POLICY ANALYSIS AND THE CONGRESS: AN ORGANIZATIONAL STUDY OF THE CONGRESSIONAL BUDGET OFFICE

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ABSTRACT

The Congressional Budget and Impoundment Control Act of 1974 enabled Congress, for the first time to take a comprehensive approach to the budget. The Act created two Budget Committees, one in the House and one in the Senate, as well as the Congressional Budget Office (CBO).

At the time of its creation, CBO was thought to be one of the principal mechanisms for Congress to secure a more active role in budgetary control and the setting of national priorities, since CBO was conceived in part to provide Congress with the resources to assess the policy implications of the budget.

This thesis presents an empirical analysis of CBO which focuses on two principal areas: assessing CBO's discrete impact on the balance of power through identifying the governing factors of that impact and determining the impact of CBO strategy on its ability to establish itself as a viable congressional support agency.

The thesis first establishes the background for the 1974 Act by revisiting the budget process in its historical context. Second, it recreates the environment which directly created CBO by examining the legislative process which eventually resulted in the 1974 Act. Third, CBO is examined in terms of its organizational development. Fourth, CBO is assessed in terms of how it is viewed by its principal client, the Congress. Finally, the thesis examines CBO in the context of the balance of power and in its role as a congressional support agency.

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CHAPTER 1
INTRODUCTION

Confronted with the vast array of figures in the Budget of the United States, one is likely to think of budgeting as an arid subject, the province of stodgy clerks and dull statisticians. Nothing could be more mistaken. Human nature is never more evident than when men are struggling to gain a larger share of funds or to apportion what they have among myriad claimants. Budgeting deals with the purposes of men. How can they be moved to cooperate? How can their conflicts be resolved? How can they find ways of dealing effectively with recalcitrant problems? Serving diverse purposes, a budget can be many things: a political act, a plan of work, a prediction, a source of enlightenment, a means of obfuscation, a mechanism of control, an escape from restrictions, a means to action, a brake on progress, even a prayer that the powers that be will deal gently with the best aspirations of fallible men.

Aaron Wildavsky

RESEARCH METHODOLOGY

Four years ago, the 93rd Congress passed the "Congressional Budget and Impoundment Control Act of 1974." (See Appendix B) Until that time, Congress took formal action on the budget only in piecemeal fashion. The Act requires that Congress take a comprehensive look at the budget, specifically: budget authority, outlays, revenues, and any resulting deficit. The Act called for the appointment of two Budget Committees, one in the House and one in the Senate, and gave them the central role in developing and managing the congressional budget process.

The 1974 Act can be viewed as the most recent episode in a continuing battle between the Congress and the Executive for the Power of the Purse. The new budget process works as follows: After receiving the President's budget in January, the Senate and House Budget Committees receive reports from the other principal committees in their respective houses, setting forth their views as to budget authority, outlays, and revenues within their own jurisdictions. By 15 April, the calendar calls on each budget committee to submit to its respective house a budget resolution that not only recommends budget totals, but also sets targets for outlays for each of the 16 major functional categories into which the Federal budget is presently divided. This resolution is to be based on the relative implications of alternative fiscal policies (including the President's proposed budget). By 15 May, a first concurrent budget resolution is to be worked out and accepted by both the House and Senate. Between that date and early September, the various authorizing, appropriations, and revenue committees proceed to take action on individual bills.

The Act also created the Congressional Budget Office (CBO) as the fourth support agency to the Congress, the others being the General Accounting Office (GAO), the Congressional Research Service (CRS), and the Office of Technology Assessment (OTA).

At the time of its creation, it was thought that CBO would be one of the principal mechanisms for Congress' attempt to have a more active role in the setting of national priorities.

My purpose was to conduct an empirical analysis of the Congressional Budget Office from the point of view of the balance of power and control between the legislative and executive branches of government, where the budget is seen as a key element in that process.

My inquiry is an organizational study of the sort which takes a large part of its direction from the literature on the balance of power and from Sarason's important work, The Creation of Settings.

My inquiry focuses on two principal areas:

- Discovering whether the Congressional Budget Office had a discrete impact on the balance of power, and what were the governing factors of that impact.

- Determining the impact of CBO strategy on its ability to establish itself as a viable congressional support agency.

The scope of the inquiry did not include an evaluation of the new budget process, or either of the two budget committees, all of which were mandated by the same act which created CBO. Nor have I attempted a comprehensive survey of CBO's users. (Two such surveys have recently been completed and are discussed briefly in Chapter 5.)

My intention was to try to place the birth of this new organization in a broad historical context, in an effort to uncover those forces which account for there being a Congressional Budget Office, as well as what its real significance is.

Since the great bulk of the information concerning the birth of CBO resides in the personal notes and memories of living people, my principal sources of data, in addition to examining various committee prints and draft documents, were past and present staff members of CBO, as well as past and present staff of other relevant organizations such as the Senate Budget Committee, the House Budget Committee, the Joint Study Committee on Budget Control, the Senate Government Operations Committee, the Senate Rules Committee, the House Rules Committee, the General Accounting Office, the Congressional Reference Service, the Brookings Institution, and the *National Journal*.

My primary vehicle for gathering data was structured interviews with more than 40 of the key actors involved in fashioning the legislation which created CBO, designing and setting up the organization, or interacting with CBO in the course of their work. My intention was to work my way from the outside in and from the bottom to the top; i.e., to start with the drafters of the law, move to the founding group (the implementers), then on to those in the Congress who interact with CBO on a day-to-day basis. In some instances, it was necessary to quote people by position rather than by name. This was done in an effort to be sensitive to individual reputations and professional relationships of long standing. This anonymity resulted in a candor and comprehensiveness which would not have been forthcoming otherwise.

In order to avoid introducing bias into the findings, the interviewing consisted of recording voluntary responses to a series of basic questions, including the following:

- Can you tell me a little about your background before your present position?
- Why did you come here?
- What were your expectations with respect to CBO?
- What were the organizational antecedents for CBO?
- In what principal ways does CBO differ from the other three congressional support agencies?
- What were the principal obstacles that CBO faces?
- How did you come to know them?
- What was CBO's response to these obstacles?

- o How would you define CBO's strategy?
- o What kind of time frame was CBO operating on? (What was long-run; short-run?)
- o What are the principal outputs of CBO?
- o What were the House (or the Senate) expectations concerning the Congressional Budget Office?
- o How has what happened differed from the House (Senate) expectations?
- o What accounts for the difference between the House's (or the Senate's) expectations and its experience with CBO?
- o Is there a difference between the House and the Senate with respect to their expectations for CBO?
- o What accounts for this difference in expectations?
- o How does the House (Senate) assess CBO's performance? What are its principal strengths and weaknesses?
- o What is the role of CBO-type analysis in congressional decision-making?
- o What are the appropriate performance measures for CBO?
- o Has CBO made a difference in the balance of power?
- o What accounts for this difference?
- o Has the fact that the same party now controls both the White House and the Congress affected CBO? If so, in what ways?

A bibliography of relevant books and articles, as well as an alphabetical list of persons interviewed is appended to the study.

CHAPTER 2
THE BALANCE OF POWER

There is a saying on the Hill
that Congress is slow to react
but quick to adjust.

Eugene Wilhelm

THE CONSTITUTION

The new congressional budget process of which CBO is a part, can be viewed as the latest in a series of events which relate to what is known as the balance of power. The idea of government balance is an ancient proposition, but the type which was adopted by the framers of the Constitution has its origin in the 18th century writer, Montesquieu. Montesquieu proposed that different persons exercise the different functions of government as a deterrent to the tyranny of a single all powerful individual.

The Constitution, leaning heavily on Montesquieu in this area, established the three branches of the federal government and their individual areas of jurisdiction. The three branches are independent of one another, yet a system of checks and balances ensures an interaction among the branches. Throughout United States history, however, this balance of power has more often reflected a disequilibrium rather than a perfect harmony among the three branches, particularly between the legislative and the executive. This disequilibrium represents an inherent and possibly benevolent fluidity.

Though the founding fathers (and mothers) borrowed freely from the British system of social order and jurisprudence, they proposed a very different system of managing government revenues and expenditures. The United States

Constitution states that:

> No money shall be drawn from the treasury, but in consequence of appropriations made by law; and a regular statement and account of the receipts and expenditures of all public money shall be published from time to time.
> (Article 1, Section 9)

In addition, all revenue measures must originate in the House. (This special provision was given to the House of Representatives because it was the more frequently elected of the two houses of Congress and, therefore, thought to be more representative of the people who would have to bear the brunt of the cost of government.)

The Constitution does not, however, specify whether the legislative or executive branches of the federal government should have principal responsibility for the formulation and execution of the budget. This ambiguity exists partly because the budget system of Great Britain was in its infancy at the time of the Revolution and there really was no model on which the framers of the Constitution could lean, and partly because there was a strong desire not to endow a monarch-like executive, given the recent experience with King George.

Beginning with Alexander Hamilton, the first Secretary of the Treasury, sovereignty with respect to the budget evolved without benefit of clear constitutional guidelines and has, therefore, been particularly vulnerable to pressure and redefinition. Precisely because of this vulnerability, Congress has since Washington's first term, gradually, and at times dramatically, lost control over the budgeting process. As a result, what began in 1787 as a deliberately vague assignment of budgetary responsibility evolved by 1970 into an Executive so powerful that it was termed the "Imperial Presidency"; precisely what the founding fathers had attempted to avoid.

The almost 200 years between Washington's first government in 1789 and the establishment of CBO in 1974 witnessed a series of events which strengthened the power of the Executive over the budget at the expense of the Congress. Though this shift was due in the beginning to the Constitution's omission of explicit budgetary responsibility, it was more often due to the force of personalities, politics, and to Congress' own lack of foresight in responding to issues and events.

The history of budgeting in the United States can be broken down into broad periods of time which were punctuated and shaped by critical events. In each period of time, Congress' response to these critical events almost invariably was to react in a manner which increased Executive budgetary control and diminished the control of the Congress.

Alexander Hamilton, first Secretary of the Treasury (1789-1795), entered office with a shrewd understanding of the importance of budgetary control and initiated the first attempt in the history of budgeting to assign this responsibility to the Executive. Hamilton was the first and perhaps most impressive of the personalities who shaped the balance of power and control with respect to the budget, and he seized the opportunity in the face of not only constitutional vagueness but also within the context of a general ignorance of finance.

In addition, Hamilton was able to assume a strong leadership role because during the critical first six months of the new administration he was the dominant figure in the cabinet, since Thomas Jefferson was late in assuming office as Secretary of State:

> Chief Justice John Jay temporarily assumed the additional duties of secretary of state while waiting for some litigation to work its way up the trial and appellate court ladder to give the highest court something to do. By the time Jefferson was officially installed in his office on March 22, 1790, Hamilton had already been in office more than six months. In Jefferson's absence, Hamilton had been actively dealing with a range of foreign as well as domestic affairs. Various personal matters and a monthlong migraine headache during May 1790 kept Jefferson from taking up official duties in earnest until shortly before the mid-June candlelight dinner he arranged for Madison and Hamilton at his new house on Maiden Lane. His long absence gave a little color to his later claim of being an uninformed "stranger to the ground" when he forced Madison to let Hamilton's assumption bill pass the House.[1]

In the first fifty years of the government, the central debate with respect to federal financing concerned who should have the principal responsibility for budgeting. From the outset, Hamilton recognized the importance of this budgetary control: "Most of the important measures of every government are connected with the Treasury."[2] To Hamilton,

> ...a sound economic order was of even more importance than the political order created by the Constitution because the political order had its foundation in the economic order and rested on it.[3]

Hamilton believed in a centralized government, and this belief, along with his understanding of power as related to fiscal control, prompted him to recommend to the Congress that the executive branch be given complete responsibility for budgeting. However, his request was denied, and the Treasury Act of 1789, passed by the second Constitutional Convention, empowered the Secretary of the Treasury only to provide estimates of public revenue and expenditure, not to review expenditure estimates or to oversee the use of appropriations.

Though Hamilton was rebuffed in his efforts to establish executive control over the budget, he is associated with a number of important actions which ultimately established the primacy of the executive branch over the budget. On his own initiative, he prepared a Book of Estimates which set forth the expenditure requirements of the various departments and agencies at the beginning of each session of the Congress:

> It was by direct, personal, administrative initiative that the government was set in operation. Only by such agency could the finances receive the radical treatment by which Hamilton almost at a stroke lifted the nation out of bankruptcy, established its credit and secured its revenue.... His personal initiative transcended even the function of an English Chancellor of the Exchequer on which it was distinctly modelled, for he had no other compact party on which he could depend.4

The state of American finance in the fall of 1789 was chaotic, and on 21 September the Congress passed a resolution directing Hamilton to prepare a plan for the provision of public credit since it was a "matter of high importance to the national honor and prosperity":

> The conduct of the Union's military affairs and foreign affairs, like its Congress, its presidency and its judiciary, all needed funds for day-to-day operations; and Hamilton was the man to whom all looked for funding. It is not surprising that with a firm belief in the implied powers in the Constitution, and few precedents except his own from <u>The Federalist Papers</u> to constrict his sphere, Hamilton as Secretary of the Treasury could spread his influence into all branches and offices of the new government. Little in his experience of life to date at 32 had taught any sense of limits to his inward perception that no limits existed to the number of possibilities and opportunities that would open up to application of the steady pressure of his ideas, energy, and push.
>
> No American's rise except Washington's, and possibly Benjamin Franklin's, could come close to matching his. In all history and literature, as far as the public was aware, there were only a few comparable successes -- Julius Caesar, Shakespeare's Othello, the Joseph of Genesis, Alexander of Macedon, and a handful of Plutarch's avatars -- that equaled his to date.

> As Secretary of the Treasury, Washington's former chief aide immediately became the functional equivalent of prime minister of the new government, partly on the strength of the trust his chief reposed in him, partly by default of rivals, partly by superior knowledge of how the system was supposed to work, and partly by seizing the opportunity.
>
> In one important way, his power in the tripartite constitutional system exceeded that of a parliamentary prime minister in that he was not subject to overthrow by the legislative branch.5

On 4 January, Hamilton informed the Congress that the report which they had requested was ready and that he was prepared to deliver it to them. A fierce debate arose since Congress was fearful that the eloquent Hamilton might sway their opinions as he had on previous occasions. Because of this apprehension, a motion was made in the House requiring that Hamilton's report be in writing, and that he not be allowed to accompany it. The motion was overwhelmingly passed and in the process an important precedent was established; namely, that cabinet members would not appear before the Congress as a whole to explain or defend proposals.

This first example is characteristic of almost the entire history of congressional responses to executive budget initiatives. Unsure of its own capabilities and strengths, Congress adopted a proposal simply, it thought, to limit the visibility of the charismatic Hamilton. Instead, Congress shortsightedly misjudged the potential impact of this decision, and what was intended as a rather limited action against Hamilton became the basis of an important decrease in legislative power.

Because of this episode, the interaction between cabinet members and the Parliament, which was an essential characteristic of the British system, never became part of the American government. As a result, the American cabinet developed as an adjunct to the Executive instead of to the Legislature. Of even greater significance in terms of the history of budgeting is that this episode clearly marks the beginning of Congress's often unwitting abdication of fiscal control to the Executive.

POLITICAL PARTIES

Political parties did not exist at the time the Constitution was written but their emergence came to exert considerable influence on the budget process and consequently strengthened executive control over the budget. The President came to exercise influence on legislation in his capacity as the elected leader of a political party as well as in his capacity as the head of the executive agencies of government. Some critics view this dual role of the Presidency as a development which was not anticipated in the Constitution and which was contrary to the espoused role of the President.[6]

It was one of Hamilton's proposals, together with the formation of Republican and Federalist groupings in Congress, which was the principal engine in the development of political parties:

> Hamilton's "Report on Public Credit" and the passage of his program with Jefferson's and Madison's help and acquiescence constitute a watershed in American history. It marks the end of an era of American bankruptcy and repudiation of debt and the beginning of a long era during which the public credit of the United States would be sounder than that of any other nation. At the same time, the debates on discrimination and assumption opened a wide gulf in opinion between Hamiltonian nationalists on one side and of the proponents of states' rights, now championed by Madison, on the other. The cleavage led shortly to the formation of the Federal Republican or Federalist and the Anti-Federalist or Democratic Republican parties.[7]

Gradually, as two opposing factions came to dominate the legislative process, congressional members were more and more forced to choose sides and, simply by voting, they became identified with one party or another. This partisanship began to filter out to voters as members of Congress campaigned for their own reelections. Through this process, the congressional factions were able to achieve mass followings throughout the country and make the transition from capital factions to national political parties. The process did not occur overnight, however, and was greatly influenced by other factors such as major disagreements over domestic policies and the crisis in foreign affairs that dominated much of the 1790's.

Political parties at their inception proved no immediate threat to the balance of power for the Congress since surplus was the rule rather than the exception. Nevertheless, this desire to initiate an agenda became increasingly visible, and it was because of this dual role of the President as both chief executive officer and head of a political party, that gave rise to an important shift in the balance of power between the legislative and the executive branches of government.

The secular importance of this development was only evident as the locus of initiative shifted from the Congress to the Executive with presidents being nominated because they had espoused explicit political agendas called platforms and as their ability to execute their espoused platforms became the standard for judging their performance in office:

> Closely related to his role as electoral leader is the executive's role as the symbol of his party, for the president...stands as its most salient representative. In the public's mind, his programs are the party's programs. His successes and failures are its successes and failures; his imaginativeness and vigor are the party's...it is no exaggeration to speak of the American parties as "executive-centered coalitions."[8]

As a result, what emerged were presidents who initiated legislation rather than ones who merely executed the will of the Congress.

One of the first concrete incidences of executive-legislative friction brought on by this dual role of the presidency occurred during the term of Andrew Jackson. Before this, there had been relative harmony between the Executive and the Congress.[9] It was Andrew Jackson who combined election to the presidency with political party leadership and, in so doing, he began, according to Frank Sorauf in Party Politics in America, a revolution in the American presidency and the American political party:

> The presidency ceased to be a repository of elitist good sense and conservatism that Hamilton saw in it and became, slowly and fitfully, an agency of mass political leadership and representation. It was ultimately the president rather than the Congress who became the tribune of the people in the American political system. Popular democracy found its two chief agents -- a popularly elected leader and a mass political party merged in the American chief executive, the power of the office reinforced by the power of the party.[10]

Andrew Jackson took the position that Congress had no power to incorporate a national bank; a position which had become an article in the creed of the Democratic party:

> When Congress assembled on December 6, 1830, the President sent in his message, in which he violently attacked the National Bank. (He) recommended that Congress should direct the removal from the bank of the government's deposits. This Congress refused to do. He repeated this recommendation at the next session, with the further one that the stock in the bank belonging to the United States should be sold. Both propositions were voted down. Instead, a bill to renew the bank's charter was passed, which the President vetoed July 10, 1832. In the spring of 1833, Jackson instructed his Secretary of the Treasury to direct that no more government money should be deposited in the bank. The Secretary refused, and off went his official head. Roger B. Taney was appointed, and the President's order obeyed.11

From the time of Jackson's veto of the charter renewal until the war period, the Democratic national conventions declared every four years in their party platforms that "Congress had no power to charter a National Bank."

Andrew Jackson's term of office clearly marked a significant change in the relationship of the Executive to Legislative; a change which would have substantial legislative impact in general and budgetary impact in specific.

THE CIVIL WAR

Initially, the House of Representatives carried out its tasks through a committee of the whole. After each discussion had been held, a specific committee was appointed to bring in a bill incorporating the views expressed by the committee. However, in 1796, a Ways and Means Committee was appointed which was made a permanent standing committee in 1802.

During this period, there was relatively little public concern about budgeting, in part because the laissez-faire philosophy of the time favored a kind of minimal role for government and in part because the revenue from the tariff regularly exceeded spending. This was a time (as incredible as it sounds today) when the principal financial problem that Congress faced was how to dispose of the large surpluses brought in by the tariff.

During Jefferson's reign (1801-1809), the informal and almost collegial way of budgeting ended and the separation of Cabinet officials from the day-to-day work of Congress was made complete. It was the weight of government more than any other factor which caused the change in process. Direct oral communication between the two branches of government gave way to written communication. In the new process, the Executive lost much of its former ability to initiate legislation and as a result, friction in financial and budgetary matters increased between the Executive and the Congress, often centering on the use of very detailed appropriations which effectively restricted Executive discretion.

Congress's temporary control of the budget process was due primarily to the Ways and Means Committee which handled not only tax legislation but also revenue raising and appropriations. The Committee served as a planning agency and provided the only mechanism for a comprehensive overview of the state of the government's finances. This comprehensive view emerged, however, only sequentially as one department after another was heard.

During the Civil War, Congress recognized that Ways and Means had just too much work for any one committee to handle, and so the Committee on Appropriations was established, leaving Ways and Means with responsibility only for revenue raising. Again, one sees the Congress in a genuine effort to increase efficiency, adopting an approach which not only fails in its espoused objective but also diminishes their power relative to the Executive.

In creating the Appropriations Committee, Congress actually ended its ability to view the budget comprehensively. From that point on, revenue and appropriation actions would not be considered as two inherently related components of the same process.[12] By 1885, there were eight committees of the House and eight committees in the Senate with authority to recommend appropriations.

Beginning with the misguided effort to restrict the personal appearances of Alexander Hamilton, Congress lost ground in exercising control over the budget. Not surprisingly, each action which tilted to the balance of power toward the Executive paved the way for further executive control at the expense of the Congress.

DEFICITS AND GOVERNMENT EFFICIENCY

The surpluses which characterized the post Civil War years were not as evident after 1894 and the terms of both Theodore Roosevelt and William Taft were marked by deficits. With increased expenditures came an increased public concern and a more responsive attitude to the proposals of budget reformers.

For example, on 4 March 1909, in a spirit of innovation, an amendment to the Sundry Civil Appropriations Act provided that if appropriations exceeded revenues, the Secretary of the Treasury should immediately advise the Congress as to how appropriations could be reduced or additional taxes levied (35 State. L 945 1027). Certainly this was an important sounding step; however, there is no evidence that Franklin MacVeagh, the Secretary of the Treasury, ever implemented this directive.

On 22 March 1909, the Senate appointed a special committee to investigate the deficits. It reported that:

> ...The application to the business of the government of improvements in systems and methods similar to those which have produced the high degree of business efficiency in the great business corporations of the country will result in the saving of many millions of dollars annually and in a much higher degree of efficiency in the conduct of the government business.13

This also sounded fine; however, no action was taken as a result of the special committee, and it was presidential initiative which eventually produced the first comprehensive study of the budget, a study which was to provide the foundation for our present budgeting system. In December 1909, President

Taft requested an appropriation of $100,000 "...to enable the president to inquire into the methods of transacting the public business...." This request was granted by the Congress on 25 June 1910, and the President immediately appointed the Commission on Economy and Efficiency.

According to Burkhead, writing in Government Budgeting,[14] the Taft Commission on Economy and Efficiency conceived its responsibilities very broadly and for two years undertook investigations of: (1) the budget as an annual financial program; (2) the organization and activities of the federal government; (3) personnel problems; (4) financial records and accounts: and (5) business practices and procedures in the government.

The Commission secured information from federal departments and agencies classifying expenditures by type such as personnel services, materials, supplies, and equipment. On the basis of discussions with department heads and in consultation with the President, the Commission prepared a set of forms to be used by departments in the submission of their annual budgetary requests. The Commission also prepared the first organizational chart of the federal government, a chart which showed numerous instances of overlapping and duplicating operations within the government.

The Commission's report further weakened congressional control over the budget. By allowing the President the opportunity to "inquire into methods of transacting the public business," Congress emasculated its own special committee set up nine months before.

The work of the Commission, sponsored by the Executive, represented a major study of the federal budget process, somethink Congress had not been able to accomplish.

> This was the first time in the history of the federal government that its organizational structure had been studied in detail, and the first time that detailed information had been assembled on the character of governmental expenditures. Of even greater significance was the fact that these documents represented an assumption of responsibility by the chief executive for financial planning and for the management of the 'government's business', as it was then called.[15]

The Commission's recommendations amounted to a complete turnaround in budgeting procedure. The work of the Commission, in addition, represented a substantial effort to define budgeting control as the responsibility of the Executive by recommending that the President prepare an annual executive budget. Such a budget was to be built around proposed programs designed to carry out certain goals of the government as defined by the President in his party's platform. The proposed executive budget process was also comprehensive in that it discussed not only spending, but revenues as well. The existing procedure was for individual departments and agencies to request funds directly from Congress on their own initiative with no coordination or approval from the President. On 17 January 1912, President Taft sent the Congress a message on Economy and Efficiency in the Government Services.[16] On 27 June 1912, the report of the Commission, entitled The Need for a National Budget, was likewise transmitted.[17]

President Taft's message to Congress was devoted to a description of the conditions which had necessitated the creation of the Commission, a description of the work of the Commission, and the transmission of the organizational chart which they had prepared. Throughout his address, President Taft stressed the importance of establishing an executive budget system as an instrument of management and control. He stated, "The constitutional purpose of a budget is to make government responsive to public opinion and responsible for its acts."[18]

To the Commission, the budget served a number of purposes. It was a document for congressional action, an instrument of control and management by the Chief Executive, and a basis for the administration of departments and agencies. On the latter point, the Commission stated:

> In order that he (the administrator) may think intelligently about the subject of his responsibility, he must have before him regularly statements which will reflect results in terms of quality and quantity; he must be able to measure quality and quantity of results by units of cost and units of efficiency.[19]

A central concern to the Commission was the constitutional question of how such an executive budget process would fit within a governmental structure based on a separation of powers. The rationale that the Commission suggested was that the government was constitutionally based on a trusteeship theory...where citizens were the beneficiaries and creators of the trusts, where the government was the trust instrument, and where government officials were the trustees. Because of the importance of the budget in carrying out the objectives of the citizens, the President, as the principal government official, must be responsible for the budget: he should submit the budget; the heads of departments and agencies should transmit their data to the President; the Secretary of the Treasury should assist the President in discharging these obligations.

The implication of this line of reasoning is that the President's responsibility runs not only to the Congress, but directly and independently to the public at large. The budget is seen as the only effective means by which the President can be made responsible for putting a comprehensive program before the people.

The Congress recognized this threat to its control over the budget and opposed all of President Taft's recommendations on the budget and no legislation ensued. Congress opposed the budget reform largely because many of them thought it would involve relinquishing the power they held over expenditures, and because they felt it was in conflict with the Constitution.

Shortly after the Commission's report was received, the Congress attached an amendment to the Sundry Civil Appropriations Bill of 1912, requiring heads of departments and agencies to submit their appropriation requests at the specified time and in the usual form required by existing law and at no other time and in no other form. President Taft, however, insisted that he had the necessary constitutional authority to require that appropriation requests be submitted as he directed. Thus, the Cabinet officials and agency heads were forced to prepare two sets of appropriation requests -- one in accordance with the requirements of the Congress, and the other in accordance with the requirements of the President as set forth in the Commission's report.

Despite the fact that the work of the Commission on Economy and Efficiency led to no immediate legislation, it was of tremendous secular importance. The prestige of the Commission and its strong presidential support made budgeting an issue of national significance. The Commission's work stimulated attention to budgetary reform in city and state government, and it led to considerable literature on the subject of budgeting.[20]

There is no doubt that the work of the Taft Commission contributed greatly to the eventual passage of the Budget and Accounting Act in 1921. Four years after the Commission's report, all three major political parties (Progressive, Republican, and Democrat) included a plank on budgeting in their party platforms. In addition, business groups, especially the National Chamber of Commerce, were concerned about budgeting. The Chamber conducted a referendum of its members as a means of stimulating interest in this reform and reported, "The business interests of the country today are practically a unit for this reform by the federal government."[21]

Not everyone, however, was rushing toward an executive budget. Edward Fitzpatrick, an experienced public administrator, writing in Budget Making in a Democracy, expressed a concern over two aspects of "the budget idea."[22] The first, which relates to the balance of power, was his sense that there would be an inherent increase in the relative power of the president with the establishment of an executive budget system. The second, which can be called a liberal fear, was that although seemingly neutral the budget system would find its principal use as a tool for retrenchment and not as a means for improving the efficiency and quality of government services as it was being marketed.

Fitzpatrick's condemnation of the executive budget was not sugar-coated:

> Without the executive budget, the dominant Prussian military caste could never have permeated the German people with its immoral ideas and made Germany synonymous with organized terror and frightfulness.[23]

and further:

> The so-called "executive budget" program proposes a shifting of the center of gravity of our government. Its tendency is toward autocratic executive power. It would achieve this change in government as a by-product to the budget scheme.[24]

Notwithstanding Fitzgerald's concern, by now the only real opposition to the executive budget came from a small number of Congressmen, such as Speaker of the House, Joseph Cannon, who stated:

> ...When Congress consents to the Executive making the budget it will have surrendered the most important part of a representative government, and put this country back where it was when the shot at Lexington was heard 'round the world'.[25]

Cannon's point, however prescient, was overwhelmed by the view of the majority of Congress that its budgetary power would actually increase with an executive budget. Newspaper and magazine articles of the time expressed only optimism about how much would be saved by the new Act. And most members of Congress, including James Good, Chairman of the House Appropriations Committee, pointed out that an executive budget system would strengthen and improve the ability of Congress to control national finances.[26]

As it became more apparent that an executive budget would soon be established, most of the debate shifted to the relative roles of the Executive and the Congress within such a system. Congress was now as much interested in budget monitoring and accounting control as in the establishment of an executive budget. In fact, it saw budget formulation as a kind of tedious, clerical function when compared with the power of keeping track of expenditures.

As part of its reform of federal finance, the Congress incorporated into the bill the establishment of a General Accounting Office, to be headed by a Comptroller General who was to be appointed by the President but could not be removed by him. Since President Wilson's view was that appointment and removal power could not constitutionally be separated, he vetoed the bill.[27]

In 1920, the platforms of both major parties strongly endorsed the executive budget concept. The Republicans won; President Harding pledged a 'business-like' administration, and the passage of the Budget and Accounting Act was a reality. It became law, in much the same form as had been vetoed by President Wilson, on 19 June 1921. In his first budget message, President Harding said that this was "...the greatest reformation in governmental practices since the beginning of the Republic."

The Act had three main purposes: (1) to provide for an annual and comprehensive presidential budget; (2) to provide the President with the Budget Bureau (BOB) to assist him in the preparation of the budget; and (3) to assign responsibility for fiscal oversight to a General Accounting Office (GAO) under a comptroller General who reported to the Congress.

The Act directed the President to prepare and transmit to Congress each year a budget showing federal revenues and expenditures for the previous and current years and estimates for the ensuing year. The Act also provided that the President would appoint the director and assistant director of the Budget Bureau without Senate confirmation. It was felt by Congress that the Budget Bureau and its directors were "peculiarly" the President's staff, and that since he needed to have explicit trust and confidence in them, Senate approval was inappropriate.[28] (The far-reaching effort of this action, however, was to further weaken the executive branch's responsibility for the budget.)

The President also was required to submit to Congress, within the first 15 days of each regular session, a document containing (inter alia):

(a) Estimates of the expenditures and appropriations necessary, in his judgment, for the support of the government for the ensuing fiscal year (except that the estimates for such year for the legislative branch of the government and the Supreme Court of the United States were to be transmitted to the President on or before 15 October of each year, and were to be included by him in the budget without revision);

(b) His estimates of the receipts of the government during the ensuing fiscal year, under (1) laws existing at the time the budget is transmitted, and also (2) under the revenue proposals, if any, contained in the budget;

(c) Appropriations, expenditures, and receipts of the government during the last completed fiscal year;

(d) Estimates of the expenditures, receipts, and appropriations of the government during the fiscal year;

(e) The amount of annual, permanent, or other appropriations, including balances of appropriations for prior fiscal years, available for expenditure during the fiscal year in progress, as of November of such year;

(f) Balanced statements of (1) the condition of the Treasury at the end of the last completed fiscal year, (2) the estimated condition of the Treasury at the end of the fiscal year in progress, and (3) the estimated condition of the Treasury at the end of the ensuing fiscal year if the financial proposals contained in the budget are adopted;

(g) All essential facts regarding the bonded and other indebtedness of the government; and

(h) such other statements and data as, in his opinion, are necessary or desirable in order to make known in all practicable detail the financial condition of the government.

The principal engine for the new budget process was the Bureau of the Budget. The Bureau of the Budget was intended to be a strong addition to the executive component of the government. The 1921 Act states that:

> The Director of the Budget, in requesting information for the use of the President, acts for the President, and his calls upon the chiefs of bureaus and other administrative officers for purposes of consultation or information take precedence over that of cabinet heads or other departments.

Under the Budget and Accounting Act of 1921, only the President had the authority to release to the Congress studies done by the Bureau of the Budget. This feature was a major factor 53 years later when Congress was forced to establish its own budget office in part because it could not get sufficient access to the supporting information used in presidential budget decisions.

Although the Bureau of the Budget was originally located in the Treasury Department, from the beginning its charge related more to expenditures -- while the Treasury was responsible for work on the revenue side. The location of the Bureau of the Budget in the Treasury building was a residual of a friendly disagreement between Representative Good and Senator McCormick over whether BOB should report directly to the President or be a part of the Treasury Department.

Locating BOB in the Treasury Department (as sponsored by McCormick) would have been consistent with the historical functions of the Treasury under Alexander Hamilton. The Senate felt that since the Secretary of the Treasury was the specified fiscal official of the Government, he should be given the responsibility of budget preparation. In the Senate version of the bill the department heads had the responsibility of designating someone in the departments to prepare estimates and then sending the estimates to the Secretary of the Treasury. The Secretary of the Treasury would then make any revisions he thought necessary and then send the revisions as well as the original estimates to the President. The President would make any modifications he thought were justified and then send the budget to Congress.

Having BOB report directly to the President (as sponsored by Good) would have emphasized the overriding responsibility of the President for the budget. However, after some deliberation and further study, the Senate agreed to the House point of view that such a budget procedure (via the Secretary of the Treasury) was too cumbersome and time consuming. The final language of the Act represented a victory for Representative Good's view and a gesture toward Senator McCormick's position.

The Bureau of the Budget got off to an extremely good start. The first director, General Dawes, enjoyed close personal relations with President Harding, and was able to operate independently of the Treasury Department, where it was located. According to A.E. Buck in Public Budgeting -- the physical relationship of BOB to the Treasury contributed to its prestige in the business community and to a general understanding, both inside and outside government, of the nature of its work.[29]

General Dawes enjoyed a similar success in his relations with the Congress. Congressmen came to rely on the estimates that he presented, and the work of the appropriations committees was thus reduced. The chairman of the Senate Committee on Appropriations in 1923 said:

> The Budget law has demonstrated its worth. It helps separate the chaff from the grain. It gives accuracy, as well as integrity, to estimates, which results in less work on the part of Congress. Under the old system, congressional committees were obligated to spend a great amount of time on extravagant and questionable estimates... Now that estimates mean something, the work of all is accelerated.[30]

General Dawes' stay at the Bureau of the Budget lasted only one year, but his imprint continued to dominate BOB for the next ten years. Dawes' approach to the role and functions of the Bureau was appropriate to the times. The Bureau of the Budget operated with a minimal staff (30-40), and it continued to perceive its principal role as that of management improvement to be accomplished through the budget formulation and review process. This approach emphasizes reductions in expenditures as the measure of its success. Because of its size and because of its orientation, in the beginning BOB came to operate more nearly like the Treasury bureau and less like a special staff to the President. Even the New Deal did not at first bring a change in BOB's role, nor increase its staff.

The 1921 budget reform was not an isolated incident. It was hammered out during the era of Woodrow Wilson's "New Freedom" as part of a package of reforms whose fundamental purpose was to establish effective national leadership in full public view. Moreover, some kind of reform was probably inevitable in view of the change in the nation's revenue structure. Taxes had replaced tariffs as the major revenue source, and this shift exposed the operations of the federal government to direct scrutiny in much the same way as state and local governments had always been exposed.

The executive budget was brought about by an alliance of reformers (political scientists and public servants) who wished to transform government into a positive instrument for social welfare, and conservatives (the business community) who wished to reduce governmental expenditures and lower taxes. Fifty years later, this same alliance, for much the same reasons, would converge to create a new order with respect to the budget.

The Act was the combined product of two separate movements: one, a strong retrenchment movement directed toward the federal government; the other, a reform movement designed to make government more responsible and responsive.

Although Congress thought that it was merely delegating power in a way that was necessary to achieve the larger goal of fiscal responsibility, in its own words, they "...were not giving up very much."[31]

There was a substantial difference between the House and the Senate. On the one hand, the Senate was not quite as eager as the House to invest the President with budgetary responsibility. However, the House felt that by making the President responsible for the budget, he could be held more accountable.

During the debate on the Act, the House appeared to take as a given that the primary responsibility for the budget rested with the President. In their eyes, the Act provided the President with the machinery to perform the duties required of him by the Constitution; that is, to lay out a work program and to report to the Congress on the state of the Union. In addition, the House felt that since the President was the only official of the U.S. elected by all the people, budgetary responsibility should rest with him.

According to Murray Weidenbaum, writing in Matching Needs and Resources: Reforming the Federal Budget, when Congress changed the budget process, it intention was to increase congressional control over spending.[32] Greater centralization within the executive branch was thought to be necessary if the President was to prepare a coordinated budget. In retrospect, this was a most ironic defense given that with this Act, Congress created an executive office of the President and a Bureau of the Budget which would one day grow into an imperial presidency so strong that it would not only haunt the cabinet agencies but would also blatantly frustrate the will of the Congress.

And Congress was not content to stop there. Again, in a move ostensibly designed to increase efficiency, the Congress precipitated an important structural change in the budget process and a corresponding shift in the balance of power. Prior to the 1921 Act, the individual cabinet officers brought their budget requests and accompanying information on projected costs directly to the appropriate congressional committee chairmen with no presidential review, in much the same way as Hamilton had done 132 years before. Now these requests would be routed through the President so that he could come up with an aggregate budget request for all of government. By passing the 1921 Act, Congress was inadvertently endowing the President with his first real control over the bureaucracy of government. Though the 1921 Act was designed to assist the President in his capacity as chief executive officer, this action also gave the President the means from which to more effectively exercise his other role as the initiator of legislation. With the dual role of the President, it was understandable that, given the opportunity, the President would, unlike Alexander Hamilton, not only critique and coordinate the agency requests but would also substantially change them to reflect his own political agenda.

But Congress was very optimistic about what it hoped to achieve by the 1921 Act:

> ...We shall have better-prepared estimates. We shall have a more carefully thought-out program for the year's work, because the President will have in the Budget Bureau the machinery which will enable him to perform the duties imposed upon him by the constitution... This is a great forward movement in the direction of efficiency and the centralization of responsibility in government... A measure which may be properly characterized as the greatest measure of legislative and administrative reform in our history.[33]

Initially, no conflict occurred between the Congress and the new executive budget process. The conflict occurred later as the Executive and, therefore, the Bureau of the Budget became more powerful in budgetary matters, and the Congress less able to exert control:

> The Executive gained more control over budgetary policy through centralized management but Congress became specialized and fragmented. As a result, the expectation for a shared exercise of financial powers went glimmering. In its place, an Executive budget process emerged.[34]

The Budget and Accounting Act of 1921 represented the most significant budget action to that time. It clearly invested the Executive with power over the budget by establishing a Bureau of the Budget and by routing budget requests directly to the President, and it shifted the balance of power and control unmistakenly to the Executive. On previous occasions, Congress had informally relinquished budget authority to the Executive, but the Budget and Accounting Act of 1921 was the first major piece of legislation which legalized this executive control.

THE DEPRESSION

During the Depression, Congress temporarily suspended its normal appropriations procedures in an effort to provide large sums of money for relief. Requests for emergency appropriations were transmitted to Congress in special presidential messages throughout the calendar year, and were not considered with the regular budget. These special appropriations were granted directly to the President; not to specific agencies. This arrangement had the effect of eliminating the President from close congressional supervision. This situation continued until fiscal year 1939, when Congress began to make appropriations to the agencies involved in their respective emergency relief programs.

An important effect of the Depression was that it substantially reinforced the power of the Executive in budgetary control while significantly weakening the already diminished power of Congress.

William Brown, in The Federal Budgeting and Appropriations Process, says that the enlarged scope of federal economic activities during the Depression and the increased complexity of budgeting during that period gave rise to a number of new inquiries into budget reform.[35] Two of these studies, published in 1937, were of special significance: (1) the "Report of the President's Committee on Administrative Management," and (2) the "Report of the Select Committee to Investigate the Executive Agencies of the Government" (known as the Byrd Committee Report).

Both committees recommended that the staff of the Bureau of the Budget be increased substantially and that BOB's responsibility in both budget formulation and program monitoring be broadened. In order to facilitate this, the Byrd Committee recommended the transfer of the Bureau of the Budget from the Treasury Department to more direct presidential supervision (thus strengthening the Budget Director's ties with the President). The President's Committee recommended the establishment of an Executive Office of the President which would include the Bureau of the Budget.

The potential importance of the 16-year-old Bureau of the Budget as a staff agency was clearly set forth by the President's Committee in 1937:

> If the Bureau of the Budget is to be developed into a serviceable tool for administrative management to aid the President in the exercise of overall control, it needs greater resources and better techniques... The Director of the Bureau of the Budget is one of few Government officers in a position to advise the President from an overall as opposed to a bureau or departmental, point of view. He should therefore be relieved to the greatest possible extent from the minor details of administration. He should be released for duties of maximum importance to the President... The Bureau of the Budget as a managerial agency of the President should, therefore, be made responsible for the execution, as well as the formulation, of the budget as a national fiscal plan.36

The studies of the two committees resulted in the enactment of the Administrative Reorganization Act of 1939. The Act permitted a series of presidential reorganization plans. Under subsequent plans, the Executive Office of the President was created, and the Bureau of the Budget was transferred to it from the Treasury.

The Bureau of the Budget did not play a significant role during the Depression, in part because it was understaffed and in part because it was unprepared for such an economic emergency. However, the Deparession can be considered the midwife of the modern Office of Management and Budget (OMB), as the power that the Congress lent the Executive on an emergency basis to fight the Depression was never really returned and instead was institutionalized by the Administrative Reorganization Act of 1939.

The Bureau of the Budget was the beneficiary of the increased executive responsibility associated with the growth of the federal government during the Depression. It was in this way that the Bureau of the Budget was transformed from a rather small agency concerned primarily with preparing the annual executive budget to an agency concerned with wider budgeting issues. Prior to the Administrative Reorganization Act of 1939 in fiscal 1938, the Bureau of the Budget had a staff of 45; the following year, the staff had more than doubled to 103 employees.

WORLD WAR II

In the history of budgeting, nothing seems as certain to increase the power of the Executive as does a crisis, and World War II was no exception. The Executive Office of the President and the expanded and strengthened Bureau of the Budget were soon put to a major test by the organizational and program requirements of the pre-war period, beginning in the summer of 1940. As a result, the executive budget control which occurred during the Depression was reinforced during World War II.

From fiscal 1940 to fiscal 1943, under the direction of Harold D. Smith, the Bureau's appropriation increased from $67,000 to almost $2,000,000.[37] By the end of 1940, five divisions were established: (1) Estimates, for the review of department and agency budget submissions; (2) Fiscal, for the economic analysis of programs; (3) Legislative Reference, for clearing legislative proposals of agencies and departments and reviewing their reports on legislation enacted but not approved by the President; (4) Administrative Management, for conducting studies of organization and work methods; and (5) Statistical Standards for coordinating federal statistical programs. This divisional organization continued without important modification until 1952.[38]

During the war, the Bureau of the Budget was assigned major responsibility for establishing emergency agencies, for the planning and budgeting of military outlays, and for the formulation of programs for inflation control.[39] The war seemed to prove the soundness of the Executive Office philosophy, and the role of the Bureau of the Budget, as an important agency of presidential management, was secured.

The sense that there needed to be congressional reform became especially clear during the war when the powers of the executive branch were enlarged, but budget reform was subordinated by the Congress to the war effort. However, the conversion of the economy back to peacetime pursuits put renewed emphasis on the reform of the federal appropriations process.

After World War II, Congress found itself facing many of the same problems that had prompted the original Budget Accounting and Control Act of 1921. And Congress, while recognizing that wartime conditions necessitated broad presidential powers, was increasingly aware of the need for control and limitations:

> Even before World War II ended, the tremendous expansion of the size and the authority of the government, especially the executive branch, led to a debate on reform of Congress....
>
> ...Two themes dominated the debate -- the relationship between the organization of Congress and its increased workload, and the relations between Congress and the executive branch.[40]

An important factor leading to the 1921 Act was the cost overruns of the various executive agencies. In 1946, with Congress facing the same problem, the mood had shifted and Congress now felt it necessary to prevent the Executive from committing funds without authorization.

In 1945, the American Political Science Association asserted that:

> Congress must modernize its machinery and methods to fit modern conditions, if it is to keep pace with a greatly enlarged and active executive branch. This is a better approach than that which seeks to meet the problem by reducing and hamstringing the executive. A strong and more representative legislature, in closer touch with and better infomed about the administration, is the antidote to bureaucracy.[41]

The Joint Committee on the Organization of Congress was created in 1945 in response to congressional and public opinion which held that the nation was witnessing a shift in the balance of power which represented a "grave constitutional crises."[42] The Committee was composed of six members from each House, equally divided between Democrats and Republicans. The feeling of many members of Congress was expressed by Representative Jerry Voorhis when he urged approval of the concurrent resolution which established the Joint Committee:

> In the midst of this war we have to grant executive power...of the most sweeping nature.... In order that this Congress may perform its functions efficiently, effectively, and in accord with the needs of the people of this nation and so that it will become not merely an agency that says yes or no to executive proposals, but an agency capable of, and actually performing the function of bringing forth its own constructive program for the needs of the people of this nation. Thus it will take its place as an altogether coequal branch of our government.[43]

Senator Robert La Follette (R) was named chairman with Representative Mike Monroney (D), vice-chairman. From 13 March through 29 June 1945, the Committee interviewed more than 100 witnesses, including many members of Congress.

The Committee's final report was issued on 4 March 1946 and included a comprehensive set of recommendations designed to streamline the congressional committee structure, to strengthen congressional control over the budget, to reduce the workload of Congress, and to increase the equality of staff. Most of the Committee's recommendations were incorporated into the Legislative Reorganization Act of 1946 that was signed by President Truman on 2 August 1946. Clearly, the Committee saw the 1946 Act in the same light that Congress viewed the 1921 Act: an opportunity to thoroughly reorganize the legislative arm of the government:

> The Legislative Reorganization Act of 1946 attempted to assert new and meaningful control over the budget process through the creation of a legislative budget... The legislative budget's main feature was the establishment of a maximum amount to be appropriated each year.[44]

The Act attempted to improve budgeting efficiency in Congress: "(it) was designed to duplicate in Congress the deliberations on the budget that occur in the executive branch."[45] The Act created a Joint Committee on the Legislative Budget, consisting of all members of revenue raising and appropriating committees in both Houses of Congress. The Act also required a meeting of the Joint Committee on the Legislative Budget during the opening weeks of each regular session, at which time Congress would examine proposed spending in the context of the expected revenue and then develop an appropriations ceiling for the forthcoming fiscal year.

Section 138 of the Legislative Reorganization Act provided for adoption of the Legislative Budget as follows:

(a) The Committee on Ways and Means and the Committee on Appropriations of the House of Representatives, and the Committee on Finance and the Committee on Appropriations of the Senate, or duly authorized subcommittees thereof, are authorized and directed to meet jointly at the beginning of each regular session of Congress and after study and consultation, giving due consideration to the budget recommendations of the President, report to their respective Houses a legislative budget for the ensuing fiscal year, including the estimated overall federal receipts and expenditures for such year. Such report shall contain a recommendation for the maximum amount to be appropriated for expenditure in such year which shall include such an amount to be reserved for deficiencies as may be deemed necessary by such committees. If the estimated receipts exceed the estimated expenditures, such report shall contain a recommendation for a reduction in the public debt. Such report shall be made by 15 February.

(b) The report shall be accompanied by a concurrent resolution adopting such budget, and fixing the maximum amount to be appropriated for expenditure in such year. If the estimated expenditures exceed the estimated receipts, the concurrent resolution shall include a section substantially

> as follows: That it is the sense of the Congress that the public debt shall be increased in an amount equal to the amount by which the estimated expenditures for the ensuing fiscal year exceed the estimated receipts.

The Legislative Reorganiztion Act of 1946 reduced the number of standing committees from 33 to 15 in the Senate and from 48 to 19 in the House, dropping inactive committees and merging others with related functions; and prohibited the introduction of private bills for the payment of pensions or tort claims, the construction of bridges, or the correction of military records -- categories of legislation that at one point consumed much time. (The Act did not include the Joint Committe's proposal that the District of Columbia be given home rule, a step that would have eliminated the District Committees in both Houses and a considerable amount of legislative work.)

The principal purpose of the Act was to help Congress hold its own against the rapidly expanding power of the executive branch and, like the 1921 Act, it was regarded at the time as a major achievement. Hopes were high that the Act and its legislation budget would be an effective barrier to the ever-increasing cost of government. But the passage of a law does not mean that the prescribed actions will be taken. Laws have to be implemented, and some implementations are more perfect than others.

The procedure called for in the Legislative Reorganization Act of 1946 was followed in only two years, 1947 and 1948. Budget resolutions passed both Houses in 1947, but the amounts differed, and the resolution died in a deadlocked joint committee. In the following year, agreement was reached on the level of funds to be appropriated, but Congress proceeded to disregard the resolution and voted appropriations approximately $6 billion higher. In 1949, Congress extended the deadline required for reporting, but the date came and went every year without any substantial effort to comply with the law:

> One of the principal reasons the legislative budget failed was the inability of the four Committees to make accurate estimates of spending so early in the session and before individual agency requests were considered in detail. In addition, the Joint Committee was said to be inadequately staffed and, with more than 100 members, mucy to unwieldy for effective operation. The budget ceilings -- as indicated by the 1948 experience -- did not prove to be binding. Another reason for the failure was simply Congress's practice of passing appropriation bills separately without strict control on total outlays.46

According to Arthur Smithies, writing in The Budgetary Process in the United States, the legislative budget provisions of the Legislative Reorganization Act of 1946 were doomed from the outset:

> The estimation of receipts is hazardous, and the staff of the Joint Committee on Internal Revenue Taxation was faced with the same inherent difficulties as the staff of the Treasury. No one inside or outside the Government has yet been able to forecast with great assurance the changes in economic conditions to which tax receipts immediately respond.

> On the expenditure side, the difficulties were even greater. By habit, inclination, and tradition, the appropriations committees have arrived at their expenditure estimates by detailed processes that take months to complete. How could these same committees be expected to anticipate their conclusions and impose a ceiling on their own activities after a few weeks? They could feel quite legitimately that they were being asked to behave irresponsibly. Yet it would clearly be no solution to require some other body to arrive by other methods at expenditure figures that would bind the appropriations committees. Those distinguished and entrenched committees would never stand for that.[47]

The 1946 Act did not treat expenditures and revenues in a symmetrical manner. While the authority was provided for the Joint Committee on the Legislative Budget to recommend a ceiling on expenditures other than the President's, there was no parallel authority for it to recommend increases or decreases in taxation. The Act did not include a recommendation that the President be required to reduce appropriations if expenditures were later found to be exceeding receipts.

One part of the 1946 Act relating to congressional staffing became an enduring plus in the balance of power on the congressional side. It was noted at the time that Congress was dependent upon information and analysis from the various executive agencies who could determine the amount and nature of information to release according to their own needs. It was the 1946 Act that began the professional staffing of Congress to help with analysis. This provided the Congress with a capability that thus far had been enjoyed solely by the Executive. The staffs were proposed as a timesaving measure. It was felt that these staffs would be able to digest information, to handle routine matters, and to provide a source for the Members to remain well-informed; tasks which before the 1946 Act were overwhelmingly time-consuming and nonproductive.

The Act authorized each standing committee to appoint four professional and six clerical staff members, although no limit was placed on the number that could be hired by the Appropriations Committees. The Act also made the Legislative Reference Service, whose task was to provide information for committees and members requesting it, a separate department of the Library of Congress.

By 1948, Congress recognized that the balance of power and control rested with the President. During the post-war period, Congress was predominantly concerned not with regaining the power of the purse but with preserving its remaining right to approve, revise, or reject legislative initiatives from the Executive.

Congress's hopes for the 1946 Act were as high as those for the 1921 Act but perhaps having learned from the limitations of the 1921 Act, their praises were more tempered:

> ...The result is gratifying in more ways than one. It paves the way to better and more efficient government and it also proves that the Senate is readier than most cynics had believed to overhaul its antiquated ways of doing business.... The bill does provide a major overhauling of congressional procedure -- the first since 1921.... (Its reforms) will go a long way toward enabling Congress to cope with the mass of business which comes before it.[48]

Twenty-four years would pass before Congress would attempt another budget reform.

CHAPTER 3
THE ANTECEDENTS OF CBO

One of my most treasured communications when I was Director of the Bureau of the Budget, after having had a slight altercation with Senator Metcalf over some matter, was a very neatly done piece of paper from the Senator which purported to be a memorandum dated March 1491, from the Spanish Budget Bureau to their Excellencies Ferdinand and Isabella, pointing out why Christopher Columbus should be turned down on his project proposal.

Charles Schultze

INFORMATION, IMPOUNDMENTS AND THE IMPERIAL PRESIDENCY

The legislation which established the Congressional Budget Office represents the final stage in a series of modifications in the concept, organization, and responsibilities of a congressional budget staff.

The Congressional Budget Office would probably not exist today if the General Accounting Office had moved more effectively to implement the Legislative Reorganization Act of 1970 (Title II, Section 201 of the 1970 Act had required that GAO, the Treasury, and OMB, develop a standardized information and data processing system for budgetary and fiscal data).

The 1970 Act was conceived by the Joint Committee on the Organization of the Congress after extensive hearings during the 89th Congress. The Joint Committee was partly a post mortem by the Congress, necessitated by Congress's failure to implement the reforms of the Budget and Accounting Act of 1946. The 1946 Act failed because it tried to impose too large a change too quickly and because Congress did not have the analytical capability to support such a comprehensive change. For example, the 1946 Act required the Congress to estimate gross revenues in order to determine the limit of aggregate expenditures. However, at that time Congress had no credible way of doing so.

The memory of the failure of the 1946 Act made the 1970 Act more humble, but it was nonetheless an authentic attempt by the Congress not only to reform the way it handled the budget but also to regain some of its lost power. The principal objective of the Legislative Reorganization Act of 1970 was to acquire the kinds of information that the Congress needed in order to perform the function of overseeing the Executive. In a way, the 1970 Act was a strengthening of the 1921 Act, which also had placed its emphasis on the accounting function rather than the budgeting function. It was especially fitting that the General Accounting Office be given the chief responsibility for implementing the Legislative Reorganization Act of 1970 since it was the 1921 Act which created the General Accounting Office in the first place.

As flawed as the 1946 Act was in its implementation, it was correct in putting its finger on the heart of the congressional budgeting problem. It recognized that the basic problem was the separation of the expenditure and the revenue processes; a separation which dates back to the Civil War when the Ways and Means Committee was overburdened, resulting in the creation of the Appropriations Committee.

By 1972, Senator Metcalf, Chairman of the Senate Subcommittee on Budgeting, Management and Expenditures (and others who had oversight responsibility for GAO) were becoming exasperated with GAO's apparent inability to produce the kinds of information that the Congress had mandated in the 1970 Act. At the time, the country was experiencing its highest unemployment rate since World War II, federal deficits beyond anything in American history, growing inflation, and a

President who regularly accused the Congress of being fiscally irresponsible.

In 1972, the Joint Committee on Congressional Operations reviewed GAO's progress in implementing the budgetary and fiscal information provisions of the 1970 Act, and issued a series of recommendations which stressed the need for GAO to be more comprehensive in accommodating the needs of the Congress:

> We are not seeking to strengthen either the Congress or the Executive at the expense of other. Our purpose is to overhaul and supplement existing fiscal, budgetary, accounting, and management information systems to better serve the needs of both branches. What we expect is a parallel development, to make more meaningful information more readily available to Congress and to other users throughout the federal establishment.49

The Committee concluded that:

> ...The problem of meeting the needs of Congress is not the lack of financial data, but the fact that data is scattered in many different documents and files, fragmented, difficult to aggregate in consistent formats and committees often cannot go to any one source to obtain information which cuts across agency lines.50

1973 was the first year of President Nixon's second term and while Watergate had not yet broken, things had begun to leak badly. There was a bitter fight between the Congress and the President over the budget. The President's veto of Senator Muskie's water pollution act had just been overridden in the Congress by a substantial margin when President Nixon impounded the money. Many in Congress felt that President Nixon was using impoundments in a way which was illegal and that his announced

"New Federalism" was nothing less than a sophisticated attempt to further undermine the balance of power and control between the executive and the legislative branches of government.

This entire period was characterized by incredible hostility between the Congress and the Executive:

- In January 1973, a special ad hoc committee chairedby Senator Childs held hearings which which were the scene of bitter exchanges between Roy Ash, then Director of the Office of Management and the Budget (OMB) and the Committee.
- In February and March 1973, there were hearings on the "New Federalism" and since there was no budget process as yet, these served as a forum to debate the President's budget and its extensive cuts in social programs. Here, again, Senator Muskie attacked Mr. Ash for witholding information that Congress needed to make responsible decisions.
- In April 1973, there were hearings (which turned out to be of crucial importance) on executive privilege. It was here that Attorney General Richard Kleindienst announced that the right of the Congress to information was limited to whatever the President wanted to disclose.

- In April 1973, Senators Muskie and Ervin introduced a bill (S.1214) which was designed to reaffirm the right of Congress to executive budget estimates.
- At approximately this same time, Senator Ervin drafted a budget control bill in his Committee on Government Operations and assigned it to Senator Metcalf's newly-formed Subcommittee on Budgeting Management and Expenditures.

Senator Metcalf's opening statement underscored Congress' frustration with its attempts to improve its control over the budget. In particular, the hearings highlighted the animosity between OMB and the Congress and the allegiance of OMB to the Executive:

> This is a continuation of a series of hearings by the Subcommittee on Budgeting, Management, and Expenditures on more than a dozen bills on improving congressional control of the budget. We have invited our friends from the Office of Management and Budget, but they will not be here today. We had hoped that they would not be too busy reorganizing their office and contemplating White House cleaning to be here. We were particularly interested in talking with them, since the Comptroller General will be testifying in part on his work toward improving the flow of fiscal and budgetary information in Congress as required by Title 2 of the 1970 Legislative Reorganization Act. Unfortunately, according to Director Ash, he and his staff are preoccupied with House appropriations hearings on the OMB budget or with other hearings and budget matters. Also, although I didn't mention it, today is the day the OMB confirmation bill comes up in the House. In any event, Director Ash did convey OMB's views on S.1215 in a letter to Senator Ervin dated April 27, strongly recommending against the enactment of this bill which I introduced on March 14.

OMB's comments on my bill, Director Ash argues, are: it is unworkable, unwise, unnecessary, and probably unconstitutional. The comments can be summed up in one word. It is pathetic.

Let me give you a few samples. Early he questions the constitutionality of proposed section 203(e). This, he states, would give the Comptroller General the authority to recommend changes in the form, content, and reporting procedures prescribed by existing laws without the opportunity for Presidential review.

I think that that probably is one of the most outrageous statements I have ever heard since I came to Congress, that anybody should have to have Presidential review before he gives advice and recommends changes as to legislation.

Mr. Ash is probably suggesting there is a constitutional prescription of court opinion requiring White House clearance before Congress can act on a recommendation of the Comptroller General. Perhaps there is a corollary derived from the clear constitutional right the Nixon administration has asserted to impound funds and terminate federal programs established by Congress. Director Ash says he believes in the approach of prescribing principles and standards for agency systems, as is the case with the accounting system under existing law, but that leaving the development of the systems themselves to the agencies is a more sound approach. That more sound approach is precisely the approach taken in S.1215. Director Ash says OMB has always been and will be responsive to the informational needs of any committee of Congress.

Moreover, in an attachment, he denies the fact that OMB has refused to comply with the letter and intent of the present Title 2 requirements. He also claims that OMB is currently undergoing an extensive internal reevaluation of its organization and workload in connection with this. He adds, "We are examining alternative ways in which additional resources could be made available for clarifying the congressional needs and developing a plan for responding to those needs."

This is essentially the same line peddled by OMB last year at this time in connection with hearings on Title 2 in the Joint Committee on Congressional Operations. At this time, the Office of Management and Budget had the equivalent of two people working full-time on fiscal and budgetary information projects. Today they only have the equivalent of one person working half-time.

> The OMB-GAO steering committee, which supposedly is directing this effort, hasn't even met in all these intervening months.
>
> In short, we won't have to wait almost a year to determine the credibility of these OMB comments. They were, to coin a phrase, inoperative the day they were written. (U.S. Senate, Subcommittee on Budgeting, Management, and Expenditures, Committee on Government Operations, 1 May 1973.)

The Office of Management and Budget's failure to cooperate with the Senate hearings represented a deliberate posture that held that supplying information to Congress was unnecessary and not OMB's responsibility:

> (If Congress insisted) that such information is essential, which we question, we do not believe the Office of Management and Budget (or any other agency of the Executive Office of the President) is the appropriate agency.[51]

Willfred H. Rommel, the Office of Management and Budget's legislative director, further argued that:

> Too much detail can and does obscure an understanding of the major issues... We will be glad to furnish such program and fiscal data as we have for the coming year. This would, of course, not include any working papers of an internal nature, showing advice to the President that may or may not have been reflected in his budget recommendations.[52]

Rommell also indicated that the Office of Management and Budget would "discourage any attempt" to request "more across the board information."[53]

During hearings of Metcalf's Subcommittee on Budget, Management and Expenditures, the Comptroller General, Elmer Staats, indicated that the lack of responsiveness on the part of OMB specifically was still a problem:

Q. (Senator Metcalf). In your most recent report, on February 7, 1973, you stated flatly that fiscal and budgetary systems being developed by the executive branch will not fulfill the information needs of the Congress. In short, this means that OMB is not complying with provisions of Title II of the Legislative Reorganization Act. In your statement, however, you suggest that Treasury and OMB are only "moving too slowly" on this project. What evidence do you have of significant progress since February 7, which leads you to believe the OMB is now prepared to meet the requirements of Sections 201-203?

A. (Elmer Staats). We have no formal commitments for the new Director of the Office of Management and Budget, but during our discussions with him and his staff, we have been assured that a higher priority will be given to the implementation of the 1970 Act and that starting on June 1, 1973, at least six people from the executive branch will be assigned on a full-time basis, to work on it, and to coordinate closely with my staff. (Subcommittee on Budgeting, Management, and Expenditures, 1 May 1973.)

In the case of the GAO, it has been speculated that its failure was due not because of any genuine lack of ability but rather because of a lack of will. Senator Hubert Humphrey noted this lack of will in his statement before the Subcommittee on Budgeting, Management, and Expenditures on 9 April 1973:

...Mr. Chairman, there is vast unused potential in the GAO. The GAO could assist this office through an analysis of the executive branch budget justifications and requests assisting in the evaluation of programs as well as the auditing of those programs, and working with this new office in examining the budget assumption and underlying theories of the Presidential budget, and periodic observation and analysis of the management functions of the Executive. The GAO could and should expand its evaluations and audits of both the impact and the administration of concurrent programs....

One reason which explains GAO's lack of speed in implementing the requirements of the Legislative Reorganization Act of 1970 is the fact that the General Accounting Office was just too close to the executive branch to undertake such a project. In addition, the Director of the General Accounting Office has unusual security in terms of the Congress since he is appointed for a 15 year term, and it requires a joint resolution of both houses of the Congress to remove him. Lastly, he has considerable discretion in deciding which projects to take on and when they should be completed. The job of providing analytical support for the budget might have forced an unwelcome change in the relatively autonomous way that GAO was used to working, by imposing a new set of tasks to be done; tasks which had more visible deadlines and which could easily be measured.[54]

It was this failure of GAO to provide information and analysis which caused Congress to go back to the drawing boards to develop some other mechanism, and it was from Senator Metcalf and his staff that the idea of a Congressional Office of the Budget began to take shape. Senator Metcalf felt that Congress did not have the information it needed to be effective, was not getting such information from the Executive, and was reduced to accepting whatever the executive branch told the Congress.

The availability of information and the capability to analyze the information were noted as essential throughout the hearings of Metcalf's Subcommittee on Budgeting, Management, and Expenditures:

SENATOR MUSKIE: Forgetting the mechanics and procedures for a moment, the whole budget process depends upon the information available, one, and the ability to evaluate it, two. Without those two ingredients, all the procedures that you establish by law are meaningless.

Unless we focus on those essentials, I think we are going to be more and more at the mercy of the Executive and the enormous establishments that the Executive has for mobilizing the information, evaluating and processing it, and moving it toward set conclusions. I think we are just helpless in the face of that kind of executive momentum.

I would hope that out of this discussion we can come up with a budget procedure that gives us a handle on those two essential points.

SENATOR METCALF: Senator Muskie has brought forth a most important point. You represent great national organizations which can help us. As the budget is formulated in the executive department, if the information which forms the basis flows into the Congress, then you would be informed as to the process of the establishment of a budget.

As it is now, we are faced with the ultimate mystery on the 21st of January, with the budget coming out. It is a big, thick book, an accomplished fact. Most of the things are phrased so that you can't understand them. We have to start on that basis.

We haven't had any part, nor have you, in the formulation. I want to say if Mr. Ash can handle the mountain of information that goes down to make the budget, every Member of Congress and everybody down to the pages can also handle that mountain of information, develop it and ascertain what should be part of the budget process.

I wish you would think about this Congressional Office of the Budget and this idea of input of information into the congressional office at the same time that it goes into the budget.

We don't have to make the determination at the same time, but we should have the same inflow of information that the Office of Management and Budget has.

Ralph Nader sat in the same place you are sitting at one of the other hearings before Senator Muskie's committee and made one of the most significant statements that has been made in the last Congress. He said that information is the currency of power, that the real currency, the dollars and cents, the cash and flow of the legislative process, is information, and if you don't have the information then you don't have anything upon which to base the legislation or the appropriation or anything of that sort. (Subcommittee on Budgeting Management, and Expenditures, Committee on Government Operations, 7 May 1973.)

During the hearings Senators Metcalf and Mondale indicated the problem for Congress was not solely a lack of available information. They outlined a larger problem: in many cases, the data was available, but there existed a very formidable resistance on the part of the established agencies to supply Congress with the information:

> SENATOR METCALF: My bill was introduced at the suggestion of the majority leader, who said we had to get some information in order to be able to adequately, with intelligence, pass on these budgetary problems.
> I found out Mr. Ash says it may be unconstitutional for the GAO to make unilateral suggestions about the budget.
>
> SENATOR MONDALE: Did he invoke executive privilege?
>
> SENATOR METCALF No, he didn't but he said he thought it was unconstitutional for the GAO to recommend changes in form, content, and reporting procedures, prescribed by law, without Presidential review.
>
> SENATOR MONDALE: Even the GAO?
>
> SENATOR METCALF: Or anybody else, apparently. The GAO, which is an arm of the Congress and not part of the executive department, shouldn't be permitted, under the Constitution, to comment on legislation, they say, without Presidential review.
>
> SENATOR MONDALE: The Budget Bureau, of course, while it is a branch of the executive, was created by the Congress with the intention that it would be an indispensable partner with the Congress in developing budgets because the magnitude of the job was getting beyond our personal reach.
> For many years it was just that. The Budget Bureau, its technicians and its Director were very helpful to the Congress and spent a good deal of their time testifying and working with Members of the Congress on these complicated matters. Then under the revisions which developed in the so-called OMB, it was made a part of the White House and, in effect, executive privilege was constructively imposed upon it.
> Thereafter, the Congress was left to swim on its own, which I think has helped create the crisis that we are trying to deal with today.

I think we must end this with a program and an office that has the ability to analyze that budget independently, from zero on up, to evaluate, to do field studies, to do the kind of hard analytical work that we need to determine independently of the executive the wisest course to follow with respect to any of these programs and with respect to the overall budget.

We don't have that today. We all know that. That is one of the main things that I think can come out of the work of this subcommittee and of the joint committee, to develop that facility, to arm the Congress with its own independent power to really tear down a budget, look at it and develop one of its own.

I think the joint committee proposal, which I referred to earlier could well destroy that whole effort. (Subcommittee on Budgeting, Management, and Expenditures, Committee on Government Operations, 9 May 1973.)

Senator Ervin's Budget Control Bill was rather hard-nosed and reminiscent of the Legislative Reorganization Act of 1946 in that it imposed stringent rules upon the Congress. Senator Metcalf wanted a more flexible bill that would operate only as the majority of the House and Senate wished it to. Senator Metcalf felt it was more important for the Congress to have an in-house capability with respect to information than a new budget process.

He also thought that the Congressional Office of the Budget should be an agency that would assemble and analyze information and then present it to the House and the Senate as a series of alternatives from which the Congress could make its political decisions. This meant (as far as Senator Metcalf was concerned) that the Congressional Office of the Budget had to be an independent, non-political agency and not a congressional committee.

The distinction between a committee and an independent agency is important. Senator Metcalf felt that a committee's staff, no matter how well intentioned, would inevitably be forced to reflect the political will of its members. This would jeopardize the credibility of the information to other members of Congress in much the same way as OMB is suspect on the Hill because of its allegiance to the President.

Senators Ervin and Muskie had tried unsuccessfully to move their Congressional Information Bill (S.1214) without a hearing, and the Republicans filibustered it in committee. Rather than go through a protracted battle over S.1214, they decided to give the proposed Congressional Office of the Budget the power to get the kind of information that was necessary. This was an important step in the balance of power between the legislative and the executive branches since, in effect, the Congress was opting to develop its own institutional capability instead of settling for right of access to executive data.

There was never really much disagreement that there be a budget staff for the Congress. There was a dispute, however, which persisted until close to the end between the House version of the staff and the Senate version of the staff.

Originally, the 32-member Joint Study Committee on Budget Control of the House and Senate proposed a Joint Legislative Budget staff which would serve both the House and Senate Budget Committees, and would have no separate staff of its own other than administrative personnel. The Director would be appointed by the two Budget Committees, and approval of the chairman of the Budget Committees would be required to appoint other personnel. In addition, in order to secure data from executive agencies, the Joint Legislative Staff would have to have the approval of the chairman of the Budget Committees. Since the Legislative Budget Staff would function as the staff of the two Budget Committees, it would be responsible neither to Congress as a whole nor to other congressional committees or members.

One reason why the committee may have recommended a Joint Staff is because it was dominated at the time by members who sat on either the Ways and Means Committee in the House or the Finance Committee in the Senate, both of which were accustomed to working with an excellent (and highly atypical) joint staff. The Joint Committee on Internal Revenue Taxation was headed at the time by Larry Woodworth, the dean of congressional staffers.

The second version, that proposed by the House Rules Committee (H.R. 7130), retained the concept of the joint staff for the Budget Committees, but expanded the responsibility into a Legislative Budget Office which would have the authorization to provide data and technical assistance to other congressional committees and members. This was done with the provision that the Legislative Budget Office would maintain "a special relationship to the Budget Committees."

The Senate people did not accept this version and they had the required leverage because under existing Senate rules, once any Senate committee was created, that committee could automatically establish its own staff. The House people had to go along since it was inconceivable that the Senate Budget Committees would have their own staff, while the House Budget Committee would not.

A second point of difference concerned CBO's size: should it be a rather modest or fairly large organization? The language in the Conference Report can be used to justify either approach.

The principal responsibilities for the office proposed by the House Rules Committee were:

- Preparing five-year projections of budget outlays resulting from any authorizing or appropriations bill providing new budget authority.
- Issuing periodic reports comparing all new budget authority in legislation to the amounts included in each functional category in the most recent budget resolution.
- Issuing at the beginning of each fiscal year a five-year projection of all outlays and budget authority, estimated revenues, and the surplus or deficit for each year.

With the purpose defined, a Joint Budget Staff was proposed to carry it out. The joint staff was later modified into separate staffs for the House and for the Senate, yet the joint staff concept remained in the report, and it is this concept that ultimately became CBO. It remained because Senators Percy and Metcalf saw a new purpose for the now uncharged joint staff. They felt that budget analysis was so important that a nonpartisan group ought to be doing it.

Senator Ervin's Government Operations Committee opted for this independent Congressional Office of the Budget which would have broader responsibilities than the Legislative Budget Office originally proposed by the Joint Study Committee. The primary function of the Senate's Congressional Office of the Budget was to assist the Budget Committees, and the two Committees were given oversight responsibilities for the Office. However, the Office was also expected to assist any other committee or congressional member upon request and, in effect, there would have been little direct control of its operations by the Budget Committees. It is at this point that a division between the two Houses became clear. The House had done away with the joint staff concept in favor of its own budget committee staff; whereas the Senate now wanted not only its budget committee staff but a Congressional Office of the Budget as well.

The general structure of the Office was maintained by the Senate Committee on Rules and Administration, but the Committee made two alterations: first, the director of the Budget Office was to be appointed with Committee consultation; and, second, the function of assisting other committees and members was downgraded in priority. These changes were designed to forge a stronger relationship between the Budget Office and the Budget Committees, and the priority accorded the Budget Committees' requests was enhanced.

The final version of the bill combined features of both the House and Senate bills and established the Congressional Budget Office as a legislative agency separate from the two Budget Committee staffs. This final version, Title II of the Congressional Budget and Impoundment Control Act of 1974, Public Law 93-344, included various features which were devised to assure a close relationship between the Congressional Budget Office and the Budget Committees.

The development of the Budget Office reflects the various modifications that were made in the House and Senate Budget Committees. These changes affected the manner in which the Director of the Budget Office was to be appointed. Since the Joint Study Committee preferred a joint budget staff, the appointment or removal of the legislative budget director was the responsibility of the two Budget Committees. The Legislative Budget Office proposed by the Rules Committee and passed by the House (H.R. 7130) excluded the Senate from any role in the appointment process, by giving appointment power to the Speaker of the House upon the recommendation of the House Budget Committee.

Though the Senate's original version (S.1541) gave appointment power to the Speaker of the House, the Government Operations bill modified this power into a procedure involving both the House and the Senate. This arrangement excluded the Budget Committees in the selection process, since the appointment of the director (and the deputy director) was to be made jointly by the Speaker of the House and President pro tempore of the Senate, and the appointment had to be approved by the House and the Senate.

The Senate Committee on Rules and Administration established a three-step procedure which involved consultation with the Budget Committees, appointment by the Speaker and the President pro tempore, and confirmation by the House and Senate. In this instance, the enacted version of the bill differs from previous procedures in three ways: one, it deletes the confirmation requirement; two, it clarifies the role of the Budget Committees; and three, the deputy director is selected by the director.

The early versions of the Budget Control Act had no fixed term of office for the Director. The Senate Committee on Rules and Administration set a six-year term of office, but a four-year term was adopted. In the final version, a provision for removal of the director by a vote of either the House or the Senate was included.

It its proposed Legislative Budget Staff, the Joint Study Committee required the approval of the two Budget Committee chairmen in order for the director to hire personnel but it authorized the Legislative Budget Staff to procure the services of consultants and experts. These two features were incorporated without change in the House version. However, in the Senate version, all hiring power was vested solely in the director of the budget office, and this feature was adopted in the Act establishing the Congressional Budget Office.

With various refinements, all the versions of the budget legislation provided broad authority for the new budget office to secure information from executive agencies. In the Joint Study Committee bill, approval of either chairmen of the Budget Committees was required in order for the budget staff to directly request information from the executive branch.

The original Senate version required agencies to provide the budget office only with information "to the extent permitted by law." However, as already mentioned, Senator Ervin's Government Operations Committee expanded this requirement into an authorization to obtain any information developed by executive agencies "in the normal course of their operations and activities." In addition, the Government Operations Committee provided for the budget office to utilize the services and facilities of the executive agencies. In the enacted version, CBO can secure information without prior approval by the Budget Committees and also has the authorization to utilize executive personnel, facilities, and services.

Depending on the role and relationship of the budget office to the Budget Committees, the duties and functions of the office have varied. The Joint Study Committee bill simply prescribed that the duty of the legislative budget staff was to serve the House and Senate Budget Committees. The House version expanded this role and authorized the budget staff to provide other committees and members with information that was readily available and any related technical assistance. Though this arrangement maintained the "special relationship" between the budget office and the Budget Committees, it also would have permitted limited assistance for Congress as a whole.

The original Senate version made little differentiation between service to the Budget Committees and other congressional committees. However, by the time the bill was reported by Senator Ervin's Government Operations Committee, a distinction had been made which gave the budget office the "duty and function" of providing budget data, any related information, or personnel on a temporary basis upon the request of either of the Budget Committees, and entitled other committees and members to available information and, where practicable, other budget-related data. In this version, the budget office was given the discretion to assign personnel to other congressional committees or individual members on a temporary basis.

The version reported by the Senate Committee on Rules and Administration retained the priority status of the Budget Committees but specified that other committees were to receive available information upon request and temporary staff assistance at the discretion of the budget office. Assistance to members was limited to available information, and other information only if practicable.

During the Senate floor debate, Robert C. Byrd (D) of West Virginia, with the support of the bill's sponsors, proposed an amendment which established priorities among committees for budget office assistance. As a result, the enacted legislation establishes a four-level hierarchy:

- o Highest priority is given to information and personnel requests from the two Budget Committees.
- o High priority is also given to the requests for information and staff assistance from the Appropriations, House Ways and Means, and Senate Finance Committees.
- o Other congressional committees are entitled to available budget information and, where practicable, additional related information. The Budget Office can assign personnel for a limited time at its own discretion; however, assistance to committees was not to interfere with priority service to the budget related committees.
- o Members were limited to obtaining only available budget information.

The importance of this last point is that, while members will be able to receive anything which is made available and produced regularly for the Budget Committees, they would probably find it difficult to get the budget office to actually undertake analyses and research for themselves.

If ever a law was the work of staff rather than members it was the Budget Act of 1974:

> Staff work: The conference committee that approved the extraordinarily complex budget reform bill met only twice -- on April 9 and June 5.
>
> The April 9 meeting was devoted to provisions to limit Presidential authority to impound funds

appropriated by Congress. At the June 5 meeting, which lasted only one hour, conferees approved the entire 47-page bill.

> In the two months between the two meetings, congressional staff members worked, under guidelines set by their bosses, to put together a compromise bill. The quick approval by the conferees was testimony to their success.
>
> "It's an unusual experience to have so much of a potentially controversial piece of legislation worked out at the staff level," said Sen. Edmund S. Muskie, D-Maine. "They did a fine job."
>
> "In six days I will have been here 20 years," said Ervin, "and this is the finest example of staff cooperation I've seen."55

The conference report was adopted by the House on 18 June 1974 and by the Senate on 21 June 1974, though the two chambers apparently had different expectations about the staff they had created:

> The House had expected to create a small office with the limited responsibilities of scorekeeping and cost estimates for individual spending and revenue bills. The Senate, though, envisioned a major new organization which would analyze not only individual bills, but also aggregate effects of spending and revenue decisions. The Senate anticipated an office with the stature of GAO, CRS, or OMB. To prepare the annual report on national priorities, the new staff would have the capability to analyze virtually any domestic or foreign issue as it related to the budget process.56

In part, the difference between the expectations of the House and the Senate with respect to the budget office is a result of a much larger difference in philosophy between the House and the Senate. It is generally acknowledged that House members, because there are so many of them, because they only serve on one committee, and because they are always running for office, tend to delegate less and take more of a direct responsibility for their work than does the Senate. It follows, therefore, that the House would prefer a smaller CBO than the Senate.

In addition, the House is much more appropriations oriented, since it is the House that, under the Constitution, initiates expenditures. The Appropriations Committee is a singularly important committee in the House; it is more heavily staffed than its Senate counterpart, and its members delve more deeply into agency business. This produced concerns in the House that were not present in the Senate regarding the respective roles of the Appropriations and the Budget Committees.

It probably also produced some feeling in the House that the Budget Committees were not really all that necessary: "Our Appropriations Committee has this all down...what the hell is all the fuss about?" This is consistent with the fact that the House membership rotates and because of that there is no real incentive on anyone's part to make the House Budget Committee very powerful:

> The outlook for the House committee is murkier. Membership on the committee rotates; no one can be a committee member for more than four years of every 10. There is no permanent chairman of the House committee, because House Members feared that a permanent chairman would become a budget czar with more power than the chairmen of the Appropriations and Ways and Means Committees.57

Given that the House was not very overwhelmed by the idea of Budget Committees, and never even wanted a Congressional Budget Office, it stands to reason that this would somehow affect the relationship between the Congressional Budget Office and the House Budget Committee.

Duplication of services was a very real concern expressed by Lawrence Coughlin (R-Calif.):

> I am concerned that we have the Joint Economic Committee with a staff of some 35 people and a budget in 1976 of $1.1 million; the Congressional Research Service with 715 people and a budget in 1976 of $16 million; the House Budget Committee with a staff of 60 and a budget in 1976 of $1.7 million; the Office of Technology Assessment with 62 people and a budget of $6 million; the GAO with 5,558 people and a budget of $135 million; our own appropriations committee with 145 people.[58]

It might seem, at first, that the biggest opposition to any new budget process would come from the Appropriations Committees (the "old boys" who ran the existing budget process). But the 1974 Act enjoyed the support of veteran conservative congressmen on the Appropriations Committees because, contrary to the accepted myth, the "old boys" did not really run the existing process. According to a study commissioned by the Senate Government Operations Committee, only 25% of the outlay authority in 1974 was under the jurisdiction of Appropriations Committees. Title IV of the 1974 Act gave them a chance to regain some of their lost power by reversing a trend which can be called "Appropriations Creep."

> Bills establishing programs that entitle certain groups to federal benefits must be referred for 15 days to the Appropriations Committees, which may add amendments limiting the total amount of new spending authority.

> New legislation permitting agencies to enter into contracts and to borrow money not yet appropriated will be effective only to the extent that money is set aside in subsequent appropriations bills.[59]

Despite the fact that some of CBO's principal critics within the Congress have been conservatives, the principal opposition to the Congressional Budget and Impoundment Control Act of 1974 came ironically from liberal groups. It was the Democratic Study Group, the United Auto Workers, and the AFL-CIO, who all went on record in opposition to the Congressional Budget Office. The principal reason for this opposition was a fear that the net result of any CBO would be a lessening of the number and scope of future social programs.

This liberal fear of analysis seems to be rooted in a perceived structural bias endemic to cost-benefit analysis. Simply put...it is seen as easier to display and evaluate the costs of a social program or proposed policy initiative than it is to quantify the supposed benefits of that program. This leads to a bias that social programs are not cost-effective relative to other kinds of programs.

The Congressional Budget Office also ran into substantial criticism within academic circles:

> Aaron Wildavsky, then Dean of the School of Policy Studies at the University of California, Berkeley, argued against creation of a congressional analytic capability on two grounds: First, members would be swamped by responsibilities of managing a staff and of consuming the quantities of information such a staff would produce. 'It would make Congressmen into bureaucrats,' Wildavsky told the Senate Govern-

ment Operations Committee. 'It would deprive them of the advantages of specialization, or representation, of being people who formulate, represent, and broker preferences. It would effectively transfer power from the Congressmen to the staff'.

Second, Wildavsky also questioned the need for a Congressional analytic capability on more fundamental grounds. He argued that the budget process is so complex and irrational that 'no one can be certain that the Presidential spending targets are correct for economic spending purposes and, if they are, whether the limits proposed will come near to meeting them and, if they do, whether the contrary effect may not well occur.' Indeed, he charged, 'The totals are hunches, on top of guesses, wrapped up in conjectures.' To cope with the complexity and uncertainty inherent in the federal budget, Wildavsky said, is beyond the capability of any staff who 'could not themselves, in their own minds, or with any available formula, or with any bank of computers...really understand all the myriad relationships of the activities that go on in the budget as a whole, which is beyond conception -- who knows what $300 billion is -- but even with one of the dozen or so major bills.60

Both Wildavsky and Richard Musgrave, professor of economics at Harvard University, argued for an incremental approach. Musgrave suggested:

...that the President be required to submit a budget that would show not one total but three -- one the desired amount and the others an indication of what could be done with expenditures and revenues 10 percent more or less than the desired level.61

Wildavsky recommended a narrowed scope of attention for Congress to use in approaching the budget:

Congress would be deciding among new ventures and expansions of old ones. By a process of sequential reduction, through successive iterations, Congress would have refined its preferences on spending and related items to notions of desirable tax and economic policy. To carry out this incremental process, he said, Congress would not need an extensive new analytic capability but could instead

> rely upon the existing staff of the Joint Committee on Internal Revenue Taxation (JCIRT) and slightly expanded staffs of the appropriations committees.[62]

Arthur Maas, professor of government at Harvard, also questioned the need for Congress to have the analytical capability of a Congressional Budget Office:

> To obtain the necessary expertise and information, (Congress) would be forced to rely on a system of standing committees with large professional staffs. The Executive should normally be the leader in the legislative process because of the importance in a democratic system of pinpointing responsibility so that the electorate can hold its agents accountable for this activity.[63]

On the pro side, some of the liberal members of Congress who supported CBO did so in the belief that CBO could uncover waste in the Defense Department's budget which could be used for social programs. The need for this capability was expressed during the hearings of the Subcommittee on Budgeting, Management, and Expenditures on 7 May 1973 by Mary Vogel of the National Organization for Women:

> Despite the end of the Vietnam war, the fiscal year 1974 Nixon budget reflects the administration's continued emphasis on defense spending at the expense of key domestic programs, as well as an attempt to shift responsibility for setting domestic priorities to state and local governments who do not have an impressive record of achievement in the area of social service programs.
>
> The 1974 Nixon budget calls for the Federal Government to spend 30 cents out of every dollar for defense, but only 4 cents out of every dollar for education and manpower, and only 2 cents out of every dollar for community development and housing.
>
> Where present spending priorities are of little help to the poor, present taxing priorities are an extra-heavy burden on them. With respect to revenues, the

> 1974 budget calls for increased reliance (75 percent) on regressive payroll taxes and inequitable income taxes, with only 15 percent of estimated revenues to come from corporate taxes -- where 23 percent of our Federal revenue came from corporate taxes in 1969.
>
> NOW is concerned about all of Nixon's budget cuts, impoundments, and impoundments by guidelines insofar as these are an attempt to usurp congressional power over the purse, but NOW is particularly concerned about the adverse effects these cuts will have on the poor of this Nation.

Most importantly, there was the view that the executive branch would never supply Congress with the information needed to perform its role as overseer. This group (by now a majority) felt that Congress should assume an active role in initiating policy through the budget process, and they advocated a significant strengthening of existing staff capability or the creation of a new analytic office:

> If knowledgeable outsiders testify, they are usually private consultants or members of government advisory committees with ties to the programs on which they are testifying.... Since the hearings are dominated by department and agency advocates, the committee lacks the opportunity to become aware of the President's perspectives and reasons -- except as they are revealed in the budget documents -- for making a particular decision on program expenditures....
>
> ...No institutionalized "nay sayers" are regularly available to tell the committee why some project should not be undertaken or why one alternative might be better than another.... Even if the present committee and minority staff could make sufficient time available for in-depth studies, they lack some of the necessary analytic skills for such undertakings.64

Democratic Congressman John Conyers summarized Congress' need for independence from the Executive Branch:

> As long as we remain dependent on the President and the OMB for our budgetary information, we permit them inordinate influence over the decisions we make. A false sense of minor economies and an exaggerated fear of legislative bureaucracies must not cause us to deny ourselves the resources we so desperately need.65

The liberals were threatening to hold up the Budget Control Act because of their strong dislike of the Congressional Budget Office and one afternoon a showdown took place in Senator Muskie's office. In no uncertain terms, Senator Muskie made it clear that, with or without the support of the liberals, there was going to be a Budget Control Act. It was Senator Muskie who persuaded the liberal groups to go along. He did not share their fear of analysis. He felt that Congress had to reform itself or risk being forever subservient to the Executive, and he was personally committed to seeing that budget reform would be implemented in an even-handed way.

Like Alexander Hamilton, Senator Edmund Muskie was uniquely qualified to give birth to budget reform. He is an extraordinarily effective legislator and one of the Senate's senior liberals. He has a reputation for being able to work with members of diverse political ideologies.

According to Bernard Asbell, writing in The Senate Nobody Knows, Muskie rarely describes anyone in terms of motivation, rarely judges or even characterizes anyone. He describes an action, or something said, or a vote cast, or a political person's general position -- something observable and factual. Muskie sees a person not as a bundle of passions but as a performer of external actions. Even someone who persistently gets in his way is accepted as a fact to deal with, pointless to complain about, like paying the mortgage.

Whether deliberate or not, this is a useful style of mind in the Senate, where a relatively small community of one hundred must live together for years and years, where one may team up with another as a partner one day and heave a wrecking ball to crush the other's position the next.

Senator Muskie is also unique among powerful chairmen for his bipartisanship:

> It's really very simple. I assumed from the beginning that if any man on the committee, whatever his politics, were given a meaningful role, a meaningful input into the legislative process, he'd be glad to become part of it. You have to remember that in my days in the Maine legislature, my first experience in office, the Democrats were in a very small minority. We were just sort of tolerated. It was recognized that the two-party system had to be there, but you weren't really invited to participate. We weren't asked to offer our ideas or be part of the creative legislative process. When I first came here, the minority on the Public Works Committee was just sort of tolerated. It was recognized that they could advance their proposals. When there'd be an automatic party-line vote. The majority would work its will. The final product was usually shaped around the chairman's ideas. But constantly there was this air of confrontation. Which was the old politics.
>
> When I got a subcommittee of my own, it just seemed to me that it would be better to invite the others to get involved, to accept their ideas as though they were members of a committee. So that's been the style of this subcommittee ever since it was created.66

Perhaps, most importantly, Senator Muskie has a strong concern for the effects of government spending which is somewhat rare for someone with such impeccable liberal credentials. This approach was evident in a speech he delivered to the Liberal Party Convention in New York in 1976:

> We failed in 1972...and on the eve of 1976, we face the grim possibility of failing again.... How can that happen? After seven years of a Republican administration distinguished only by its failures, how could the American electorate fail to vote for a new liberal administration? When we know what's right, how can so many Americans not follow our leadership? How can so many Americans miss the point?
>
> The answer, I submit, is that we have missed the point. For in the past decade liberals have developed an ideology and state of mind that is narrow, unimaginative, and often irrelevant.... Four decades ago we discovered the possibilities of government action to better the lives of Americans. People... prospered as a result. But something has happened since then -- and it's basically happened through us. People are still discontented. They still want change.... Yet when the average citizen turns to us for help, what does he find?
>
> Consider, for example, the 1972 national platform of the Democratic Party. It runs about fifty pages, nearly fifteen thousand words, and reads like the catalogue of virtually every problem we liberals think bothers the American people.... Wonderfully comprehensive and esoteric.... It showed that we knew all about government, and know just what government programs needed change.
>
> In promising so much for so many, it was meaningless. Nowhere in there was there any statement of what those hundreds of changes would cost. How much, for example, would the new towns program cost? Would we need higher taxes to pay for it? How many people would be helped?
>
> ...The Democratic Platform of 1972 represents to me the culmination of years of liberal neglect -- of allowing a broad-based coalition to narrow -- of progressively ignoring the real fears and aspirations of people -- and of assuming we know best what the people need....

I read my mail. I talk with voters in the towns of Maine, and I listen.... Most important, they don't believe that government really cares about them. All they need is one encounter with some government bureaucrat to confirm that. In Maine, for example, it now takes a full year to process a Social Security disability claim....

My basic question is this: Why can't liberals start raising hell about a government so big, so complex, so expansive, and so unresponsive that it's dragging down every good program we've worked for?

Yet, we stay away from that question as if it was the plague. We're in a rut. We've accepted the status quo. We know that government can do much to improve the lives of every American. But that conviction has also led us to become the defenders of government, no matter its mistakes. Our emotional stake in government is so much that we regard common-sense criticism of government almost as a personal attack. We resist questioning the basic assumptions of the structure and role of government, fearing the unknown, fearing that somehow we have more to lose than gain through change.

Budget reform could mean cutting back spending on health programs, but it could also mean fewer gold-plated weapons systems. Productivity standards could cost union support, but they could help restore public confidence in the many government workers who work hard. Or regulatory reform could jeopardize health and safety regulation, but it could also loosen the grip of special interests on agencies. Plainly, we cannot move forward without questioning such basic assumptions -- and running certain dangers.

We must adopt government reform as our first priority -- as an end in itself. We must recognize that an efficient government -- well managed, cost-effective, equitable, and responsive -- is in itself a social good.

We must do this secure in the conviction that first priority on efficient government is not a retreat from social goals but simply a realization that without it those goals are meaningless.

The problem was how you express a liberal's concern for the plight of government today. How you take what has been in the past an orgy of breast beating

> about the failure of liberalism, the junking of the ideals of the New Deal, and turn them positive and affirmative: let's make liberalism work, let's be proud that we're liberals.

As important as Senator Muskie was in the creation of the Congressional Budget Office, he must share the credit with Richard Nixon whose imagination and creativity in the art of budget impoundment (as well as his unique interpretation of the Constitution) succeeded in doing what many believed to be impossible -- namely uniting both conservatives and liberals in the 93rd Congress:

> The June 5 meeting at which the conference committee approved the budget reform bill was remarkable for the absence of strong disagreements. The controversial impoundment issue, which divided the Senate and House for a year, was not even raised.
>
> Democrats were effusive in their praise of the budget reform bill. 'This is one of the most important pieces of legislation that Congress has considered since the First Congress,' said Sen. Sam J. Ervin, Jr. (D).
>
> Republicans were more restrained. Rep. Dave Martin (R) said after the conference: 'This bill will give Congress its first opportunity, even though a lame one, to get some control over the budget. The way we operate here now is the most haphazard thing that's ever been concocted. Now we'll have a chance to make some sense out of the budget.'
>
> At the June 5 meeting, Martin led the subdued opposition to a few provisions of the bill. He particularly objected to the failure of the new bill to place a deadline for enacting authorizing legislation. When other conferees, including some Republicans, maintained that the new budget timetable is the best one available, Martin replied mildly, 'I can see I'm not very persuasive.'

Some other Republican conferees expressed reservations about other features of the bill. Sen. William V. Roth, Jr., R-Del., said he fears the bill does little to encourage tight spending.

But when Rep. Richard Bolling, D-Mo., called for a vote, the conferees unanimously supported the bill. No member was willing to let his opposition to individual provisions get in the way of a vote in favor of better congressional control of the budget.

During its 18-month life in Congress, the issue of budget reform became a bandwagon that Members clamored to board. In the fall of 1972, President Nixon challenged Congress to set a ceiling on the 1973 budget. When Members could not decide what programs to cut, they realized the time had come to establish procedures that would improve their traditional piecemeal approach to the budget. Members felt especially obliged to support reform when they read public opinion polls showing that Congress ranked below even the President in public esteem.[67]

The Act passed by a vote of 401 to 6 in the House, and 80 to 0 in the Senate. (See Appendices A and B) Its importance was underscored by Senator Ervin in his introduction:

For more than 40 years, the Congress has contributed to, and acquiesced in, the growth of the power of the executive branch. Several important laws were enacted during the 93rd Congress designed to arrest this trend and to reassert the coequal status of Congress in our constitutional system. The most important of these is the Congressional Budget and Impoundment Control Act of 1974. To my mind, it is the single most important piece of legislation enacted during my service in the Senate, which has spanned more than 20 years.[68]

CHAPTER 4
THE DEVELOPMENT OF CBO

The Congressional Budget Office is just small enough that there is no visible trail of memoranda and position papers which a serious researcher can follow unerringly to the "proper conclusions", and so all such journeys take on some of the characteristics of the forensic sciences and Isaac Assimov.

PURPOSE AND DUTIES

The tasks of CBO, as outlined in the Budget Act (see Appendix C) fall into two general categories: budgetary estimates and fiscal and programmatic analysis.

Budgetary Estimates

Each spring, the Congress formulates and adopts a concurrent resolution on the budget, setting expenditure and revenue targets for the fiscal year to begin on the coming October 1. In September, the Congress reviews the detailed spending and taxing decisions it had made during the summer in the form of individual bills. It then arrives at and adopts a second concurrent resolution, reconfirming or changing the totals in the spring resolution. While the first resolution sets targets, the second establishes an actual ceiling for spending and a floor for revenues. The Congressional Budget Office keeps score of congressional action on individual bills, comparing them against the targets or ceilings in the concurrent resolutions. The Congressional Budget Office issues periodic reports showing the status of congressional action.

The Congressional Budget Office prepares 5-year estimates for what it could cost to carry out public bills or resolutions reported by congressional committees (except the two appropriating committees).

The Congressional Budget Office furnishes to a reporting committee a report on each committee bill providing new budget authority. Each report shows:

(a) The position of the bill with respect to the most recent concurrent resolution.

(b) A 5-year projection of outlays associated with the bill.

(c) The amount of new budget authority and resulting outlays provided for state and local governments.

The Congressional Budget Office also furnishes to a reporting committee an analysis of each bill providing new or increased tax expenditures. The report covers:

(a) An assessment of how the bill will affect levels of tax expenditures most recently detailed in a concurrent resolution.

(b) A 5-year projection of the tax expenditures resulting from the bill.

Early in each fiscal year, CBO prepares a report that analyzes the 5-year costs of continuing current Federal spending and the taxing policies as set forth in the second concurrent resolution.

Fiscal and Programmatic Analysis

The Congressional Budget Office prepares periodic forecasts of economic trends. It also prepares analyses of alternative fiscal policies and analysis of programmatic or policy issues that affect the Federal budget. These reports include an examination of alternative approaches to current policy, and are undertaken at the request of:

(1) The chairman of a committee or subcommittee of jurisdiction of either the House or the Senate;

(2) The ranking minority member of a committee of jurisdiction of either the House or the Senate;

(3) The chairman of a Task Force of the House Budget Committee. By 1 April of each year, CBO furnishes to the House and the Senate Budget Committees an annual report that presents a discussion of alternative spending and revenue levels, levels of tax expenditures under existing law, and alternative allocations among major programs and functional categories.

THE SELECTION OF A DIRECTOR

Although the law specifies that the Speaker of the House of Representatives and the President pro tempore of the Senate shall appoint the Director of CBO, in reality it was the chairman of the House Budget Committee and the chairman of the Senate Budget Committee who had the final say in selection.

From the very beginning, the Congressional Budget Office was more a creature of the Senate than of the House. The Senate had fought for it, in fact had insisted upon it. According to Senator Muskie, the Senate saw budget-making as something more than a numbers game. It involved the very substantive policies of the government as well. It involved an understanding of the economic implications of the budget, the economic and social problems that the country faces. So it had to be something more than simply an adding machine, a kind of process. As far as the Senate is concerned, CBO was to be an important tool in the policy-making field as well as in the numbers field.

To the Senate, CBO was the anchor of the new budget process. There was nothing overwhelmingly stable about the Budget Committees. It was understood that chairmen and members of the two Budget Committees would come and go, choosing their own staffs. It was also understood that these staffs would reflect at least, to some extent, the political philosophy of the individual members. There was additional uncertainty brought on by the fact that from time to time the administration in the White House will be the same as the party in control of the Congress; a fact which could potentially change the political context in which the budget process went forward. (There are two different versions of this:. one has the White House working everything out with the leadership of the Congress thus negating the need for a CBO or anything beyond political analysis; the other version has the White House using the Congressional Budget Office to subvert the Congress; a kind of budgetary fifth column on the Hill.)

These two factors contributed to a strong desire on the part of the Senate to stabilize the Congressional Budget Office so that it could continue to function effectively no matter what happened between the White House and the Congress.

There were approximately thirty-five candidates interviewed by the staff of the Senate Budget Committee for the job of director of the Congressional Budget Office. Alice Rivlin was one of these but she was not originally one of the four finalists. There was skepticism as to whether the Budget Committees would go along with her nomination because she was a woman, an academic with little experience on the Hill, and an employee of the Brookings Institution; this latter fact being perceived as the most serious obstacle.

Dr. Rivlin had been very involved with the development of the counter-budget while at Brookings and some members of the Senate Budget Committee saw her as being too actively connected with specific budget options. Senator Buckley expressed the reservations of those members of the committee who were wary of Dr. Rivlin's experience with respect to budgeting:

> I find that Ms. Rivlin has the reputation for activism in causes that involve the redirection of the Federal budget of a sort that I think would start us off at a tremendous handicap in terms of public acceptance of what we are trying to do. I think people would say that there is an in-built bias if the person at the pinnacle is someone who has these very strong personal opinions and has worked so hard in the past to see personal opinion translated into policy.69

Senator Cranston made a compelling case for Dr. Rivlin being included as a finalist. The five finalists were all invited to appear in closed session with members of the Senate Budget Committee, and by all accounts, Alice Rivlin's presentation was at least one hundred percent better than the other finalists. She was strongly in favor of policy analysis. Her concept of how the job should be done and of how CBO should relate to the committees was felt to be superior to that of the other finalists. Senator Muskie met with Dr. Rivlin to discuss her impartiality and came away with the assurance that though she had been very strongly involved with various budget proposals in the past, her neutrality as director of CBO could be assured. She became the Senate's principal candidate.

The House had decided on Philip S. Hughes as their leading candidate. Sam Hughes was a public administration type with twenty years of budgeting experience in the executive branch of government. Hughes wanted to emphasize an approach which would fit the Budget Committees into the Appropriations Committee process. Hughes felt that economic analysis (and analysis, in general) was very useful but his professional history and biases centered around budgeting as a tool for accomplishing program and policy objectives. In Hughes' opinion, it was important to begin by identifying what was possible within the political framework of the Hill. Otherwise, a problem could only be approached in an abstract context.

The Senate committee was not as enthusiastic about Hughes because they felt that the position of director required a person of more vision:

> Senator Cranston: ...I think it is much more important to fill the job with the best possible person.... I agree again with Jack that Hughes is an adequate fellow but I do not think he is a great fellow.... I would like to see us with somebody with a great deal more get-up and go and my favorite happens to be Alice Rivlin....
>
> Senator Fannin: Mr. Chairman, I feel Hughes can do an adequate job. At the same time, I do feel this is quite a challenge and whether or not he would accept that as a challenge and go forward the way we would expect a person to do is questionable in my mind....
>
> Senator Muskie: Now, my feeling about it is that Hughes could do a competent administrative job. I really would like to see somebody a cut above that, somebody who can grasp the dimensions of this global problem that this committee is going to be struggling with, conceptualize it and, you know, give us some real policy advice in addition to simply administering data-gathering operations.
>
> I think Rivlin is of that order of ability. Morrill, maybe, but he did not impress that much. I think Sawhill may be. He is at least very articulate.... 70

The Senate wanted an authoritative voice in the Congress that would be able to counteract OMB and Treasury Secretary William Simon. The Senate wanted a highly visible policy type; the House wanted someone who would be authoritative with respect to the numbers. The House saw budget reform as a step toward greater control over budget reporting, so the

House Budget Committee was oriented toward a CBO which emphasized the details of bills costing and the like. The Senate, on the other hand, viewed budget reform as a step toward priority setting and the making of major policy choices. The choice narrowed down to Sam Hughes or Alice Rivlin, and the two chairmen could not agree:

> Sen. Edmund S. Muskie (D), chairman of the Senate Budget Committee did not challenge the qualifications of Hughes to be CBO director. Rep. Al Ullman (D), chairman of the House Budget Committee, found Rivlin fully qualified. Their different first choices stemmed from their different views of the role that the CBO should play.
>
> Muskie and the Senate Budget Committee are looking for a CBO director who can help shape congressional budget policy. Ullman and the House committee want a director who can administer a staff of about 100 professionals who can provide technical information that Congress will need to determine its own policy.
>
> 'The Senate committee generally feels the congressional budget director should make policy proposals,' Bennet said, 'whereas the House views the CBO as a service instrument.'
>
> Bennet said Hughes, while 'a very competent public administrator,' is not a 'political person.' He said Rivlin, Sawhill and Morrill, all (final candidates) younger than Hughes, could be advocates as well as administrators.
>
> A House committee staff member, who asked not to be identified, said, 'Ullman doesn't see the CBO director as an activist or a policy innovator. The CBO is not an OMB. It is an information-gathering, analytical, option-proposing organization.' 71

As a result of this disagreement, eight months passed between the time the Congressional Budget and Impoundment Control Act of 1974 was signed into law by President Nixon, and the appointment of a CBO director.

Thanks to Wilbur Mills' love of Rock Creek Park and the people of Argentina, Representative Al Ullman became Chairman of the Ways and Means Committee, and Representative Brock Adams took over as Chairman of the House Budget Committee. Representative Adams, who was new to the committee, did not feel as strongly pro-Hughes. In a closed meeting between he and Senator Muskie, the Senate's view prevailed. Dr. Rivlin was appointed the first director of the Congressional Budget Office with the understanding that "she would adopt a low-key, neutral approach."[72]

In a sense, the selection of a director of the Congressional Budget Office can be seen not so much as a choice of who was the ablest person to run CBO but rather as a choice of what kind of CBO Congress would get. It is important to note that the House did not come around to agreeing that Dr. Rivlin was the right choice. It was more a case of the Senate prevailing and Senator Muskie getting his way. There is a saying in the Congress that whichever House cares the most about an issue will ultimately triumph. Senator Muskie, who had been involved in the creation of CBO from the very beginning and who had fought with his liberal counterparts to gain passage of the bill, was able to select a liberal, woman economist from the Brookings Institution as director.

It was somewhat ironic that the Congress (or more precisely the Senate) should turn to the Brookings Institution in its effort to regain its sovereignty with respect to budgeting, a sovereignty which was traded away in the Budget and Accounting Act of 1921.

Brookings was founded in 1916 by a group of businessmen and educators to support scholarly studies designed to improve the efficiency of government operations. Its first director, William Willoughby, wrote the Budget and Accounting Act of 1921.

STRATEGY

Before her appointment as the first Director of the Congressional Budget Office, Alice Rivlin spent eighteen years at the Brookings Institution and three years as Assistant Secretary for Planning and Evaluation at the Department of Health, Education and Welfare (HEW), under President Johnson.

She started at CBO with a top down hiring strategy, bringing on board her senior managers, and then relying on them to put together what was needed in order to do the task as they saw it. One of the first things she did after being named Director was to hire Robert Reischauer, an economist from Harvard and her colleague at Brookings. Together they added David Mundel, a political scientist from the Massachusetts Institute of Technology, who was teaching at the Kennedy School of Government and who had worked at HEW with Dr. Rivlin; Alfred Fitt, a lawyer and the Special Advisor to the President of Yale University; Robert Levine, an economist, President of the New York Rand Institute and a former Assistant Director of the Office of Economic Opportunity; Frank DeLeeuw, an economist and former senior staff person at the Federal Reserve Board and the Urban Institute; and James Blum, an economist, Deputy Assistant Secretary of Labor and a former Deputy Director of the Council on Wage and Price Stability.

Alice Rivlin saw the goal of the Congressional Budget Office as raising the level of debate in the Congress by increasing the amount of relevant information from which Congress made budgetary decisions. Initially, she did not consider the Congressional Budget Office's mission as including influencing Congress on specific decisions but rather as generally helping Congress to become more aware of existing alternatives and their tradeoffs:

> Rivlin has tried to hire economists with a wide range of views, and she has asked them to keep their views to themselves as they communicate with Congress. 'The people who work here have to care more about doing a professional job and getting the process going than about any particular outcome,' she said.[73]

To achieve this end, she saw CBO engaging in a number of activities some of which were clearly specified in the law, such as economic forecasts, five year projections, bill costing and scorekeeping. However, at least one class of activities which Dr. Rivlin wanted to emphasize (programmatic and policy analysis) was not so mandated.

For the Congressional Budget Office, with its relatively high proportion of professional employees to support personnel, the key choice with respect to staffing was whether to recruit those whose principal strength was their congressional experience or to recruit analysts. Dr. Rivlin chose the latter, and with the exception of Stanley Greigg, a former Congressman, no other senior person in CBO had ever worked on the Hill. This decision to emphasize academic analytical ability rather than congressional know-how was in contradiction to an explicit recommendation from the Budget Committee staffs:

> The primary task of the Director following his appointment will be to establish credibility in the Congress and the Executive Branch as an agency which is both professional and apolitical.
>
> The calibre of the staff and the scope of work which the office initially undertakes will condition the response of the various clients the CBO must respond to.
>
> Four Assistant Directors are suggested: Liaison; Information Systems and Management; Planning and the April 1 report. Together with the Director, Deputy Director and staff, they will form a core policy group.
>
> The Assistant Director-Liaison will be principally responsible for liaison of all kinds with Congressional committees and members in conjunction with the Director and Deputy.
>
> Six staff, at the level of Senior Counsel, each of whom should have considerable Hill experience and credibility, are the minimal requirements. 74

It is revisionism to see the Congressional Budget Office as the finely-tuned execution of a well-thought out plan in which alternatives were clearly displayed and evaluated. In reality CBO was a setting in which people were playing things largely by ear. This occurred because of the nature of the people involved in the "adventure", because the organization was wholly without precedent in the Congress, and because there was enough contradiction in the wishes of two houses to justify any number of variations in the Congressional Budget Office.

Though CBO's strategy, such as it existed, was selective rather than comprehensive, there were at least five areas of concern facing the new Congressional Budget Office. First, the delay in starting the CBO had a direct impact on the House and Senate Budget Committees which, in turn, influenced the character of the emerging Congressional Budget Office.

The new budget act had called for the creation of Budget Committees in each house to assist Congress in developing its spending and revenue raising priorities. The original intention was that the two Budget Committees would number no more than 30 staff members each, and the law anticipated that the committees would make extensive use of CBO for all technical and analytical work.

The law was not entirely prescient, however, for it failed to anticipate a situation in which the budget process would begin without a CBO to provide this analytical support. By April 1975, when CBO had four employees, the two Budget Committees had a combined staff of 125, more than half of whom were analysts. To many members of Congress, the Budget Committees could do all of the necessary work to make the new budget process effective.

Second, 53 years after Congress first authorized it to do so, the General Accounting Office suddenly set up its new budget office on the eve of the creation of the Congressional Budget Office.

Third, the Office of Technology Assessment (OTA) was a very recent example of how not to set up a viable congressional organization. OTA was created in 1972 as an advisory arm of the Congress, and its basic function was to assess the impacts on society of the application of scientific and technological knowledge. OTA was slow getting off the ground because it had to wait almost a year for the appropriations cycle. In addition, because the chairman of its Oversight Committee (Senator Kennedy) controlled both the selection of staff and the projects to be undertaken, OTA was seen as his personal organization and as a kind of adjunct committee. This dominance ultimately resulted in the loss of OTA's credibility with other members of the Congress.

Fourth, the Congressional Reference Service (CRS), which had a staff of more than 700 people, was suffering a continual erosion in prestige and impact in part because of the sheer volume of requests that it handled and in part because a large majority of these requests were for individual members of Congress. There was really no force within Congress to protect CRS from this kind of explosive growth.

Fifth, in the opinion of many analysts, OMB was losing its policy edge and becoming increasingly involved in routine information processing. As a result of the constant numbers grind, OMB never seemed to have any time to develop an overall perspective.

Taken together, the responses to these and other related concerns can be viewed as the central elements of CBO's strategy.

From the very beginning, CBO made what appears to be a conscious effort to ensure that it would be relatively independent. This shows up in the hiring of staff (unlike some other congressional staffs, CBO employees are chosen by the director and not appointed by members of the budget committees); in the way that funds are requested and allocated (in total and not project by project); and in CBO's repeated insistence on its right to draw its own conculsions, to follow any inquiry to its end, and to publish its findings.

The budget process was already underway and the Congress was into consideration of the first concurrent resolution by the time Alice Rivlin was chosen:

TIMETABLE[75]

Action to be completed	On or Before
President submits current services to Congress	November 10
President submits annual budget message to Congress	15 days after Congress meets
Congressional committees make recommendations to budget committees	March 15
Congressional Budget Office reports to budget committees	April 1
Budget committees report first budget resolution	April 15
Congress passes first budget resolution	May 15
Legislative committees complete reporting of authorizing legislation	May 15
Congress passes all spending bills	7 days after Labor Day
Congress passes second budget resolution	September 15
Congress passes budget reconciliation bill	September 25
Fiscal year begins	October 1

Consequently, CBO felt that they had to get started rather quickly, and the first decision they made was that they were too late to affect the first concurrent resolution. However, they thought it was important for them to be in a position to assist by the time of the second concurrent resolution.

There was a strong feeling that the smart thing for CBO was to begin by doing something which no one else was doing, preferably something which was clearly mandated by the law, so that there would be minimal problems. They began, therefore, by analyzing what the federal revenue system would yield under specified assumptions about the economy (fiscal analysis) and by developing the capacity to estimate the costs of proposed legislation (budget analysis).

There was also a strong feeling that this generation of high quality numbers in budget and fiscal analyses could be a way to develop a solid reputation and a rapport on the Hill. Further, this reputation and rapport, it was felt, could be exploited to market CBO's less popular policy analyses studies of the pros and cons of alternative federal policies. This was CBO's wedge strategy.

The wedge strategy was to be a "clear channel" (in the broadcasting sense); one that would provide entree to all congressional committees, since all committees needed numerical support. The Congressional Budget Office's first publication was this economic forecast:

> The two economic forecasts formally presented to Congress projected economic conditions if Congress pursues the policies of its spring budget resolution. They also looked at the consequences of a more expansionary budgetary policy (a $10 billion spending increase and an additional $15 billion tax cut) and a more restricted policy (a $10 billion spending cut and failure to extend the 1975 tax cut into 1976.
>
> Rivlin said in an interview that the economic forecasts must be achieving a certain degree of objectivity because they have been criticized by both liberals and conservatives as slanted in favor of the other side.76

This priority, given to economic forecasting, is especially interesting (unfortunately it is also coincidental) in light of the fact that one of the principal reasons why the budget reform of 1946 failed was because Congress lacked a capacity to make well-grounded macroeconomic forecasts. It was clear early on that budget analysis was a necessary task for the existence of CBO; i.e., if budget analysis was not performed decently, then CBO would not survive.

There was no way for the supporters of CBO to ensure the stability and continued growth of CBO as an institution past 1976. They thought it was important for the CBO staff to achieve a respectable size by the end of the first year, and their immediate concern was how to get CBO the money necessary for a fast start.

There was a certain political reality about the situation that the drafters of the legislation anticipated. For example, they purposely did not require an appropriation until the second year. This was not simply because they thought that CBO might get set up (as it was) out of the appropriations phase, it was because they did not want the Appropriations Committee to have a check on the size of the institution for its first 12 months. They were reminded of the OTA experience where OTA, lacking an appropriation, had to wait until the next appropriations title to get funding. So, after delicate last minute negotiations between people in the House and the Senate, a provision was included in the Act which allowed CBO to draw from the contingency funds in the Senate.

Because of the 8 month delay, CBO lagged in hiring and, therefore, faced the demand of staffing quickly. In terms of supply, CBO was almost the only new game in town for analysts during the Ford Administration (the other being the two Budget Committees) and people were attracted by the prospect of working in what appeared to be an exciting new institution. The quick staff buildup (from 2 to 193 in 6 months) was underwritten by this contingency fund which allowed CBO to spend an almost unlimited amount of money; a buildup which must certainly be seen as permissive in the conventional context of appropriations committees and oversight hearings.

There are two other elements of CBO's strategy that relate to organizational weaknesses in the Congressional Reference Service. First, and perhaps most important, is the question of the negative implications of unplanned growth and the question of just how much service CBO was to provide. One could imagine, given that CBO was a free resource, that enormous demands would be placed on it, not just by the Budget Committees but by other committees as well. This was potentially a big pitfall since their initial success could cause them to become increasingly spread out until they could no longer provide quality service. Ultimately, the reputation of an organization catches up to the reality.

In a market setting, one can imagine raising prices as a way of holding down unwanted demand but, since this was not possible, CBO chose to restrict access to its resources and to consciously keep those resources somewhat limited. According to CBO's own master plan, its maximum size was only 260 people as opposed to the staff of 750 each in the Congressional Reference Service and the Office of Management and Budget, and the 5,528 member staff of the General Accounting Office.

Part of the Congressional Reference Service's (CRS) problem was that there was no one in the Congress who was really concerned with insulating it organizationally so that it could maintain a sense of quality and exclusivity. The effect of CRS being organizationally responsible for all areas meant that they were not able to build sufficient vertical expertise in any area. Put another way, CRS was seen as being a mile wide but only one inch thick.

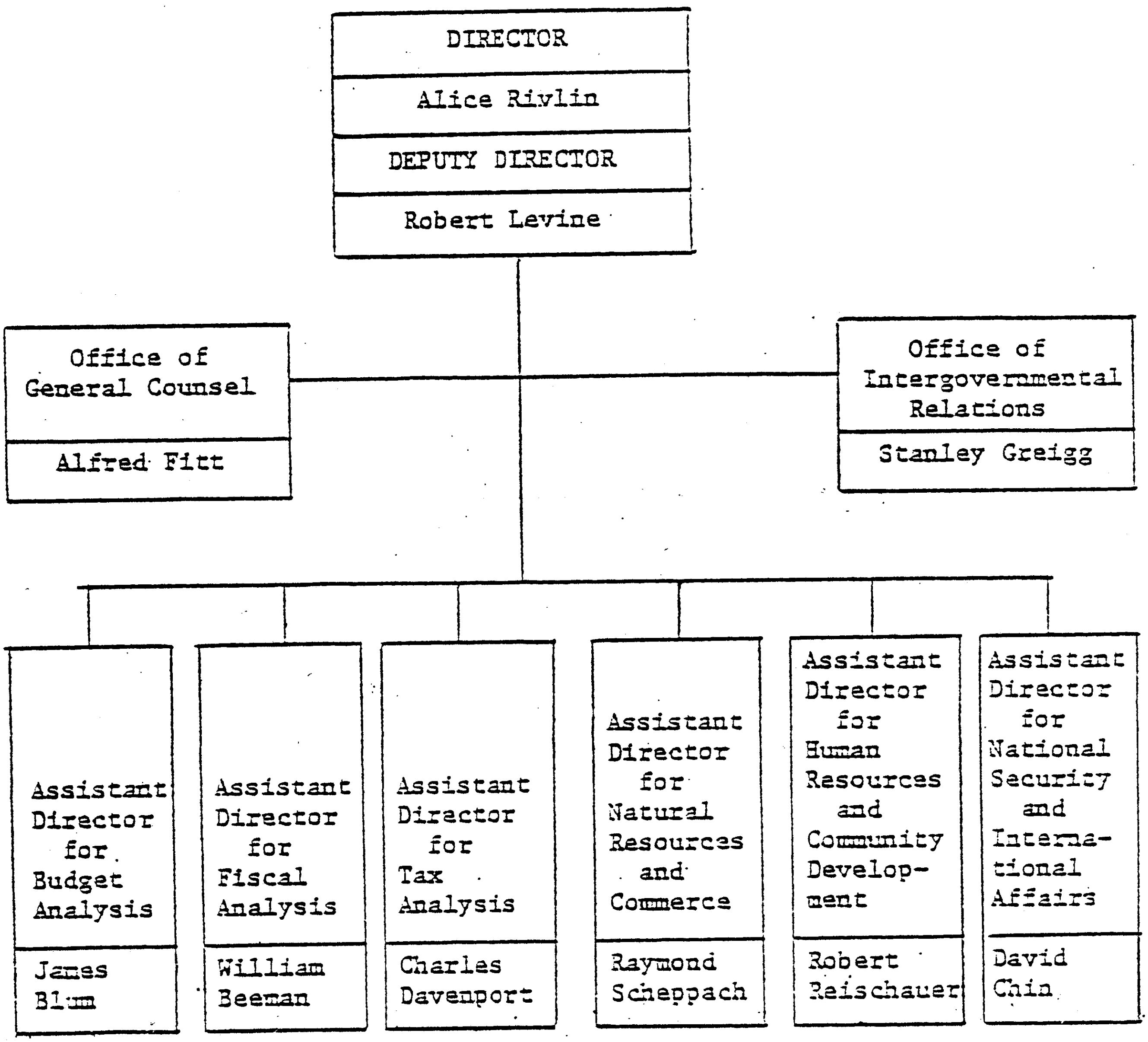
Given the legislative history leading to the establishment of the Congressional Budget Office and in view of the Congressional Reference Service's experience, CBO sought to protect itself in two ways: first, by forging very strong ties to the Senate Budget Committee, chaired by Senator Muskie, and its staff, headed by Douglas Bennett; and, second, by creating a bipartisan economic advisory panel:

> Rivlin set up a panel of 18 economic advisers to use as a sounding board for future economic forecasts before making them public. The panel is chaired by Paul W. McCracken of the University of Michigan, who was chairman of the Council of Economic Advisers (CEA) under President Nixon (1969-71). A range of economic views are reflected by the members, who include Walter W. Heller of the University of Minnesota, CEA chairman for Presidents Kennedy and Johnson (1961-64), as well as representatives of the AFL-CIO and the Chamber of Commerce of the United States.77

Since CBO was a special purpose institution, the definition of its function was more flexible than is generally possible for a government agency. Two factors were equally significant in defining the new organization's purpose: what the law required and what Alice wanted to do. It was Robert Reischauer who came up with the organizational design for the Congressional Budget Office. As he puts it, he played king for a day one Saturday night.

In organizing CBO, there were two principal design considerations. First, there was a strong desire to minimize hierarchy and to have an essentially flat organizational structure. This was intended to facilitate communications between divisions based on the kind of peer relationships one usually finds among senior faculty or at a place like the Brookings Institution. Considerable autonomy was given to the assistant directors to run their divisions. Alice Rivlin was like the dean of a college with the assistant directors like department heads.

CBO ORGANIZATION 1978



The organizational design also stipulated that the head of a division should, whenever possible, be an analyst, an expert in the area of specialization. (This preference owes its origins to the Brookings Institution.) The decision to hire analysts as heads of divisions expanded what was initially two program divisions -- one for domestic and the other for international -- into six areas under three assistant directors.

Implementation of the wedge strategy was the midwife to the second important organizational design issue. The wedge strategy, which was designed in response to CBO's sense that in OMB and elsewhere the immediate drives out the long-term policy analysis, caused CBO to separate budget analysis from policy analysis. At CBO, they are really separate: upstairs are the policy analysis people and Alice Rivlin; downstairs, the Budget Analysis Division exists as a separate fiefdom, under James Blum. Alice Rivlin has very little interest in what goes on downstairs and seldom visits. This separation is graphically illustrated in the fact that CBO has two baseball teams: one composed of people who work upstairs; the other composed of people who work downstairs. Upstairs, the players' jerseys say CBO; downstairs, they say BUDGET ANALYSIS.

There was a precedent for this clustering at OMB which had a central point for controlling all numerical estimates. It can also be argued that there is a common methodology in costing across the different areas and that it might simply be more efficient to have one person responsible for getting all the numerical analyses completed.

Summary of the Major Elements of CBO's Strategy

Problem	Strategy
Budget Committee and GAO spread	-Visibility -The wedge
OTA's slow start	-Rush to 200
OTA's dominance	-Independence
CRS sprawl	-No individual requests -Requests limited to budgetary matters
CRS lack of protection	-CBO's economic advisory panel
OMB overload	-Upstairs/Downstairs

One of the most important influences in the development of the organizational character of CBO was the attitude of the core group who were present at its creation. As a group, they were self-confident, brash, and they viewed CBO as an exciting professional adventure. Their reputations were well established, and they had fairly strong views of the kind of work they wanted to do. They felt reasonably mobile and if CBO did not allow for their purposes, they could always move on. None of the core group foresaw CBO being as successful as they now perceive it.

In one sense, for the staff, CBO was virtually a risk free endeavor. Its task of providing Congress with the type of analysis was seen as herculean. Since their peers were all aware of the obstacles and jealousies inherent in the budget process, if for some reason CBO failed to take hold, no one could really blame them; and if CBO was especially successful, then they would be regarded as having made an important accomplishment against large odds.

CHAPTER 5
CONGRESSIONAL ASSESSMENTS OF CBO

The Congressional Budget Office's reputation is like a gravity model in a way; i.e., the farther you get from the Hill, the more esteem CBO seems to have. I go to the West Coast and people say, 'You're doing such a wonderful job of running the government.' The President gives Congress a budget, and the budget is then given to CBO, and it fixes it up and corrects all the errors, and then the government runs on the CBO budget.

Senior CBO staff person

SENATE

There have been three major evaluations of CBO's effectiveness by outsiders. Two were sponsored by the Congress: a 1976 study prepared for the Commission on the Operation of the Senate and a 1977 study by the House Commission on Information and Facilities. In addition, Joel Havemann, deputy editor of the National Journal and a close observer of CBO since its inception, has written about CBO in his book, Congress and the Budget.

Any judgment of CBO's performance must, of course, take into account who is doing the evaluating. This is true of the House and Senate studies as well. The Congressional Budget Office was formally mandated in the Congressional Budget Reform and Impoundment Control Act of 1974 to produce budgetary analysis and whatever policy analysis was necessary to issue an annual report on the alternative budget courses available to Congress. Alice Rivlin and her staff have had varying perceptions of how much latitude CBO is to have in defining its responses to the Act's mandate. In addition, the House and the Senate had substantially different expectations of the scope and function of CBO, and their evaluation of CBO's performance is at least partly a function of these original expectations.

The 1976 Senate study was prepared by William M. Capron, Associate Dean of the Kennedy School of Government at Harvard University. Capron's study was one of four commissioned to examine the support agencies (CRS, GAO, OTA, and CBO) created by Congress to meet its information needs. Capron utilized the staff of the Commission on the Operation of the Senate and prepared his study through surveys and interviews of CBO and congressional staff members and through analysis of the literature concerning CBO, Congress, and the budget.

Capron's study noted from the outset what is almost immediately apparent about any assessment of CBO's performance: that given the various perceptions of the parties involved regarding CBO's appropriate role, it is impossible to assign a single standard by which to judge its effectiveness. Capron found that the one area of agreement centered on CBO's nonpartisan and nonpolitical posture. He noted that Dr. Rivlin, who received substantial congressional criticism for her high visibility in the press, has been especially careful to remain above politics in terms of CBO's output. Except for some very conservative members of Congress, CBO has received praise for its ability to remain nonpartisan even though this has sometimes occurred to the chagrin of members who needed a more partisan posture for support of a particular bill.

Capron's study found that both staffs of the two Budget Committees were critical of CBO's initial efforts, though the Senate Budget Committee tended to be more optimistic about the long-range potential of CBO. The lack of Hill experience was also noted as a problem by both Budget Committees, though the ability and expertise of the CBO staffers otherwise received high marks:

> ...CBO's staff is a high caliber one, both young and highly trained, though somewhat short on congressional experience.... Since CBO's major concerns cut across a wide spectrum of public policy questions, the agency is in a unique position to provide insights and first-class analysis transcending committee jurisdictional boundaries.78

While both Budget Committees expressed criticism of the lack of Hill expertise among CBO staffers, Capron noted that the Senate Budget Committee had made an effort to develop closer relations with CBO leadership and staff; an occurrence which could very possibly lead to a more effective CBO. The House Budget Committee, on the other hand, seemed to Capron to have written CBO off early on and was making little effort to go out of its way in establishing more effective ties.

The policy studies prepared by CBO, according to Capron, reflected the skill and expertise of the CBO staff members:

> I would give those (policy studies conducted by CBO) I have read a very high average. None of the formal reports I have examined are shoddy or biased; most are highly credible and knowledgeable, and a few are, in my view, outstanding.79

Capron's study found that the criticism leveled at CBO's staffing pattern in terms of lack of political expertise was perceived as a major weakness:

> In fact, we were repeatedly told by staff members of the Budget Committees that the lack of Hill experience of the CBO staff was a fundamental problem in enabling CBO to effectively perform its basic mission as a service organization to the committees.80

In his summary, Capron made several recommendations:

(1) The most crucial issue for CBO and the Congress is the clarification and strengthening of CBO's relations with the

two Budget Committees;

(2) CBO can be more effective in discharging its functions when there are stronger and clearer links between itself and the other support agencies, especially GAO and OTA;

(3) CBO's central role is direct support of the congressional budget process and this should dominate its staffing decisions and use of staff resources.[81]

HOUSE

The second major evaluation of CBO, the Report on the Organizational Effectiveness of the Congressional Budget Office, was third in a series of reports on studies conducted by the House Commission on Information and Facilities on the effectiveness of OTA, CRS, CBO, and the GAO. The staff directors of the House and Senate Budget Committees were apprised of the project prior to its beginning, and the three month study was conducted with the cooperation of Alice Rivlin who made facilities and information available for the study team.

Among the background sources of information reviewed by the study team were selected articles and reports including some provided by CBO. CBO provided copies of most of its own published studies, reports, news releases, hearing statements, and other similar materials. During the first days of the on-site phase of the study, CBO supplied copies to the study team of internal literature including policy statements and statements concerning CBO's functions and organizational structure. CBO also provided administrative records which consisted of personnel files, contact files, travel information, and training and budget records. Those CBO analytical reports, issue papers, publications, and other work products were examined more to identify their significance in the context of CBO's work and its relationships than for the purpose of direct, qualitative evaluation.

Additional information was collected by a series of interviews with 16 CBO staff members on the executive level;

some were interviewed more than once. Nine CBO analysts were also interviewed. The committee examined 141 professional job statements and 18 support staff job statements. In response to its questionnaires, the Commission received a total of 17 legislative committee responses, 14 responses from the Appropriation Committees, the House Ways and Means Committee, and the Senate Finance Committee combined, 15 responses from the professional staff of the House Budget Committee, and 2 responses from the Senate Budget Committee.

As a result of its study, the Commission concluded that the major functions of CBO, from the point of view of the House, include:

(1) Staff assistance to committees: House and Senate Budget Committees are to receive information that CBO deems helpful or that is requested by these two committees; Appropriations, House Ways and Means, and Senate Finance Committees are generally entitled to the same type of CBO staff assistance, but only upon their specific request; other committees, upon their request, are entitled to information already compiled and requested information "as practicable" and all committees are entitled to the temporary assistance of CBO staff presumably on budget-related problems.

(2) Staff assistance to Members: Members of either House are entitled to information already compiled or related information already available; specifically required reports and work products; five year projection of budget authority, outlays,

revenues and tax expenditures; the annual 1 April report of fiscal policy options and priorities; continuing scorekeeping reports on budget impact; bill costing analyses; and financial effect analyses.

The Commission noted some of the problems that had plagued CBO in its start-up efforts including the fact that Dr. Rivlin was not appointed until about seven months after the passage of the Act creating CBO. Since the Budget Committees were established and functioning by that time, the Commission noted that their staff were able to achieve a degree of professional self-sufficiency that would probably have been unnecessary if CBO had also been operating from the beginning. The Commission focused its criticism of CBO staffing on the fact that Dr. Rivlin's choices for senior staff were generally made from persons who were of recognized policy-analysis ability, but who lacked political experience particularly on the Hill.

The Commission warned against a duplication of effort by CBO among the congressional support agencies, particularly CRS, GAO, and to some extent, OTA. However, the Commission also found that within CBO there existed a high degree of awareness concerning the possibilities of this duplication and a conscious effort to refer to these other agencies requests for information or services more within their domain.

The House Commission reserved its criticism of CBO's high profile in the press as its central conclusion. The chairman of the Commission, Representative Jack Brooks, personally wrote the summary of the Commission's findings in which he observed:

> The Congressional Budget Office maintains too high a profile. Its willing visibility, unique among the legislative branch support agencies, threatens seriously to impair the usefulness and integrity of a highly promising and productive policy research agency.[82]

Nevertheless, the Commission report indicated that the Commission was favorably impressed by "the rapid development of CBO into a functioning and effective source of needed analytical assistance."[83] The budget estimates prepared by CBO for Congress were noted by the Commission as being especially high quality:

> CBO has become, in less than two years, an important element in the new congressional budget process, a source of useful economic data, of increasing skilled analytical support, of coordination in efforts to integrate the complex budget system, of organizational and administrative competence -- all of which enable it to play an increasing role in equipping Congress to exercise control over the budgetary process.[84]

In its summary, however, the House Commission's report reflected the overriding concern in the House that Dr. Rivlin's penchant for publicity damaged the effectiveness of CBO by stating that CBO's public declarations on economic policy questions, without prior sanction by the appropriate congressional committees, proved to be counterproductive.

NATIONAL JOURNAL

In contrast to the House Commission's report, Joel Havemann, author of Congress and the Budget and widely recognized as one of the most knowledgeable people on the new budget process, feels that CBO has earned high marks from the Congress: "The Congressional Budget Office has won the respect of supporters and critics alike for its performance in supplying budgetary information to Congress."[85] Havemann cites three concrete examples of CBO's growing influence:

> When the Senate Agriculture and Forestry Committee prepared food stamp legislation in 1976, most of its spending estimates came from the Congressional Budget Office.
>
> Senator Pete V. Domenici (R-N. Mex.) used CBO analysis to support his legislation to charge fees for barges using inland waterways.
>
> President Carter's fiscal 1978 budget revisions included a proposal construction of protective shelters for American military planes based in Europe -- a proposal that Administration planners had seen analyzed by the CBO.[86]

In Congress and the Budget, Havemann addressed the fundamental issue any evaluation of CBO must include which is that the lack of clarity about the role of CBO produces conflict in assessing its effectiveness. The House opposition to the policy analysis role performed by CBO can be clearly seen in the attempt by one congressman to eliminate the three CBO divisions for policy analysis:

> Congressman Coughlin, a Republican, proposed to cut the CBO staff to 123 by keeping the staff members who performed budget estimates but eliminating the three CBO divisions for policy analysis. The subcommittee rejected the Coughlin proposal, which

> would have left Rivlin without the divisions that she regarded as especially important. (In addition, Senator Brock Adams assured the committee that he would be able to control the policy divisions). Instead, the subcommittee decided to freeze the CBO staff at 193. Its decision was confirmed by the full Appropriations Committee, the House, and ultimately the Senate as well.[87]

Havemann views Rivlin's high visibility as a necessary part of a strategy to bring CBO's policy analysis to the attention of Congress. While Havemann acknowledges that this particular strategy has upset some members of Congress, especially in the House, he notes that it has been successful in attracting attention to some of the CBO reports. In Havemann's view, clashes are inevitable between CBO and the Congress as long as Dr. Rivlin (or any other director) seeks to make an impact on the congressional decision-making process, especially when this impact comes in the form of analyses which bear out the arguments of one side over another.

CHAPTER 6
CONCLUSIONS

Before 1974, the President controlled the information. With no source of its own, Congress had to go to the executive branch when it wanted to know how much a program would cost. If the President opposed the program, he could make it appear unattractive by estimating its cost at an artificially high level. Congress had no way to challenge him.

When it enacted budget reform, Congress sought to create its own sources of budgetary information. In particular, it established the Congressional Budget Office to provide for Congress the same kinds of budget estimates that the Office of Management and Budget supplied to the President. The roughly two hundred staff members of the CBO, along with the staffs of the new budget committees, broke the executive branch's monopoly on budgetary information.

Joel Havemann

FINDINGS

There is no one way to evaluate, and it should be remembered that the author is not giving a personal opinion but rather presenting here how others view the organization. In all cases, the following comments are the result of exhaustive interviews with CBO senior staff, staff of the two Budget Committees, sponsors of the legislation creating CBO, the chairmen of the two Budget Committees and the heads of other congressional support agencies.

The impact of the Congressional Budget Office on the balance of power

#1 The balance of power appears to have shifted perceptibly in the direction of the Congress, and part of that shift can be attributed to Congress' new budget process. However, the impact of the Congressional Budget Office is not easily separated from that of the new budget process as far as the balance of power is concerned.

#2 The shift toward the Congress appears to be the result of two principal changes in the way that Congress handles the budget:

a) Congress now has its own comprehensive budget process; one which links revenues and expenditures for the first time since the Civil War when the appropriations committees came into existence; and one which ipso facto allows Congress to determine its own unique priorities.

b) Congress now has the capacity to generate its own authoritative numbers for fiscal and economic projections as well as for bill costing. Thus, Congress can now critique executive proposals and defend its own initiative on economic as well as political grounds.

#3 The Congressional Budget Office seems principally responsible for creating this new capacity to generate authoritative numbers.

If there is one thing concerning CBO that both Houses agree upon, it is that CBO's fiscal and budget analysis has been accurate and indispensable to the budget process.[88] CBO's fiscal and economic projections have so far proven to be more accurate than those of OMB. According to Senator Muskie:

> CBO has grown and developed very successfully and it does an outstanding analytical job, by and large. I think maybe the best test of that is that CBO's estimates are rarely if ever challenged by anyone in the Congress, let alone the budget committees. And I think we tend to have more confidence in their estimating than we do in OMB's, in many cases, where there is a difference.

With respect to bill costing in any given year, approximately 75% of the budget is uncontrollable; i.e., already committed expenditures resulting from spending from trust funds, spending from previous year's obligations, or interest on the public debt. The remaining 25% is considered controllable, though this figure is somewhat misleading when one considers that within the controllable figure are such inelastic items as all of the current spending of the Defense Department (including all military salaries) and the salaries of all federal employees. Therefore, while in a strict sense 25% of the annual budget may be called controllable, in reality the actual figure is between 2-5%.

The Congressional Budget Office does cost estimates for 90% of all bills reported from committee that have a budgetary impact, and the most compelling evidence of CBO's authoritativeness is the fact that there has never been a single major controversy over a CBO cost estimate on the floor of either the House or the Senate. An additional indication of the high regard in which CBO is held (with respect to budgetary and fiscal analysis) comes from the fact that even though individual committees were authorized by the Legislative Reorganization Act of 1970 to report out cost figures for their pending legislation, both the House and the Senate appropriations committees used CBO outlay estimates for all bills. In the only major cases where CBO's budget numbers have differed from the Executive's, namely on the President's energy proposals (25% difference) and on welfare reform (Executive estimate $2 billion - CBO estimate $8 billion), CBO's figures were later accepted by the Executive as more accurate.

The Congressional Budget Office's reputation for accuracy and reliability with facts and numbers reflects both a basic professionalism and its Brookings influence:

> Whether or not the reader agrees with the conclusions in a Brookings book, he is hard put to argue the facts therein. Statistics, charts and footnotes enjoy the highest reputation for accuracy, thanks to a Brookings process known as 'Fisherizing,' named after Evelyn P. Fisher, legendary statistical associate. According to a Brookings memo, Fisherizing 'required an unswerving suspicion of all factual assertion, a congenital unwillingness to accept anything reported or recorded until it has been proved

> accurate, a consummate mastery of how and where to find source materials, and an ability to inspect the contents of whole libraries without fatigue.'
>
> On a more workaday level, when a gray-haired lady spends days at the Library of Congress reading the sports pages of the New York Times, then peers into a manuscript titled Government and the Sports Business and changes Satchel Paige to Leroy Robert Paige -- that's Fisherizing.[89]

According to Jim Blum, head of CBO's Budget Analysis Division, cost estimates have been one of the underrated aspects of the budget reform. He feels that the fact that there are cost estimates now in almost every bill recorded and that these take part in congressional debate has raised the level of budget awareness of the Congress. One can hardly go through a congressional record without noting some reference to a CBO supplied number.

This means that OMB and the Executive can no longer perform budgetary sleight of hand. The farm bill would probably not have been turned down in an election year if it were not for the authoritative costs calculated by CBO. The same can be said for President Carter's energy proposals. The result is a clear increase in 'truth in budgeting,' with obvious balance of power implications. The Congress can no longer be manipulated by the Executive using favorable estimates. Growing out of this is a degree of authority on the Hill about the consequences of specific programs which puts the Congress in a much better position to interact with the Executive.

It should be noted that 'truth in budgeting' works both ways. CBO's work can put a damper on programs that the Congress wants and that the Executive is opposed to, since the effect of more honest budgeting is to display the real costs associated with any proposed project. The impact on the balance of power depends, in part, on where the locus of initiation is. For example, where CBO's cost estimates concur with those of the Executive, the Executive can then use CBO to support its position.

#4 Congress' budget authoritativeness seems attributable to the budget and fiscal analysis divisions (downstairs) at CBO only, and it is hard to prove that the policy analysis divisions (upstairs) have so far had a comparable influence on the quality of congressional debate or have significantly influenced congressional decision-making.

The impact of the organizational strategy in its ability to establish itself as a viable Congressional support agency.

Separate but related to its impact on the balance of power, this study has looked at the subsidiary question of how well CBO has done as a new congressional support agency. There are several things which account for the ability of an organization to establish itself as a viable institution. Among them are its organizational strategy, the institutional climate in which the organization finds itself, the kind of leadership that the organization displays, and others; some controllable and some accidental. In the case of CBO, some of the elements of its strategy seem effective; others appear ineffective; and in at least one case, CBO's actions seem counterproductive.

#5 It appears that CBO has established itself as a viable congressional support agency.

When Congress created CBO, it created an institutional capability to help it to make informed decisions about very complicated matters. Because of CBO's assistance, Congress is becoming more and more the branch of government that initiates. Of the three budgetary decisions that will be made in FY 79 (the expansion of higher education funding; the rollback of the social security taxes; and the tax cut), two of them are almost entirely the creation of the legislative branch. The legislative branch is becoming more dominant both because it has the capacity and strength and because the President has less capacity and strength. CBO has already established enough of a constituency for its budget and fiscal analysis to ensure its continued survival as a major congressional support agency.

#6 CBO's decision to focus only on budgetary matters and to position its studies between quick response and long-range seems to have been effective.

The Congressional Budget Office's studies are usually completed within two or three months. This compares with CRS which answers many of its questions in two or three days and GAO whose studies may go on for two or three years. The decision of CBO to limit its response to requests for budgetary assistance and to position its studies between the quick response type available from the Congressional Reference Service (CRS) and the kind of long-range efforts that characterize the General Accounting Office (GAO) seems to have been a wise one in that it has minimized institutional rivalry.

#7 CBO's wedge strategy appears to have failed.

It looked for a time as if the wedge strategy was going to work. The Congressional Budget Office's first work was in the fiscal and budgetary areas, and CBO did gain a national reputation from Alice Rivlin's testimony concerning the state of the economy based on the work of Frank deLeeuw's fiscal analysis division. The numbers were very accurate, and the testimony received headline coverage. As things turned out, however, the notion that doing good budget and fiscal analysis would ipso facto generate a demand for policy analysis (the wedge strategy) was unfounded. Though the policy analysis divisions are finding an increased demand for their work, it does not come from sources which have used the budget analysis arm of the Congressional Budget Office. Likewise, it does not come as a result of the reputation for high quality work which the budget and fiscal analysis divisions have earned.

An analysis of those areas where CBO studies have actually had some recent impact on policy such as in energy and welfare reform shows that the process was different from what CBO expected in the formulation of its strategy. Policy analysis has not entered on the heels of budget and fiscal analysis; it has entered on its own; i.e., the demand for policy analysis has been generated independently of CBO's budget and fiscal analysis.

Where the policy analysis divisions have been successful it is because the heads of the divisions have demonstrated a genuine flair for entrepreneurship and have established direct and often personal relations with individual committees. This is especially true for Robert Reischauer and David Mundel (Human Resources) and Raymond Scheppach (Natural Resources) all of whom are not only first-rate analysts but also recognized as having considerable political savvy. This has enabled them to become more intimately connected to the committee process on the Hill. And this, in turn, enables them to do a better job of anticipating upcoming committee needs, to do the kind of preparatory work which cuts down necessary lead time for required reports, and to target their reports so as to include the essential elements of the issues from the individual committee's perspective. All of which goes a long way in assuring that the final CBO product will be more influential in the committee's deliberations.

Reischauer, Mundel, and Scheppach represent a new breed for reasons already stated. All have excellent relations with Jim Blum and his budget analysis division. Scheppach came up from "downstairs" and Reischauer and Blum are close personal friends. Even though CBO felt that it would take longer to establish the policy analysis divisions, it can be argued that had Reischauer and Scheppach (or people with their mix of skills) headed those divisions from the beginning, this success could have been achieved earlier. It is worth noting that the authorizing committees which, according to the law are the last priority, are now the largest users of CBO's policy analyses.

#8 The Economic Advisory Committee appears to have been effective in maintaining CBO's nonpartisan reputation.

The Economic Advisory Committee which was set up ostensibly to give guidance and direction to CBO meets only twice a year for a day at a time, and its real purpose is not to provide criticism of CBO products or to review draft documents at all. Its real purpose is to shield CBO from criticism of being of any particular political persuasion. It seems to have done a good job of protecting CBO. Criticism of CBO has tended to be directed more at Alice Rivlin's high profile and political ineptness than at the political bent of CBO work. The Economic Advisory Panel can take some of the credit for this occurrence.

The Economic Advisory Committee has three additional impacts: First, it gives the organization ideas across a spectrum of economic views. Second, it provides a network for securing competent staff. Third, it helps to make certain that CBO staff feel that they are not dropping out of the economics world when they come to the Congressional Budget Office.

#9 CBO's quick staff buildup appears to have been a mixed blessing.

Though the quick staff buildup was effective in establishing the scale of the new organization, it had some unintended consequences in that it contributed to a relatively high turnover rate (100% among senior people in the policy divisions and 25% overall). And it appears to have caused some of CBO's initial work to be uneven and, in some cases, even inferior.

An additional criticism of CBO has been the charge that its staffing pattern seriously weakened its impact on the Hill because so many of the new staff members lacked political experience:

> ...Sometimes CBO's leadership was criticized for putting too heavy emphasis on getting bright, young policy analysts who lacked any significant congressional experience. (As noted previously, this is an accurate assessment of CBO staff.)
>
> In fact, we were repeatedly told by staff members of the Budget Committees that the lack of Hill experience of the CBO staff was a fundamental problem in enabling CBO to effectively perform its basic mission as a service organization to the committees.90

The idea of staffing CBO with young analysts (only about a dozen members of the original professional staff of 193 had any previous experience on the Hill) and the strategy of the quick buildup seem to have been a barrier to the ability of CBO to integrate itself into the congressional mainstream. It is now recognized that for the first couple of years, at least, while the analysts were learning the ropes, it might have been better to have had more people with congressional experience.

#10 The decision to separate CBO into two main areas may become a costly one from the point of view of organizational survival.

The decision to separate CBO into two separate operations, upstairs/downstairs, appears to have been successful from the limited point of view of giving the policy analysis people sufficient space (in the California sense of the word) to carry out their analysis. This was the hope and the reason for the separation. The separation appears also to have produced an extra benefit. The opportunity to work with the policy analysis people has contributed to CBO's ability to attract high quality people to work in the Budget Analysis Division. The upstairs/downstairs approach was originally seen as allowing CBO to specialize in two distinct areas, in effect, getting the best of both worlds.

Dr. Rivlin decided on this organizational strategy for two principal reasons. First, she felt it was essential to have an identifiable, central management responsible for numbers and their validity; an organizational design also employed by the Office of Management and Budget.[91] Second, as one senior CBO staffer noted:

> We were concerned that the numbers people would involve everyone in day-to-day crises so that no time would be available for policy analysis.... The price you have to pay to get policy analysis started is to do it for a while with no audience.92

He also noted that the original organizational design of separating the two divisions because of a desire to avoid day-to-day drain in capabilities was a less critical factor at present:

> There are two things that I think affected the institution design more than anything else. One is we had some substantive areas that we clearly wanted to do work in, so that the divisions got organized substantively. Human resources, tax

policy, fiscal policy and then there was a formal demand in the law to do this technical bill costing which we decided to put into a separate institution to protect the analytic stats from being sucked into all day-to-day work and fire fighting so that we could get some real longer term analysis done.

We consciously tried to design an institution where a strategy would prevent that. Alice wanted to have this institution create longer term more formal kinds of analysis in addition to the legislatively mandated bill costing. She did not want the staff to get seduced into that day-to-day operation entirely and so that, said substantive divisions, and the separation between the bill costing and the forecasting staffs of budget analysis and these more substantive divisions were the principles of organizational design and we've had continuing sort of disputes about turf given that because there are staffs that do exactly the same substantive areas.

In the beginning, it appeared not to be working but now the individual analysts, whether upstairs or downstairs, seem to operate in concert, and with the relationship between Reischauer, Scheppach and Blum, conflict has diminished. As a result, when each other's insight is needed, upstairs and downstairs work together.

When the advantages of the separate divisions are juxtaposed against the risk to the survival of the entire organization, however, this begins to look like a more risky decision.

The budget analysis people under CBO's organizational model are a discrete unit and are increasingly well known, well respected and in considerable demand. Budget analysis now accounts for almost 4 million of CBO's 10 million dollar budget, and 70 of its 208 staff members. To the extent that one can document examples where CBO has influenced congressional decision-making, it has largely been through the Budget and Fiscal Analysis Divisions.

Congress may well be tempted to keep just downstairs at CBO since it so easily separable, and jettison the Policy Analysis Divisions either through selective funding or through the selection of the next director.

#11 Dr. Rivlin's strategy of high visibility appears to have been counterproductive.

According to Dr. Rivlin, her own high press visibility is a result of a conscious effort to extend the impact of CBO's analyses on the Hill:

> Rivlin has tried several techniques to bring the CBO's policy analysis to the attention of Congress. She has accompanied the release of some of the best CBO studies with press conferences on the theory that Members of Congress would be more likely to read studies that they had seen reported in the news media.93

Press coverage has been available whenever Alice Rivlin wants it: in part because of her past relations with the press; and in part because CBO was a major new congressional agency; in part because CBO was a vehicle for critiquing the relatively unpopular Nixon/Ford; and in part because the director is a woman and, therefore, good copy in a Congress dominated by men. This publicity has assured an almost continuous stream of bright new graduates from the best schools to work as analysts. It has also meant a ready supply of graduate students to serve as interns and the like.

Elizabeth Ray notwithstanding, working on Capitol Hill is difficult. The hours are long, working conditions are rather atavistic, and there is quite a bit of insecurity. The staff of the Congressional Budget Office suffer all of the drawbacks of working on the Hill, and they lack one of the more important benefits (since they are staff to the Budget Committees's staff and not to members) which is the satisfaction of knowing that one is at the center of public policy formulation and can claim to have a certain amount of direct influence.

According to Dr. Rivlin, CBO only does good work to the extent that it can recruit good people and can maintain a dialogue with the academic community. In addition to the fact that high visibility helped CBO attract bright young professionals, the organization had two other reasons for publishing its work: (1) any findings not made public could be suppressed; and (2) members often fail to read CBO's reports unless they were covered in the media.

It is certainly accurate to suggest that Dr. Rivlin is a most skillful user of the media, similar to the style of a John Lindsay. Her personal exposure, however, has not been without considerable cost to CBO for it has alienated an important minority of the Congress, and that minority includes most of the Democratic leadership. Dr. Rivlin's strategy of high visibility seems to have exacerbated House resentment to CBO and also to have weakened efforts to market CBO's policy analysis.

One running battle, in particular, has been with Rep. Robert Giaimo, chairman of the House Budget Committee. Representative Giaimo has repeatedly tried to impress upon Alice Rivlin that the Congress is not the presidency and CBO is not OMB. According to Giaimo, the CBO director cannot be anyone's spokesman. Its analytical role must be modeled after that of the Congressional Research Service, and the General Accounting Office. To the extent that it has an analogy in the Executive Branch, it comes closest to the professional rather than the political staff of OMB, which traditionally provides objective analytical support to the institution of the Presidency regardless of the politics of the incumbent.

> When directed by committees headed by Sen. Henry M. Jackson (D-Wash.) and Rep. Thomas Ashley (D-Ohio) to analyze Carter's energy program, CBO a few weeks ago turned out a detailed report that plainly said the President had overestimated the potential energy savings.
>
> What's more, Rivlin held a press conference to explain the CBO report and, when asked, said there had been a lot of talk about 'sacrifice,' or of 'the moral equivalent of war,' but one doesn't see it in this plan.
>
> Representative Giaimo called Rivlin on the carpet and told her to 'lower your profile.'
>
> Giaimo then went public by telling reporters he would set up 'guidelines' for CBO's future dealings with the press.94

The Congressional Budget Office's shortcomings are usually characterized as the result of a kind of naivete about institutional politics, in general, and the Congress, in particular. The apologists (in the Greek sense of the word) often go on to explain that this naivete is understandable. Careful analysis does not support this impression.

With the exception of Dr. Rivlin, the other senior people (Levine, Blum, Reischauer, Scheppach, Mundel) seem all too well-grounded politically to have been naive about the nature of the Congress.

Senior staff members of CBO have always been opposed to Dr. Rivlin's media type but they have been singularly ineffective in reducing Alice's passion for personal publicity:

> Alice throws a press conference and half the world come in and it is written up all over the place and Congressman Jones who never gets any press and the House absolutely goes bananas. That is a major political mistake.
>
> She's a tough lady, and very hard to control if she doesn't agree with you.
>
> It (Alice Rivlin's visibility) was not necessary to the political enfranchisement of the institution and it created backlashes which hurt the political enfranchising. That is going to really come out, I think, on the House side when she is replaced because they are not going to let anything like that happen again. And whether the Senate is going to be able to prevail, that is hard to say. I think that the next Director of CBO is going to practically have to mortgage his life away in promises that there won't be any press conferences and stuff like that to the House. Her behavior was a major political miscalculation.
>
> Another thing is that CBO should have been a place which created an effective demand for policy analysis and it didn't do that. I think a lot of that is Alice's fault. I don't know how you translate something like that into specifics but they would have been the kind of institutional goals that CBO could have had a very effective contribution in had its political relationships with everybody else been better.

> The trouble is that part of the reason why nobody wants analysis on the Hill is because people don't like Alice. That's a substantial institutional and political setback that's going to take another whole round before it can ever be repaired. I think it is going to take a long time. Congress has a great deal of political indigestion from having to swallow CBO. OTA was never able to recover from its beginning.

#12 The political climate that existed at the time of the creation of the new Congressional Budget Office was optimal for the start of a new congressional agency.

The 1974 Act could only have passed given the convergence of a certain set of circumstances: Nixon's pressure on spending; the concern about impoundment; and general apprehension about the executive encroachment over the legislature. Liberals were concerned about the impoundment and encroachment issues, and did not like President Nixon, while conservatives were concerned about spending, the public debt, and deficits. Congress also had the benefit of prior experiments in budget control, and had created a joint study committee on the issue which operated at the very time that a budget act was politically feasible. Congress was also "blessed" with two weak Presidents (Ford and Carter) in a row, while it was getting accustomed to its newly regained power.

#13 The state of the economy at the time of CBO's inception caused the focus of Congress like that of the country to be on recovery and on actions directed toward that end.

A senior staff member said in reference to these two factors:

> I would like to believe it's the great leadership provided by Alice and me and other people, and that the design and organization is absolutely brilliant rather than accidentally brilliant, but I really don't think that would be true. 95 percent of our success is based on the fact that you couldn't have chosen a more wonderful time to begin a process like this when you did. There was a Democratic Congress which was fighting a Republican President, Nixon, and the worst recession since World War II, since the Depression and the worst inflation too. Everybody's attention was riveted on economic issues, and rather than being business page news, it was front page news.

#14 Senator Muskie appears to be a most effective godfather for CBO in preventing dissident members of Congress from tampering with the basic organizational structure.

Muskie considers Alice Rivlin's role to be an analytical one and feels that CBO ought to supply the Congress with policy analyses. In addition, there are several other reasons why Dr. Rivlin and, therefore CBO, might enjoy Muskie's support. First, because of the way the Senate Budget Committee (which Muskie chairs) is staffed and organized, the Senate depends on CBO for fundamental elements of the budget process in a way that the House Budget Committee does not. As a senior staff member of the Senate Budget Committee notes:

> We don't see any reason not to reappoint Alice; that is, that outweighs what we think her good performance has been. Yes. We would have preferred more political savvy, we would have preferred not to have the press conferences as it was used against her, would have preferred to see more Capitol Hill oriented people on the staff, but those things are very small compared to the stars she's been able to attract in the private world, the academic world, the analysis world -- given our salaries are relatively substandard in the face of Brookings and the other kind of world where you consult, while the administration is a more attractive place to be than it happens to be at the moment, was competing for the same people, she did an incredible job holding the place together.

Second, Muskie chose Rivlin for the job and it would not increase his standing for his choice to be driven out of office, and this is exactly how a one term appointment would be perceived. The same senior staff member also noted that:

> One of the real disadvantages the House has in general in this process, particularly dealing with somebody of Muskie's patience (he is an impatient man in debate but is immensely patient with the legislative process and will outwait anybody). Once he decided it was going to be Alice Rivlin, it wasn't going to be anybody else, and the House never had time to realize that but they would have, I mean he might have compromised to somebody later, that the House is in the position of having lost Ullman, the guy who did all the initial bargaining, they have a committee that turns over every four years. Muskie knows that whoever's there now won't be there next year unless you change the rules, so not just on that decision, but on the other, the turnover on the House Committee puts them in a different position in opposing the permanent committee on the Senate side.

Third, Alice does not make statements which are offensive to Muskie's political views or are disruptive of his political gestalt. Alice Rivlin and Senator Muskie are of the same political school, and if she is operating under a certain agenda, it is likely to be the same one he has.

#15 The ability of CBO to control its staffing was essential to recruiting the high caliber policy analysts that CBO needed to do the job as they defined it.

#16 CBO's ability to reach independent conclusions and then publish them appears to have contributed to its survival.

Certainly one of the fundamental questions is that of CBO's independence. (The law states that CBO should be non-partisan. The law does not mention independence.) The decision to retain the right to hire within the organization and to keep control over the integrity of their products seems to have contributed to CBO's staff having a very high reputation for competence (if not political sophistication).

> Beyond the basic agreement on posture,there exist both explicitly and implicitly serious differences of view. First is the question of the independence of CBO, and particularly of its director. Does the director have a good deal of independent discretion in setting CBO's agenda and in determining the manner and style in which CBO will relate to the Members and the committees of Congress? Indeed, some observers have suggested that CBO seems, at first, to act as an agency independent of Congress.95

During the late summer and fall of 1975, CBO was engaged in a delicate struggle to establish their independence from the budget committees:

> Dole: ...There might be an area where we might want to reject or direct even a more comprehensive study of the CBO. If we don't see it until we get the annual report, we will be surprised. Then you might be surprised.

Rivlin: I think that is right. That is the point of trying to start the interaction early.

Dole: But we ought to have a chance at least to say we don't believe this is a proper effort by CBO. Are we going to have that opportunity?

Rivlin: Well, that is an interesting question. If you wanted to veto our looking into something, I would want to resist that. The report is our report, as stated in the statute....

Dole: ... If you are working on 38 studies and 22 were initiated by the CBO, there might not be resources available to the committees in the House and Senate.... Then you really are not responsive to the Congress and the budget committees.

Rivlin: We are trying to be as responsible as we can to all committees. I don't think the way to do that is to have a staff that is unemployed until somebody asks them a question....

Muskie: I agree with that. There was a reason why CBO was created as an independent office. Of course, their primary responsibility is to respond to Congress. When you talk about vetoing an initiative generated within CBO, I mean who is going to have that veto? The budget committee? Which budget committee? Appropriations committee? Which appropriations committee? Ways and Means committee? The finance committee? Both together or the Congress as a whole, or the Senate as a whole, or individual Senators who might not like something on the list of 38 items...?

If your thinking is circumscribed by what occurs to a Congressman to ask you, it is not going to be necessarily wide ranging. I mean, Sears, Roebuck people have a mail order department but they don't wait for those orders to come in before they decide what to manufacture.

#17 CBO appears to have remained a member in good standing of the policy analysis profession and to have kept its ties to the major research universities.

One of the by-products of CBO staffing up with analysts is the degree to which CBO, unlike the other three congressional support agencies, is tied to a profession. The Congressional Budget Office is well respected by an academic discipline. CRS does not have this respect because it is too broad; GAO has it, but it is too large and its reference group is with accountants who have a lower professional status than policy analysts. Many of the elements of CBO's strategy can be seen as derivatives of CBO's membership in the policy profession. It is consistent with the organization's desire to control its products, and hiring as well as its need for visibility.

People who come to work for CBO see themselves as members of a profession and as being at CBO a relatively short time, after which they continue in their profession. They care about their professional reputations and the kind of work they do. (Many of the analysts in CBO are more committed to their professional role than to CBO itself.) They do not want to short cut research or do anything which would not stand up to the scrutiny of the academy (which is, after all, where professional standards come from).

They do not want to be seen as too intimate or too successful at pleasing the Congress since to do so might imply a certain prostitution of their principles thus opening them to question. They are trying to work in government yet maintain the standards which are common to scholarship at the university. Because they do not expect to be at CBO for very long, they are unwilling to make the kinds of sacrifices which are typically associated with civil service types whose principal objective is often tenure in an organization.

The question of CBO's independence as an organization and its apparent refusal to act like a "normal" congressional organization may be inexplicably linked. Dr. Rivlin's unambiguous commitment to the goal of raising the quality of the debate in Congress, and of continuing to attract new applicants, coupled with her sense of membership in the profession, all seem to have shaped her approach.

#18 CBO appears to have received a certain amount of protection because there is such a diversity of congressional opinion on issues (for every faction that some CBO output aliented, there was an opposing and often equal group which supported CBO's conclusions.

#19 Notwithstanding the success of CBO in establishing itself as a major congressional support agency, there is the sense that perhaps had CBO embarked on a different strategy, it would have enjoyed more of a success with its policy analysis than it has so far.

#20 Dr. Rivlin's relative inexperience with the idiosyncracies of the Congress, especially the differences between the House and the Senate and their individual styles of operation and differing expectations for CBO, was a factor which seems to have limited the impact of CBO.

Unfortunately, Dr. Rivlin seems to display an almost singular lack of ability to learn from past mistakes. Three years after CBO's inception, her statements to the press rather than CBO's work continue to draw considerable heat for the Congressional Budget Office.

As incredible as it may seem, six months passed before Alice Rivlin became aware that the Congress was not in basic agreement concerning the need for a CBO that emphasized policy analysis. She believed until then that the fact that the law had passed by large majorities in the House and the Senate, and that she had been appointed director, were sufficient evidence that Congress was in basic agreement concerning the need for a CBO that emphasized policy analysis. Nothing could have been further from the truth as even a casual reading of the legislative history or the eight month deadlock in appointing a director shows.

However, Dr. Rivlin's initial strategy assumed a united, supportive and monolithic Congress and one eager for policy analysis. Many of CBO's initial mistakes derive from this assumption. The first year, CBO was under fire mostly from Republicans who saw CBO as a tool of the Democratic majority. The press coverage of CBO served to further alienate CBO's enemies and even to convince some that were neutral that CBO had gone too far. This year it is the Democrats who are uneasy with Dr. Rivlin's criticism of the President's energy package.

After three years, naivete begins to look very much like ineptness. It may be that miscalculation, intellectual arrogance, and a desire to set up another Brookings, rather than naivete explain the inability of CBO to realize its full potential and its espoused goal of raising the level of debate within Congress. Alice Rivlin is widely recognized as an outstanding analyst but she has shown no real understanding of what is necessary to develop such a controversial institution on the Hill and, perhaps more importantly, she has demonstrated an amazing inability to learn on the job.

Two things may help to explain why Alice Rivlin thinks that the way to influence the Congress is to go through the Washington Post. First, her background and training are in the academic world. As a Brookings economist, expressing her views on an issue and favorable recognition by the press built her career and added to the Brookings reputation. As a director of a congressional agency, however, publicity often has the opposite effect, and Dr. Rivlin's experience may not have prepared her to notice this difference. A drafter of the 1974 Act noted that:

> Alice came from Brookings where staff could have publicity and didn't have to have a passion for anonymity. I think that is what has caused her problems in the sense that she recruited very high caliber people -- they want the recognition --and that is hard to get in Congress for staff. I mean, you get your kicks out of a job well done, and you get credit from the members.

The Congressional Budget Office was an exciting new organization which naturally brought press attention. However, this press attention sometimes overshadowed members of Congress or in some instances made the members' support of a particular piece of legislation appear questionable. As a result, the net effect of publicity for CBO was to create enemies in Congress, something that CBO as a new organization could ill afford.

Second, Dr. Rivlin is perceived by many as having what looks like a somewhat condescending view of members of Congress -- one senior congressional staffer told about a CBO hearing on the shortfall in 1976:

> This was just before the election. And Alice was campaigning for a slot in the Administration, and she was taking on the Ford Aministration as having created this shortfall, and it wasn't clear what the reason for the shortfall was. And Ashley, a very bright guy, and a man who does know economics, said, 'what's your methodology? How did you arrive at these conclusions about the reasons for the shortfall?' She didn't know. And she said, 'I'm not prepared to answer that.' 'Why aren't you prepared to answer that?' 'Well, I didn't think members would be interested.' And Ashley sort of blew up: he said, 'Well, this member is interested.'

It also appears that there may be a fundamental misperception on Dr. Rivlin's part as to how one gains power on the Hill. There do seem to be alternative models of behavior in the Congress. Under the first model, one can be very vocal (and, perhaps, even be very right); under the second,one can be less vocal and more likely to get what one wants. There is a tradeoff, of course, and Bella Abzug's career is illustrative of this tradeoff. She started off being very, very vocal and having almost no influence. After a while, particularly as a member of the Public Works Committee, she realized that if one learns the rules, works within the system,and makes some compromises, one stands a better chance to accomplish something.

The tradeoff which exists for members of Congress is even more definitive with respect to staff. The more public recognition, the greater the chance for resistance. In part, because those drawing public attention may easily be perceived as rival powers.

Few staff persons in the history of the Congress had more power than Larry Woodworth or Eugene Wilhelm, yet neither would allow their names to be mentioned in the press in connection with a piece of legislation. Their influence, however, was monumental, and their judgment was trusted by many. They would present their data and let the members of Congress draw their own conclusions.

Like a great many things having to do with the Congress, however, there is a difference between the Senate and the House views of the damage caused by Alice Rivlin's publicity. Senator Muskie does not see it as an issue as far as he is concerned. He acknowledges, however, that her publicity does appear to be an issue with some people in the House and, for a while, it was with some Republicans on the Senate Budget Committee. But he thinks Rivlin has handled it so that there is no real problem in the Senate.

#21 The perceived uneveness of its first annual report seems to have limited CBO's impact, especially in the House.

The report drew very harsh criticism throughout the Congress:

> The House and Senate Budget Committees have told the Congressional Budget Office in no uncertain terms to go back to the drawing board with its first annual report on budget alternatives.

> In highly critical language, the Committees complained that the first draft of the CBO report was so shallow as to be almost useless. For example, one staff members said, 'the report said Congress might want a Navy of 400, 500 or 600 ships, but it gave no reasons for making any of these chioces.'96

First impressions are sometimes impossible to erase and though since 1976 criticism of CBO has shifted from the quality of its efforts to its style of operation, the House Budget Committee, for one, still feels that their staff are far superior to the Congressional Budget Office's. They settled on an attitude back in 1976 and, in a sense, have written CBO off.

In fairness to CBO, two things occurred which were uncontrollable from their point of view but which nevertheless served somewhat to limit CBO's potential:

#22 The 8-month lag in selecting a director of CBO seems to have diminished the potential role that CBO might have had.

This lag also gave the Budget Committees an excuse to staff themselves up to more than three times their suggested size, and on the House side the professional component of the Budget Committee rivaled CBO. This set the stage for competing relations (or non-relations to be more precise) with CBO.

#23 The election of a Democratic administration seems to have diminished the role of CBO.

The coming of the Democrats (or the departure of Nixon/Ford) created a climate of warmth and brotherhood among members of the same party which served to diminish the hunger for cannon fodder to tear apart executive proposals and thus weakened congressional demand for some of CBO's analytical work.

SUMMARY

If one revisits the history of the balance of power as it relates to the Congress and the budget, it is possible to see the 1974 Congressional Budget and Impoundment Control Act and CBO as events of considerable importance. The locus of initiative, which started off in the Congress and spent the great bulk of the last two hundred years on Pennsylvania Avenue, now appears to be resting somewhere between the court and the legislature.

The authors of the Constitution inadvertently opened the door on a conflict which was to continue right up until the present. The Constitution gave control over expenditures to the Congress but did not specify whether the legislative or the executive branch should have principal responsibility for the formulation and execution of the budget. Alexander Hamilton's attempt to assign budgetary responsibility to the Executive touched off efforts by the Congress to retain budgetary control.

Unfortunately for Congress, the almost two hundred years of conflict which followed are marked by its own efforts to make the budget process more manageable, having the unintended consequence of consistently tipping the balance of power in favor of the Executive. The emergence of party platforms, an occurrence apparently unforeseen by the founding fathers, produced presidents who were accountable both for proposing specific programs and delivering them. This development forced the Executive to compete for the right to initiate legislation and eventually to push for budgetary control, since his performance was now judged on the basis of his ability to fulfill his campaign promises.

In 1796, Congress created the Ways and Means Committee. Ways and Means gave Congress control over the budget process since it handled tax legislation, revenue raising and appropriations. In effect, Ways and Means served as Congress' planning agency and provided the only mechanism for a comprehensive overview of the government's finances.

In addition to dividing the country, the Civil War also divided the old budget process. Congress intended to reduce the workload of the Ways and Means Committee by creating the Committee on Appropriations. However, again in its efforts to make the entire budget process more manageable and controllable, and hence increase its power, Congress actually decreased its own power relative to that of the Executive's. Under the 1974 Act, the budget process has finally been reconstructed, and the Congress can once again look at expenditures and revenues together. As a result, it can now set its own priorities.

The Brookings-led 1921 Budget and Accounting Act saw the Congress trade its sovereignty in budgetary matters for a more active role in accounting. In its crusade to adopt professionalism and a business model over the pork barrel, and with the general public's clamor for an executive budget, Congress, as surprising as it seems in retrospect, overwhelmingly supported an act which again gave the Executive greater control. Congress was left with specialized and fragmented resources in regards to the budget which did little to aid in its efforts to manage either the budget or the Executive. Part of the damage done in 1921 to the Congress has been corrected by the Brookings-led CBO and its own crusade to replace political analysis with policy analysis.

Both the Depression and World War II increased Executive power in many areas but especially in the area of the budget. Congress gave the Executive special powers which, after the crises were over, Congress was unable to take back. This unmistakable shift in the balance of power prompted the Legislative Reorganization Act of 1946 which was the first major attempt by the Congress to respond to the then rapid expansion of power by the Executive branch. Unfortunately, the Congress was fragmented and the legislation was ill conceived in that it required the Congress to do economic forecasts and budgetary analysis when it clearly had no such capacity. This resulted in the Act's failure. By 1948, the Congress was faced with the reality that the balance of power and control remained firmly in the hands of the President. Here, again, the 1974 Budget Act succeeded where the Legislative Reorganization Act of 1946 failed because of CBO's capacity to provide accurate fiscal and economic projections, something which the Congress had been unable to do in 1947 and 1948.

Twenty-four years later, Congress tried again in the Legislative Reorganization Act of 1970 which was significant not only because it represented an authentic attempt by the

Congress to reform the way it handled the budget, but because it was also concerned explicitly with regaining its lost power. Although it is not widely known, this attempt by the Congress also proved unsuccessful when GAO failed to effectively implement the Act which required that it develop a capacity to secure and analyze information relating to budgetary and fiscal issues.

Again, in this instance, the 1974 Budget Act and especially CBO has been instrumental in providing virtually all the budgetary information requested by the Congress with respect to new spending initiatives.

By 1972, various members of Congress, including Senator Metcalf, Chairman of the Senate Subcommittee on Budgeting, Management and Expenditures were becoming exasperated with GAO's inability to supply the information that was needed. This exasperation led to the Congressional Budget and Impoundment Control Act of 1974 which created the Congressional Budget Office.

Though CBO provides Congress with the resources to secure budgetary information, Congress is of two minds with respect to its need for analysis. From certain people, CBO has experienced a kind of quiet hostility toward analysis in general and CBO's brand in particular. In part, this occurs because Congressmen are facing political rather than analytical decisions.

There is a view embedded in CBO there there are essentially two types of decisions: decisions based on analysis and decisions based on political considerations, and those decisions which are based on politics are of a lesser order. This bias accounts for some of the disequilibrium between CBO and the Congress, according to one senior CBO staff member:

> The Speaker of the House hates us (CBO). There's no question about it. He and Jim Wright are politicians and they view this as a political process and they don't see a role for an independent agency such as CBO that provides nonpartisan information. They say 'what the hell are we spending $10,000,000 a year for some eggheads to come out with an analysis of the President's energy proposal that says that it isn't worth crap these days, after they have gone out on a limb and said it is a great plan and they are going to support it and get it through Congress.' You can understand their position. It is largely because they don't decide whether to support or not support something based on analytical kinds of questions, so when analysis is thrown in and when it is used in the press when CBO says the plan isn't worth shit, and the Speaker must be a fool, you can understand how they feel. You'd feel the same way; so would I. We have not been attuned to the political ways.

In addition, sometimes the effect of more information is to make a choice more difficult. Information can complicate decisions. If the leadership of a committee or a particular House feels that it can get people to agree and make compromises in the absence of information describing the relative performance implications of alternatives, then the interests of the leadership are not served by having this information accessible. In many cases, committee chairmen control the committee staffs and control the access to information of their members. The Congressional Budget Office is an independent source of information, independent of the Executive who is more responsive to committee chairmen, and independent of committee staff, who owe their jobs to the chairmen. Thus, CBO represents a source of information which is often unpredictable.

When one takes a second look at the expectations of the House and the Senate, in the light of CBO's implementation, it is possible to see that the House got everything it wanted and some things it did not want. The House's views about CBO's role and function remained constant throughout the debate over CBO and once the organization came into being, the House wanted only technical fiscal budget analysis from CBO. Instead, it received a larger and more active CBO than it desired plus an extra spokesperson with considerable visibility.

On the other hand, the Senate's original expectations of CBO were that it would provide the Congress with policy analysis as well as budget analysis. Unlike the House, the Senate foresaw a larger organization closer in size to what CBO actually became. Thus, the Senate received some of what it wanted and now foresees a growing possibility of achieving the rest.

The views of the Senate have changed somewhat regarding the role of the director of CBO as a spokesperson. Originally, the Senate wanted an economic spokesperson who could stand up for Congress' programs while attacking programs proposed by others, much in the same way as OMB directors Ash and Lynn had done for the Executive. Soon after Dr. Rivlin's appointment, the need for such a counterspokesperson disappeared, since OMB under Ford and to an even greater extent under Carter, has not played that role.

Nevertheless, in a very real sense, the Congress is still the adversary of the Executive, and so CBO's strategy has not really changed because of the Carter administration. There have been only two non-war years in our recent history in which the Congress really did what the President wanted: 1933 and 1964. It appears that the institutional rivalry between the legislative and the Executive is stronger than party loyalty. This is probably an advantage for CBO since it sees itself as a technical instrument of the Congress, rather than a political instrument.

The most important change brought about by the 1974 Budget Act may be an intangible one -- an increase in congressional self-esteem. The Congress is no longer the object of executive charges of fiscal irresponsibility such as those made by Richard Nixon who repeatedly denounced the Congress for its "reckless spending without regard to the overall consequences." He made his vetoes stick, in part, because Congress had no credible response to his charges. Gerald Ford tried the same tactics, but he was unsuccessful because Congress had begun to adopt its own budget and because the congressional budget was just as "responsible" (though with different assumptions and priorities) as the executive budget.

When Congress had no budget, its principal mode of response was reactive. The President presented the budget and the Congress could only make adjustments and those often at the margin. Now that the Congress has the capacity to make its own budget, it is no longer forced to simply react to the President.

The founding group of CBO experienced the greatest gap between their expectations and the reality of CBO's implementations. Since there was little planning or strategy for most of them, CBO has been successful beyond their wildest dreams. They created what appears to be a permanent addition to the Congress and, for the most part, they did so with their people, without major sacrifices -- in short, they did it their way. However, one of their primary objectives was the spread of policy analysis and it was budget and fiscal analysis which accounted for the vast majority of the requests for assistance and for the lion's share of CBO's reputation as a viable congressional agency. Since Dr. Rivlin has recently adopted a low profile with respect to the press and the leadership has changed in the policy analysis divisions, there appears to be new growth and optimism on the policy analysis front.

It should be noted that none of the drafters of the legislation, those people who witnessed the wranglings and compromises that eventually created CBO, were involved in actually setting up the organization. Had they been, perhaps the original expectations of the founding group would have been tempered both by the realities of the political setting in which they would be operating and by a sense of the various positions of those key individuals on the Hill who would be most involved with CBO. Such a group may have been able to help steer the new CBO around some of the obstacles which almost claimed its life.

The most important evaluation of CBO must remain the perceptions of the members of the budget committees and other members of Congress, since they are the clients for whom the organization was created. It can be argued that their perceptions are not always correct; nevertheless, their assessment is the most important since CBO's central function is to provide them with assistance. It is worth noting, though, how CBO assesses itself.

One way CBO assesses its performance is by looking at increases in the demand for its services, the impact that its work has on formulating policy, and the extent to which the budget process begins to involve a mix of people who have largely been uninvolved in budget issues. In this sense, CBO views one of its most critical functions as its effort to make programs more responsive to the priorities of the Congress as a whole.

One member of the founding group said: "It's really an integration problem. The Congress has largely been an unintegrated institution: individual committees and subcommittees doing their own thing. To the extent that the process is an integrated one; that is, that people couple programs with other programs, that individuals are cognizant of their impact on the whole, and that people on the whole are involved and exercise discretion over segments -- then the process is working." In terms of the budget and fiscal analysis, CBO assesses its performance (using the above criteria) as very effective. In terms of policy analysis, it assesses its performance as much less effective then its original expectations, both because they underestimated the task and because they overestimated their ability.

What happens to CBO after Dr. Rivlin depends on who is appointed the next director. Because of the wording of the 1974 Budget Act, Dr. Rivlin needs no new confirmation and so she can stay as long as the Senate (i.e., Senator Muskie) wants her. However, a new director would require joint approval of both the House and the Senate. And, unless the House view is substantially different from what it appears to be today, then one would expect that the question of CBO and policy analysis will surface again in the deliberations around the selection of a new director. Ironically, Jim Blum, the Head of Budget Analysis (downstairs) may be the only viable candidate with enough political currency to give policy analysis (upstairs) another chance.

The following are some of the findings of my inquiry into the Congressional Budget Office:

o The balance of power appears to have shifted perceptibly in the direction of the Congress, and part of that shift can be attributed to Congress's new budget process. However, the impact of the Congressional Budget Office is not easily separated from that of the new budget process as far as the balance of power is concerned.

- The shift toward the Congress appears to be the result of two principal changes in the way that Congress handles the budget:

  a) Congress now has its own comprehensive budget process; one which links revenues and expenditures for the first time since the Civil War when the appropriations committees came into existence; and one which ipso facto allows Congress to determine its own unique priorities.

  b) Congress now has the capacity to generate its own authoritative numbers for fiscal and economic projections as well as for bill costing. Thus, Congress can now critique executive proposals and defend its own initiative on economic as well as political grounds.

- The Congressional Budget Office seems principally responsible for creating this new capacity to generate authoritative numbers.

- Congress' budget authoritativeness seems attributable to the budget and fiscal analysis divisions (downstairs) at CBO only, and it is hard to prove that the policy analysis divisions (upstairs) have so far had a comparable influence on the quality of congressional debate or have significantly influenced congressional decision-making.

- It appears that CBO has established itself a viable congressional support agency.
- CBO's decision to focus only on budgetary matters and to position its studies between quick response and long-range seems to have been effective.
- CBO's wedge strategy appears to have failed.
- The Economic Advisory Committee appears to have been effective in maintaining CBO's nonpartisan reputation.
- CBO's quick staff buildup appears to have been a mixed blessing.
- The decision to separate CBO into two main areas may become a costly one from the point of view of organizational survival.
- Dr. Rivlin's strategy of high visibility appears to have been counterproductive.
- The political climate that existed at the time of the creation of the new Congressional Budget Office was optimal for the start of a new congressional agency.
- The state of the economy at the time of CBO's inception caused the focus of Congress,like that of the country,to be on recovery and on actions directed toward that end.
- Senator Muskie appears to be a most effective godfather for CBO in preventing dissident members of Congress from tampering with the basic organizational structure.

- o The ability of CBO to control its staffing was essential to recruiting the high caliber policy analysts that CBO needed to do the job as they defined it.
- o CBO's ability to reach independent conclusions and then publish them appears to have contributed to its survival.
- o CBO appears to have remained a member in good standing of the policy analysis profession and to have kept its ties to the major research universities.
- o CBO appears to have received a certain amount of protection because there is such a diversity of congressional opinion on issues (for every faction that some CBO output alienated, there was an opposing and often equal group which supported CBO's conclusions).
- o Notwithstanding the success of CBO in establishing itself as a major congressional support agency, there is the sense that perhaps had CBO embarked on a different strategy, it would have enjoyed more of a success with its policy analysis than it has so far.
- o Dr. Rivlin's relative inexperience with the idiosyncracies of the Congress, especially the differences between the House and the Senate and their individual styles of operation and differing expectations for CBO, was a factor which seems to have limited the impact of CBO.
- o The perceived uneveness of its first annual report seems to have limited CBO's impact, especially in the House.

- o The 8 month lag in selecting a director of CBO seems to have diminished the potential role that CBO might have had.
- o The election of a Democratic administration seems to have diminished the role of CBO.

It is important to note again that there is no one way to evaluate the Congressional Budget Office or its impact on the balance of power and control, and the author is not giving a personal opinion but rather presenting how others, who are in a position to judge, view the organization and its impact. Nevertheless, this is one of the methodological limitations of research which involves people's perceptions. Every possible effort was made to check and recheck data and to fairly present conflicting data such as the reporting of both the House and the Senate's views of Dr. Rivlin's visibility. In a sense, my approach sought to discover the findings through a kind of sociological triangulation. While the author is confident about what has been reported, one must recognize the possibility of alternative interpretations of the research.

The author was fortunate that only one of the major participants was deceased, though several of the participants were in the process of retiring and nearly one quarter of the participants had changed jobs or moved out of the area. Future researchers engaged in similar inquiries may find this an increasing problem.

Future researchers may want to revisit the Congressional Budget Office four years hence to see whether the optimism of the policy analysis divisions was justified. It is clear that the goal of raising the quality of debate away from what is generally seen as a narrow constituent perspective toward a more national focus represents a fundamental change in the nature of government, yet one that is consistent with a world with an increasing scarcity of resources.

The new budget process led by Senator Muskie has changed the congressional perspective on the budget. But long-run success is not yet assured. The Congressional Budget Office and the budget committees have all kinds of adversaries -- the appropriations committees are not certain what all this means and rightly sense that the budget committees are really encroaching on their turf. Other committees are concerned that the ceilings set by the budget committees will impinge or restrict their own activities. Thus the relationship between appropriations committees and the new budget process is a promising area for future research.

In one sense, the 1974 Act and the new budget process represent only half of the job of budget reform, and it will take some kind of action by the Congress to make some space in the budget for new initiatives. Otherwise, one would assume that the budget committees will increasingly be saying no. And, at some point, there will be enough of a coalition to overturn the process. Both sunset and advance budgeting are ways of coming to terms with the fact that the great bulk of the federal budget is uncontrollable. At this point, it appears that sunset has more of a political chance and the recent success of Proposition 13 in California has renewed interest in the legislation. Both sunset and advance budgeting represent promising new opportunities for future research in this general area.

The balance of power has clearly shifted toward the Congress. It is not that Congress has more power now than the Executive. Rather, Congress has more power than it did before CBO and the Budget Act. The Constitution gave Congress the power of the purse; the Budget Act has made that a reality once again. The Budget Act, the War Powers Act (which limits the President's ability to deploy military forces), the Clark Amendment (which restricts the use of foreign aid), and the executive bureaucracy all represent an assault on the Executive branch. It remains unclear as to whether that shift is good for the country. Congress is made up of people sent there to represent geopolitical constituencies. The Executive is elected from a national constituency and, as such, the Executive may be in a position to push for certain broad humanistic objectives which transcend (or to put it more bluntly are politically infeasible) what individual members of Congress are willing to initiate. Shifting the locus of initiative and the balance of power toward the Congress may turn out to be a regressive rather than a progressive step. I will raise just two examples: one in foreign affairs and one relating to domestic affairs. We now see a President whose foreign policy is unable to reach out in any decisive way. This may be acceptable or correct in our post-Vietnam and post-Watergate times; however, it is not clear what the long-run effects of our conservatism will yield, given the reality of an expansionist Soviet Union.

Secondly, there may be a relationship between the shift in priorities toward the middle class in current legislation mood and the shifting balance of power away from the Executive -- as represented by the failure of welfare reform, the postponement of national health insurance, and the advancement of college tuition credits.

The question of the distributional impacts of this shift in the balance of power from the Executive to the legislative branch of government is a most important area for future research.

NOTES

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[88] U.S. Senate, Congressional Record, June 13, 1978, The Political Economy of the Congressional Budget Office (S.9121), Mr. Hayakawa:

"Mr. President, on April 25, I delivered a major speech during the discussion of the first concurrent resolution on the fiscal year 1979 budget. It focused on the faulty economic framework used to make economic policy decisions and produced by the Congressional Budget Office. The Budget Committee specifically and the Congress in general, consider the advice of the CBO to be 'scientific truth' based on the results of their large econometric models. But, as I pointed out in my speech, these 'scientific' econometric models are based on subjective assumptions, many of which are unrealistic and faulty. These subjective assumptions bias the results of the models, which in turn bias policy decisions.

Three days after I delivered this speech, two prominent economists presented a paper which focused on some of my concerns to the Carnegie-Rochester Public Policy Conference at the University of Rochester. The paper was prepared by Dr. David I. Meiselman, professor of economics and director of the graduate economics program in Northern Virginia of Virginia Polytechnic Institute and State University, and Dr. Paul Craig Roberts, economic counsel to Senator Hatch, senior research fellow at the Hoover Institution at Stanford University, and adjunct professor of economics at George Mason University. The paper is entitled 'The Political Economy of the Congressional Budget Office' and contains some very incisive comments about the politics of the CBO. It explains the failings of the CBO economic analyses. And it focuses on the CBO's bias against saving and its obsession with the short term at the expense of the long term. Dr. Meiselman and Dr. Roberts state:

The CBO multipliers project emphasizes the short run. The CBO's view of long run is found in 'Closing the Fiscal Policy Loop: A Long-Run Analysis." (Dec. 1977). It is a combination of the mindset of a 1930s stagnationist and the computer technology of the 1970s. There are neither resource allocation or efficiency problems for market solutions. Even economic growth is determined by aggregate demand and aggregate demand management. Thus, saving is a threat to growth.

They go on to say:

Thus, the CBO's long-run analysis has demand without supply, inflation without money, interest rates without capital, output without inputs, employment without wage rates and a labor market, and investment without saving or any change in the capital stock. There are status expectations throughout; either nobody ever learns anything, or people don't give a damn. More than twenty years after the consumption analyses of Friedman and Modigliani and Brumberg, consumption spending is taken to depend on current disposable income; they cannot or do not borrow. They essentially have no assets, and no capital management decisions.

I believe that the country faces real economic trouble if the Congress continues to make decisions based on the faulty advice of the Congressional Budget Office. Unless the biases of the CBO and its econometric models are corrected, the budget process will merely continue to pretend to provide 'scientific' economic justification for continued Federal Government spending and high taxes. Professors Meiselman and Roberts share my concerns. I commend their paper to my colleagues in the Senate and ask that it be printed here in its entirety."

[89] "Brookings," <u>TWA Ambassador</u>, April 1978, p. 70.

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[93] Havemann, "After Two Years, CBO Gets High Marks," _op. cit._, p. 1260.

[94] Hobart Rowen, "Ruffling Congress' Budgetary Feathers," _Washington Post_, 7 July 1977, p. A17.

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[96] _National Journal_, 6 March 1976, p. 297.

APPENDIX A
FLOOR ACTION

FLOOR ACTION (1973)

DATE	HOUSE ACTION	SENATE ACTION
(11 April)		Bill introduced: S.1541
(18 April)	Bill Introduced: H.R. 7130	
(26 Nov.)	Bills Reported: Reports were filed as follows: • H.R. 715, providing for the consideration of H.R. 7130 to amend the Rules of the House of Representatives and the Senate to improve congressional control over budgetary outlay and receipt totals. Filed on Tuesday, November 20 (H. Rept. 93-652) • H.R. 7130, to amend the Rules of the House of Representatives and the Senate to improve congressional control over budgetary outlay and receipt totals. Filed on Tuesday, November 20 (H. Rept. 93-658)	

DATE	HOUSE ACTION	SENATE ACTION
(28 Nov.)		Bill Reported: Reports were made as follows: • Report of Committee on Government Operations to accompany S.1541, to control Federal expenditures and establish National Priorities, with additional views (S. Rept. 93-579)
(30 Nov.)		• Budget Control: By unamimous consent, S.1541, to control Federal expenditures and establish national priorities, was referred to Committee on Rules and Administration with instructions that it be reported back to the Senate not later than than 21 January 1974.
(4 Dec.)	Budget and Impoundment Control: House completed all general debate and began reading for amendment H.R. 7130, to amend the Rules of the House of Representatives and the Senate to improve congressional	

DATE	HOUSE ACTION	SENATE ACTION
	control over budgetary outlay and receipt totals, to provide for a Legislative Budget Director and staff; but came to no resolution thereon. Consideration under the 5-minute rule will continue tomorrow (12/5). H.R. 715, the rule under which the bill is being considered, was agreed to earlier by a voice vote.	
(5 Dec.)	Budget and Impoundment Control: By a recorded vote of 386 ayes to 23 noes, the House passed H.R. 7130, to amend the Rules of the House of Representatives and the Senate to improve congressional control over budgetary outlay and receipt totals, and to provide for a Legislative Budget Director and staff.	

DATE	HOUSE ACTION	SENATE ACTION
	Agreed to the committee amendment with the following amendment: An amendment that incorporates a previously adopted amendment that extends the 5-day layover period to a 10-day layover period, and excludes Saturdays, Sundays, and legal holidays from the layover period for a reported concurrent resolution on the budget, before such resolution could be considered in the House; and Agreed to amend the title of the bill. Rejected the following amendments to the committee amendment: An amendment that sought to delete language which designates a specific composition of the 23-member Budget Committee and language regarding	

DATE	HOUSE ACTION	SENATE ACTION
	seniority, and prohibits a Member from serving more than two consecutive terms in a 10-year period (rejected by a division vote of 23 ayes to 76 noes);	
	An amendment that sought to prohibit consideration of authorizing legislation after 1 July in lieu of 31 March of each year (rejected by a recorded vote of 106 ayes to 300 noes);	
	An amendment that sought to require the pilot-testing of all Federal programs prior to the implementation unless the committee report on such legislation indicates why this is necessary (rejected by a recorded vote of 185 ayes to 218 noes);	

DATE	HOUSE ACTION	SENATE ACTION
	An amendment that sought to provide for a maximum limitation on authorizations for appropriations to 3 years except those funded through user taxes (rejected by a recorded vote of 192 ayes to 217 noes); An amendment that sought to require Presidential submission of alternative spending options for each major functional category in the budget, and to require inclusion of all relevant policy and program evaluation (rejected by a division vote of 23 ayes to 63 noes);	

DATE	HOUSE ACTION	SENATE ACTION
	An amendment that sought to require all appropriation bills be sent to the President at the same time with no exceptions (rejected by a recorded vote of 117 ayes to 289 noes); An amendment that sought to delete the title on impoundment control (rejected by a recorded vote of 108 ayes to 295 noes); An amendment that sought to require both Houses of Congress to take action before a Presidential impoundment is disapproved, and to allow selective disapproval of impoundments by Congress (rejected by a recorded vote of 186 ayes to 221 noes); and	

DATE	HOUSE ACTION	SENATE ACTION
	An amendment that sought to make title II (impoundment control) effective on 1 October 1975 (rejected by a recorded vote of 185 ayes to 221 noes).	
(6 Dec.)		Bill held at Desk: H.R. 7130, Budget Impoundment Control Act, was received and ordered held at the desk until not later than the close of business on Friday, 7 December.
(7 Dec.)		Bill placed on Calendar: H.R. 7130, Budget and Impoundment Control Act, was read the second time and ordered placed on the Senate calendar.
		Budget Control: By unanimous-consent agreement, S.1541, to control expenditures and to establish national priorities, was referred to committee on Rules and Administration with instructions that it be reported back to the Senate not later than 1 February 1974.

FLOOR ACTION (1974)

DATE	HOUSE ACTION	SENATE ACTION
(21 Feb.)		Bill Reported: S.1541, to provide for the reform of congressional procedures with respect to the enactment of fiscal measures, and for other purposes, with additional amendments (S. Rept. 93-688)
(4 March)		Committee Authority to Report: Committee on Rules and Administration was authorized until midnight, Wednesday, 6 March, to file its report on S.1541, to provide for the reform of congressional procedures with respect to the enactment of fiscal measures.
(12 March)		Legislative Program: By unanimous consent it was agreed that following disposition of S.1401, relating to capital punishment, Senate will take up S.1541, to reform congressional procedures for enactment of fiscal policy.

DATE	HOUSE ACTION	SENATE ACTION
(19 March)		Congressional Budget Act: Senate resumed consideration of S.1541, to reform congressional procedures for enactment of fiscal policy, and agreed to Rules and Administration Committee amendment in the nature of a substitute, and the bill, as thus amended, will be considered as original text for the purpose of further amendment. Senate also agreed to a series of amendments by Senator Ervin of a technical and conforming nature.
(20 March)		Congressional Budget Act: Senate continued consideration of S.1541, to reform congressional procedures for enactment of fiscal policy, taking action on amendments proposed thereto as follows:

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		Adopted: (1) Modified Hathaway amendment to require the Congress to consider alternative courses of action in light of changes in estimated outlays or revenue receipts; (2) Modified Brock amendment No. 1023, to require a continuing study by the Senate and House Committees on the Budget of additional budget reform proposals; (3) By 55 yeas to 26 nays, Chiles amendment No. 1017, to provide that meetings of the Senate Committee on the Budget shall be open to the public: (4) McGovern amendment to provide that the President shall include in the budget supplemental budget estimates for appropriations to be obligated in the immediately succeeding fiscal year; and

DATE	HOUSE ACTION	SENATE ACTION
		(5) Percy amendment of a technical and corrective nature to title VIII, Fiscal Budgetary Information and Controls.
		Rejected: By 29 yeas to 57 nays, Harry F. Byrd, Jr., amendment to require, beginning in fiscal year 1976, the President to submit a balanced budget.
(21 March)		Congressional Budget Act: Senate continued consideration of S.1541, to reform congressional procedures for enactment of fiscal policy, taking action on amendments proposed thereto, as follows:
		Adopted:
		(1) Nunn amendment No. 1037, to strike from the bill, language permitting action on spending, revenues, or debt measures as of 1 June, even in the absence of a budget resolution;

DATE	HOUSE ACTION	SENATE ACTION
		(2) Modified Nunn amendment No. 1035, requiring study on feasibility of adoption and implementing procedures requiring enactment of a triggering bill as a final step to the appropriations process:
		(3) Kennedy amendment No. 1028, changing from 1979 to 1977 the so-called grandfather clause provision dealing with committee assignments and membership;
		(4) Mondale amendment to require the Budget Committee to hold hearings prior to reporting the first budget resolution to the Senate;
		(5) Robert C. Byrd amendment of a technical and corrective nature; and

DATE	HOUSE ACTION	SENATE ACTION
		(6) Robert C. Byrd amendment changing from 20 March until 29 March the deadline for the Joint Economic Committee to file its report on the President's economic report. Rejected: (1) Nunn amendment No. 1035, to restore language requiring the enactment of a triggering bill as a final step to the appropriations process; (2) By 35 yeas to 52 nays, Harry F. Byrd, Jr., amendment No. 1051, to provide that government expenditures not exceed its revenues during any fiscal year; (3) By 28 yeas to 60 nays, Roth amendment to provide that impoundments made by the President shall stand unless overruled by the Congress; and

DATE | HOUSE ACTION | SENATE ACTION

(4) By 31 yeas to 55 nays, Ribicoff amendment relating to recommendatory reports by Committee on Appropriations on reported bills providing new advance spending authorizations prior to their consideration by that House. By unanimous consent, it was agreed that during the further consideration of this bill, debate thereon will be limited to 6 hours, with 1 hour on amendments and 30 minutes on amendments in the second degree, and vote on question of its final passage shall occur at 2 p.m. on Friday, 22 March. It was agreed further that when Senate convenes tomorrow it will take up, in order stated, the following amendments: Nelson, Roth, Stennis, Taft (30 minutes), Javits (30 minutes), Nunn, Humphrey (3-20 minutes each), Chiles (20 minutes),

DATE	HOUSE ACTION	SENATE ACTION
		and Cranston -- with 10 minutes on amendments in the second degree to any of these amendments.
(22 March)		Bill Passes: CONGRESSIONAL BUDGET ACT: By unanimous vote of 80 yeas, Senate passed H.R. 7130, to reform congressional procedures for enactment of fiscal policy, after striking all after the enacting clause and inserting in lieu thereof provisions of the Senate companion measure S.1541, to which Senate had at first taken action on additional amendments as follows: Adopted: (1) Robert C. Byrd amendment relating to the duty of the Congressional Office of the Budget in providing information to the Committees on Appropriations, Finance, and the Budget;

DATE	HOUSE ACTION	SENATE ACTION
		(2) Muskie amendment of a technical nature, relating to provisions dealing with information on tax expenditures; (3) Ervin amendment of a corrective nature; (4) Javits amendment No. 1057, requiring Director of the Congressional Office of the Budget to submit an annual report to Congress on national goals and priorities; (5) Cranston amendment to provide that the first concurrent resolution include major sources from which revenues are anticipated, as well as the estimated total of such revenues; (6) By unanimous vote of 80 yeas, Nunn amendment to insure that legislation which draws from general revenues in excess of 10 percent of its funds, and that is not now subject

DATE	HOUSE ACTION	SENATE ACTION
		to the appropriations process, will be subject to the same backdoor controls which apply to all such non-trust fund items;
		(7) Chiles amendment No. 1056, to require, beginning in fiscal year 1979, budget information to identify separate public needs that warrant major Federal expenditures;
		(8) By 43 yeas to 36 nays, Griffin amendment setting salary of the Directory and Deputy Director of the Congressional Office of the Budget at the levels of the Secretary of the Senate and highest salary allowed Administrative Assistants to Senators, respectively.

DATE	HOUSE ACTION	SENATE ACTION
		Rejected: (1) By 24 yeas to 56 nays, Nelson amendment No. 1045, limiting to 6 years the term which a Senator may serve on the Committee on the Budget; (2) By 23 yeas to 57 nays, Roth amendment No. 1055, requiring a two-thirds majority vote of the Congress to increase Federal spending limit after such limit has been established by the first concurrent resolution; and (3) Stennis amendment to increase pay rates of certain higher level Senate employees (tabled by 48 yeas to 29 nays). Senate insisted on its amendment, requested conference with the House, and appointed as conferees Senators Ervin, Muskie, Ribicoff, Metcalf, Cannon, Pell, Robert C. Byrd, Allen,

DATE	HOUSE ACTION	SENATE ACTION
		Percy, Roth, Brock, Cook, Scott of Pennsylvania, and Griffin. S.1541 and S.1414, related measures, were ordered placed on the calendar under "Subjects on the Table".
(5 June)	Congressional Budget Act Conferees, in executive session, agreed to file conference report on the differences between the Senate- and House-passed versions of H.R. 7130, to reform congressional procedures for enactment of fiscal policy.	
(11 June)	Bills reported: Conference report on H.R. 7130, Budget and Impoundment Control Act of 1974 (93-1101).	
(12 June)		Bills reported: Conference Report on H.R. 7130 to reform Congressional procedures for enactment of fiscal policy (S. Rept. 93-924).

DATE	HOUSE ACTION	SENATE ACTION
(18 June)	Budget and Impoundment Control: Buy a yea-and-nay vote of 401 yeas to 6 nays, the House agreed to the conference report on H.R. 7130, to improve congressional control over budgetary outlay and receipt totals, to provide for a Legislative Budget Office, and to establish a procedure providing congressional control over the impoundment of funds by the executive branch; clearing the measure for Senate action.	
(21 June)		Congressional Budget Act: By unanimous vote of 75 years, Senate agreed to the conference report on H.R. 7130, to reform congressional procedures for enactment of fiscal policy, thus clearing the measure for the White House.

APPENDIX B
THE LAW

Title II. Congressional Budget Office

Section 201 (a) The Office and its Director

(1) There is established an office of the Congress to be known as the Congressional Budget Office (hereinafter in this title referred to as the "Office"). The Office shall be headed by a Director; and there shall be a Deputy Director who shall perform such duties as may be assigned to him by the Director and during the absence or incapacity of the Director or during a vacancy in that office, shall act as Director.

(2) The Director shall be appointed by the Speaker of the House of Representatives and the President pro tempore of the Senate after considering recommendations received from the Committees on the Budget of the House and the Senate, without regard to political affiliation and solely on the basis of his fitness to perform his duties. The Deputy Director shall be appointed by the Director.

(3) The term of office of the Director first appointed shall expire at noon on January 3, 1979, and the terms of office of Directors subsequently appointed shall expire at noon on January 3 of each fourth year thereafter. Any individual appointed as Director to fill a vacancy prior to the expiration of a term shall serve only for the unexpired portion of that term. An individual serving as Director at the expiration of a term may continue to serve until his successor is appointed. Any Deputy Director shall serve until the expiration

of the term of office of the Director who appointed him (and until his successor is appointed), unless sooner removed by the Director.

(4) The Director may be removed by either House by resolution.

(5) The Director shall receive compensation at a per annum gross rate equal to the rate of basic pay, as in effect from time to time for level III of the Executive Schedule in section 5314 of title 5, United States Code. The Deputy Director shall receive compensation at a per annum gross rate equal to the rate of basic pay, as so in effect, for level IV of the Executive Schedule in section 5315 of such title.

Sec. 201 (b) & (c) Personnel, Experts, and Consultants.

(b) PERSONNEL - The Director shall appoint and fix the compensation of such personnel as may be necessary to carry out the duties and functions of the Office. All personnel of the Office shall be appointed without regard to political affiliation and solely on the basis of their fitness to perform their duties. The Director may prescribe the duties and responsibilities of the personnel of the Office, and delegate to them authority to perform any of the duties, powers, and functions imposed on the Office or on the Director. For purposes of pay (other than pay of the Director and Deputy Director) and employment benefits, rights, and privileges, all personnel of the Office shall be treated as if they were employees of the House of Representatives.

(c) EXPERTS AND CONSULTANTS - In carrying out the duties and functions of the Office, the Director may procure the temporary (not to exceed one year) or intermittent services of experts or consultants or organizations thereof by contract as independent contractors, or in the case of individual experts or consultants, by employment at rates of pay not in excess of the daily equivalent of the highest rate of basic pay payable under the General Schedule of section 5332 of title 5, United States Code.

Sec. 201 (d) Relationship to Executive Branch

(d) RELATIONSHIP TO EXECUTIVE BRANCH. - The Director is authorized to secure information, data, estimates, and statistics directly from the various departments, agencies, and establishments of the executive branch of Government and the regulatory agencies and commissions of the Government. All such departments, agencies, establishments, and regulatory agencies and commissions shall furnish the Director any available material which he determines to be necessary in the performance of his duties and functions (other than material the disclosure of which would be a violation of law). The Director is also authorized upon agreement with the head of any such department, agency, establishment, or regulatory agency or commission to utilize its services, facilities, and personnel with or without reimbursement; and the head of each such department, agency, establishment, or regulatory agency or commission is authorized to provide the Office such services, facilities, and personnel.

Sec. 201 (e) Relationship to Congressional Agencies

(e) RELATIONSHIP TO OTHER AGENCIES OF CONGRESS.- In carrying out the duties and functions of the Office, and for the purpose of coordinating the operations of the Office with those of other congressional agencies with a view to utilizing most effectively the information services, and capabilities assigned to each, the Director is authorized to obtain information, data, estimates, and statistics developed by the General Accounting Office, the Library of Congress, and the Office of Technology Assessment, and (upon agreement with them) to utilize their services, facilities, and personnel with or without reimbursement. The Comptroller General, the Librarian of Congress and the Technology Assessment Board are authorized to provide the Office with the information, data, estimates and statistics, and the services, facilities, and personnel referred to in the preceding sentence.

Sec. 201 (f) Authorization of Appropriation

(f) APPROPRIATIONS. - There are authorized to be appropriated to the Office for each fiscal year such sums as may be necessary to enable it to carry out its duties and functions. Until sums are first appropriated pursuant to the preceding sentence, but for a period not exceeding 12 months following the effective date of this subsection, the expenses of the Office shall be paid from the contingent fund of the Senate, in accordance with the paragraph relating to the contingent fund of the Senate under the heading "UNDER

LEGISLATIVE" in the Act of October 1, 1888 (28 Stat. 546; 2 U.S.C. 68), and upon vouchers approved by the Director.

Sec. 202 Assistance to Committees and Members

Sec. 202. (a) ASSISTANCE TO BUDGET COMMITTEES. - It shall be the duty and function of the Office to provide to the Committees on the Budget of both Houses information which will assist such committees in the discharge of all matters within their jurisdictions, including (1) information with respect to the budget appropriation bills, and other bills authorizing or providing budget authority or tax expenditures, (2) information with respect to revenues, receipts, estimated future revenues and receipts, and changing revenue conditions, and (3) such related information as such Committees may request.

(b) ASSISTANCE TO COMMITTEES ON APPROPRIATIONS, WAYS AND MEANS, AND FINANCE. - At the request of the Committee on Appropriations of either House, the Committee on Ways and Means of the House of Representatives, or the Committee on Finance of the Senate, the Office shall provide to such Committee any information which will assist it in the discharge of matters within its jurisdiction, including information described in clauses (1) and (2) of subsection (a) and such related information as the Committee may request.

(c) ASSISTANCE TO OTHER COMMITTEES AND MEMBERS.- (1) At the request of any other committee of the House of Representatives or the Senate or any joint committee of the

Congress, the Office shall provide to such committee or joint committee any information compiled in carrying out clauses (1) and (2) of subsection (a), and to the extent practicable, such additional information related to the foregoing as may be requested.

(2)At the request of any Member of the House or Senate, the Office shall provide to such Member any information compiled in carrying out clauses (1) and (2) of subsection (a), and, to the extent available, such additional information related to the foregoing as may be requested.

(d) ASSIGNMENT OF OFFICE PERSONNEL TO COMMITTEES AND JOINT COMMITTEES. - At the request of the Committee on the Budget of either House, personnel of the Office shall be assigned, on a temporary basis, to assist such committee. At the request of any other committee of either House or any joint committee of the Congress, personnel of the Office may be assigned, on a temporary basis, to assist such committee or joint committee with respect to matters directly related to the applicable provisions of subsection (b) or (c).

Sec. 202 (e) Joint Committee on Reduction of Federal Expenditures

(e) TRANSFER OF FUNCTIONS OF JOINT COMMITTEE ON REDUCTION OF FEDERAL EXPENDITURES. -

(1) The duties, functions, and personnel of the

Joint Committee on Reduction of Federal Expenditures are transferred to the Office, and the Joint Committee is abolished.

(2) Section 601 of Revenue Act of 1941 (55 Stat. 726) is repealed.

<u>Sec. 202 (f) Reports to Budget Committees</u>

(f) REPORTS TO BUDGET COMMITTEES.-

(1) On or before April 1 of each year, the Director shall submit to the Committees on the Budget of the House of Representatives and the Senate a report, for the fiscal year commencing on October 1 of that year, with respect to fiscal policy, including (A) alternative levels of total revenues, total new budget authority, and total outlays (including related surpluses and deficits), and (B) the levels of tax expenditures under existing law, taking into account projected economic factors and any changes in such levels based on proposals in the budget submitted by the President for such fiscal year. Such report shall also include a discussion of national budget priorities, including alternative ways of allocating budget authority and budget outlays for such fiscal year among major programs or functional categories, taking into account how such alternative allocations will meet major national needs and affect

balanced growth and development of the United States.

(2) The Director shall from time to time submit to the Committees on the Budget of the House of Representatives and the Senate such further reports (including reports revising the reports required by paragraph (1) as may be necessary or appropriate to provide such Committees with information, data, and analyses for the performance of their duties and functions).

Sec. 202 (g) Use of Computer by the Budget Office

(g) USE OF COMPUTERS AND OTHER TECHNIQUES.- The Director may equip the Office with up-to-date computer capability (upon approval of the Committee on House Administration of the House of Representatives and the Committee on Rules and Administration of the Senate), obtain the services of experts and consultants in computer technology and develop techniques for the evaluation of budgetary requirements.

Sec. 203 Public Access to Budget Data

Sec. 203. (a) RIGHT TO COPY - Except as provided in subsections (c) and (d), the Director shall make all information, data, estimates, and statistics obtained under sections 201(d) and 201(e) available for public copying during normal business hours, subject to reasonable rules and regulations, and shall to the extent practicable, at the request of any person, furnish a copy of any such information, data, estimates, or statistics upon payment by such person of the cost of making and furnishing such copy.

(b) INDEX. - The Director shall develop and maintain filing, coding, and indexing systems that identify the information, data, estimates, and statistics to which subsection (a) applies and shall make such systems available for public use during normal business hours.

(c) EXCEPTIONS. - Subsection (a) shall not apply to information data, estimates and statistics -

(1) which are specifically exempted from disclosure by law, or

(2) which the Director determines will disclose-

(A) matters necessary to keep secret in the interests of national defense or the confidential conduct of the foreign relations of the United States;

(B) information relating to trade secrets or financial or commercial information pertaining specifically to a given person if the information has been obtained by the Government on a confidential basis, other than through an application by such person for a specific financial or other benefit, and is required to be kept secret in order to prevent undue injury to the competitive position of such person; or

(C) personnel or medical data or similar data the disclosure of which would constitute a clearly unwarranted invasion of personal privacy;

unless the portions containing such matters, information, or data have been excised.

(d) INFORMATION OBTAINED FOR COMMITTEES AND MEMBERS.- Subsection (a) shall apply to any information, data, estimates, and statistics obtained at the request of any committee, joint committee, or Member unless such committee, joint committee, or Member has instructed the Director not to make such information, data, estimates, or statistics available for public copying.

APPENDIX C
TASKS OF CBO

CBO'S TASKS

(1) In general, provide information to the two Budget Committees on all matters within their jurisdiction, 2 USC 602(a), (202(a)).

(2) On request, provide information to the appropriating and taxing committees, 2 USC 602(b), (202(b).

(3) On request of any other committee, provide information compiled under 1) and 2) plus "to the extent practicable," additional information which may be requested, 2 USC 602(c)(1), (202(c) (1)).

(4) On request of a Member, provide information compiled under 1) and 2) plus "to the extent available," additional information which may be requested, 2 USC 602(c)(2), (202)(c)(2)).

(5) Perform the duties and functions formerly performed by the Joint Committee on Reduction of Federal Expenditures, 2 USC 602(e), (202(e)), see also 31 USC 571.

(6) Annually on or before April 1, furnish to the Budget Committees a report on fiscal policy for the next fiscal year, to include a discussion of alternative levels of revenues, budget authority, outlays and tax expenditures, plus alternative levels of revenues, budget authority, outlays and tax expenditures, plus alternative allocations among major programs and functional categories, all in the light of major national needs and the effect on "balanced growth and development of the United States," 2 USC 602(f)(1), USC 603(b), (203(b)).

(7) From time to time, furnish the Budget Committees such further reports as "may be necessary or appropriate," 2 USC 602(f)(2), (202(f)(2)).

(8) Develop and maintain filing, coding and indexing systems for all information obtained by CBO from the Executive Branch or from other agencies of the Congress, 2 USC 603(b), (203(2)).

(9) With respect to each committee bill providing new budget authority, furnish to the reporting committee for its consideration: (a) a comparison of the bill to the most recent concurrent resolution on the budget, (b) a 5-year projection of outlays associated with the bill, and (c) the amount of new budget authority and resulting outlays provided by the bill for State and local governments, 31 USC 1329(a)(1), (308)(a) (1)).

(10) With respect to each committee bill providing new or increased tax expenditures, furnish to the reporting committee for its consideration: (a) a report on how the bill will affect the levels of tax expenditures most recently detailed in a concurrent resolution on the budget, and (b) a 5-year projection of the tax expenditures resulting from the bill, 31 USC 1329(a)(2), (308(a)(2)).

(11) Periodically, issue a scorekeeping report on the results of Congressional actions compared to the most recently adopted concurrent resolution on the budget, plus status reports on all bills providing new budget authority or changing revenues or the public debt limit, plus up-to-date estimates

of revenues and the public debt, 31 USC 1329(b), (308(b)).

(12) Annually, "as soon as practicable after the beginning of each fiscal year," issue a 5-year projection of budget authority and outlays, revenues and tax expenditures, plus the projected surplus or deficit, year by year, 31 USC 1329(c), (308(c)).

(13) Prepare "to the extent practicable," a 5-year cost estimate for carrying out any public bill or resolution reported by any committee (except the two appropriating committees), 31 USC 1353, (403).

(14) Jointly study with OMB, but separately report, on the feasibility and advisability of year-ahead budgeting and appropriating, the report to be made by February 24, 1977, 31 USC 1020 note, (502(c)).

(15) Cooperate with the Comptroller General in development of standard fiscal terminology, 31 USC 1152(a)(1), (801 (a)), (Sec. 202(a)(1) of the Legislative Reorganization Act of 1970).

(16) Cooperate with the Comptroller General in developing an inventory of fiscal information sources, providing assistance to Congress in obtaining information from those sources and furnishing, on request, assistance in appraising and analyzing information so obtained, 31 USC 1153(b), (801 (a)), (Sec. 203(b) of the Legislative Reorganization Act of 1970).

(17) With the Comptroller General, establish a central file or files "of the data and information required to carry out the purposes of this title," 31 USC 1153(c), (801)(a)), (Sec. 203(c) of the Legislative Reorganization Act of 1970).

(18) Cooperate with OMB in providing useful federal fiscal information to State and local governments, 31 USC 1153 (d), *801(a)), (Sec. 203(d) of the Legislative Reorganization Act of 1970).

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ALPHABETICAL LIST OF PERSONS INTERVIEWED

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Dr. William Beeman, Assistant Director, Fiscal Analysis Division, Congressional Budget Office

Wendell Belew, Esq., Chief Counsel, Committee on the Budget, U.S. House of Representatives

Dr. Douglas J. Bennett, Assistant Secretary for Congressional Relations, U.S. Department of State

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Robert S. Boyd, Esq., Minority Staff Director, Committee on the Budget, U.S. Senate

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Charles Davenport, Esq., Assistant Director, Tax Analysis Division, Congressional Budget Office

Dr. Edward A. Deagle, Associate Director, Rockefeller Foundation

Dr. Frank deLeeuw, Office of Economic Analysis, U.S. Department of Commerce

Dr. John Ellwood, Special Assistant to the Director, Congressional Budget Office

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Honorable Robert N. Giaimo, Chairman, Committee on the Budget, U.S. House of Representatives

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Honorable Stanley L. Griegg, Director, Office of Intergovernmental Relations, Congressional Budget Office

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Honorable Gilbert Gude, Director, Congressional Research Service, Library of Congress

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