are locking in their policy preferences for future citizens.

Democratic government is, by definition, open to public and press scrutiny. This openness is the way the public knows which policies are being implemented and whether its preferences are being followed. Although some degree of secrecy may be warranted for national security, when budget processes become too convoluted to follow, when the locus of decision making is unclear, when the participants do not know in advance what the processes will be, the minority party is disempowered, denying its supporters representation and fundamentally changing the form and operation of our democratic system, which has not been based on a winner-takes-all system of power distribution.

The adherence to agreed-upon decision-making rules is a fundamental element of democratic governance. What has come across in recent years is that providing a fair and neutral process for collective decision making is not important—that what matters is partisan policy success and locking in the winners for as long as possible. When the minority is disempowered, its members may become more insistent on disempowering their rivals when they become the majority, raising the level of partisan rancor and making budgeting more difficult.

Of particular concern are the president’s signing statements, in which he has declared that he feels free to ignore constraints on reprogramming and can move money around freely within appropriations, even against Congress’s expressed intent. By picking parts of legislation that he has signed and stating that he is not bound by them, he essentially gives himself a line-item veto that Congress and the Constitution have not given him. At this point, it is not clear to what extent the president has used these new powers that he claims for himself, but that he claims them at all is a danger to democratic and constitutional governance.

What Is to Be Done?
It is not so much that we do not know what reforms are likely to work, but that we do not know how to motivate those who benefit from the status quo to adopt and implement the necessary reforms.

The outcome of the 2006 midterm elections might set the stage for change, as voters spoke out against deficits and the corruption that fosters earmarking and tax breaks. A change in the dominant party in Congress might not bring about major reforms, but it often results in some house cleaning, revealing the financial misdeeds of the predecessors. Such revelations may lead to reforms.

Though a change of party might be helpful, the common wisdom among staffers is that without a crisis, the serious issues will not be tackled. In this model, it becomes the reformers’ role to document the extent of the problems and to precipitate action. The goal is to get reform going before an irreversible disaster hits. This is not an easy task.

Fortunately, the crisis model might not be the only one operating. Government has sometimes adopted budget process changes without an imminent crisis. One of the most successful budget process reforms, the Budget Enforcement Act of 1990, was passed, at least in part, because politicians were embarrassed. They had promised deficit reduction during the Gramm-Rudman-Hollings years but had flagrantly failed to deliver it. They either had to eat crow or do something more constructive. Because politicians will go some distance to avoid eating crow, reformers might be able to motivate change by publicizing embarrassing problems and pointing to such dramatic icons as the “Alaskan bridge to nowhere,” which was funded by earmarks. Using such instances might not be fair, in the sense that most earmarks are probably neither foolish nor corrupt; moreover, using such icons risks further public alienation, so this is not an easy tool to use well. But despite the difficulties, embarrassment could be one of the most important tools in the reformers’ kit.
Democracy is always vulnerable to politicians who want to respond to the public demand for something for nothing, simultaneously running up spending and cutting taxes, because both are popular with the public. Given this vulnerability, it is a wonder that we have ever been able to balance the budget, achieve clarity and transparency in the budget, or keep down the level of earmarking and corruption. Yet, over time, when budget processes go to extremes, the forces of opposition mass to push them back toward the center. It is not an automatic process, however, and it may need some assistance.

At one time, giving more power to the executive to prepare and present a budget proposal represented an improvement in budgeting, but if executive power over the budget is taken to extremes, it can no longer be justified as a reform: It creates a constitutional crisis. More flexibility for the executive over budget execution may be justified, but if that discretion is abused—if it is used to defy congressional intent and impose executive priorities over legislative ones—it will bring about a response limiting that discretion in some way. Broad and seemingly limitless claims of presidential power to defy congressional budget choices motivate Congress to fight back. Similarly, a moderate number of earmarks might be an appropriate use of legislative discretion, but when they are used corruptly, they can undermine public confidence, forcing legislators to work at curtailing the sources—or at least the appearance—of corruption. Thus, in 2007, Congress curtailed new earmarks for the budget year, and both houses adopted rules that will make the purpose of earmarks clearer and the authors of those earmarks known.

Reformers need to keep these pressures for equilibrium in mind and nudge the process along, maybe speeding it up. They need to monitor the motion toward extremes, informing and encouraging the opposition, and evaluating each reform proposal, guarding against symbolic as opposed to actual changes, and providing a continuing voice for openness. They need to frame the issues, using politicians’ own words to embarrass them into action. And they need to monitor the situation in the states and other countries, so as to be able to say that a little of this is probably not harmful, but the consequences of more are likely to be serious, and the consequences of several of these negative trends together are likely to be even more harmful.

One of the causes of the current decline in budgeting at the national level is the mismatch between the budget process, which is designed to eliminate deficits, and emerging surpluses after 1998. That mismatch encouraged legislators to ignore the rules, creating new processes each year as they went along. Members of Congress saw no reason to maintain the level of discipline inherent in the Budget Enforcement Act. It may be that budget processes have to be redesigned at intervals in order to ensure a reasonable match between the process and the circumstances. A periodic redesign would build consensus around the purposes of the budget process and refresh everyone’s knowledge of what has worked in the past and what has not. Such reviews might well eliminate some of the accretions of the years, simplifying the rules so that they can be understood by more than a handful of cognoscenti. They could reflect accumulated knowledge and systematic examination rather than opportunistic proposals that attempt to facilitate some short-term policy goal or shift some modicum of power from one location to another. If all the participants knew what the rules were for—and agreed to them—they would be more likely to enforce them. If they spent time and energy designing them, they would more likely be annoyed by those who evade or bend them.

Opening up the budget process periodically seems like an invitation to all-out war, but it need not be if we set some standards for what the process should look like. Along those lines, we need a better understanding of what rules are necessary for collective decision making in a two-party democracy and what rules are necessary for fairness—not just to each political party but to each generation.

Note
1. Allen Schick (1990) has noted that the rise of deficits encourages what he calls “ad hoc budgeting.” When legislators do not like the outcome of the budget process, they tend to distance themselves from that process, delaying decisions and inventing new ways of passing the budget every year.

References


The Great Unraveling


