

Budgeting during the Clinton Presidency

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This article assesses the Clinton administration record of budgeting. During President Clinton's two terms, the federal government moved from an era of large deficits to one of equally large surpluses. This turnaround was caused by both the strong economy and the deficit reduction deals of 1990, 1993, and 1997. Defense spending and interest declined as a percentage of the budget, whereas mandatory spending and nondefense discretionary spending increased. Acrimonious interbranch budgetary relationships dominated, with Clinton ultimately winning far more fights than he lost. Executive branch budgetary and financial management capacity improved during the Clinton administration.

INTRODUCTION

This article reviews the two-term Clinton administration record of budgeting, with the longer perspective enabling a better understanding of the most significant developments over eight budget cycles. Yet we offer this early summary of Clinton's fiscal performance with a consumer warning: some of what we have written will undoubtedly have to be revised as more primary documentation emerges. In addition, since eight years approaches an eternity in American politics (certainly it felt that long to many Republicans!), this article's short length forces us to ignore many interesting topics and events.

Competent social scientists learned long ago not to overidentify "eras" with individuals, and a president is not responsible for everything that happens during an administration. Nevertheless, it is understandable that many historians still focus their attention on how a president affected a period, for the simplest familiarity with American history shows that the chief executive's personality, style, skills, and knowledge typically have marked effects on government and society.

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This was clearly the case with William Jefferson Clinton. Like most Presidents, he was an outsized and flawed character. His impressive intellect and his delight in analyzing the details of complex policy proposals quickly led the media to praise Clinton as a prototype “wonk,” which caused some good budget analysts to think that a soulmate was running the country. On the other hand, as both budget analysts and Clinton have been known to bemuse, pop psychologists and partisan combatants were also quick to note Clinton’s chameleon-like ability to shift positions for political advantage. The causes of this behavior were undoubtedly complex, including his supposed deep-seated craving for approval based on a difficult childhood, his sophisticated awareness of presidential history and his desire to adopt successful political techniques used by admired presidents, and the strong incentive to focus on self-preservation provided by the resurgence of the congressional Republican party.¹

The contradictions in Clinton’s behavior are matched by contradictions in budgeting during his eight years. This article is divided into four sections that sequentially reflect those contradictions: on macroeconomics and the budget; on microbudgetary policy; on presidential-congressional relations while budgeting; and on budgeting in the executive branch. Clinton’s 1992 campaign managers gained fame with their mantra of “It’s the economy, stupid,” and the Clinton administration kept this focus to produce an incredibly successful macroeconomic and aggregate budgetary policy. Policy at the microbudgetary level was far less impressive; it often seemed that policy proposals were designed more for partisan posturing than for effectiveness and efficiency. The budgetary relationship between Clinton and the Congress was among the worst in American history, with Clinton winning far more fights than he lost. Yet though this conflict caused major shutdowns of agencies due to the lack of timely appropriations and stressed the many agencies that faced conflicting directives from the two branches, the Clinton years also saw marked improvements in the general budgetary and financial management capacity of the executive branch. We cover these developments in turn, incorporating a chronology of budgetary developments into a longer first section.² We conclude with some questions about budgeting during the next presidency.

MACROBUDGETARY POLICY

In 1983, former Reagan budget director David Stockman projected \$200 billion deficits “as far as the eye can see.”³ Ironically, the fiscal revolution that he led helped ensure the accu-

1. See Carl M. Cannon, “Judging Clinton,” *National Journal* 32 (January 1, 2000): 14–25; Fred I. Greenstein, *The Presidential Difference: Leadership Style from FDR to Clinton* (New York: Free Press, 2000).

2. See Daniel J. Parks, “A Legacy of Budget Surpluses and Thriving Markets,” *Congressional Quarterly Weekly Report* 58 (February 5, 2000): 228–233; Allen Schick, “A Surplus, If We Can Keep It: How the Federal Budget Surplus Happened,” *Brookings Review* 20 (Winter 2000): 36–39; Julie Kosterlitz, “The Economy: Luck and Skill,” *National Journal* 32 (January 1, 2000), 26–28.

3. “A Plea from David Stockman,” *Washington Post* (April 20, 1983), A-20.

racy of this prophecy, as large deficits seemed to become a permanent part of the fiscal environment. Unified budget deficits averaged \$204 billion from fiscal year (FY) 1982 to FY 1994, exceeding \$200 billion in eight of those 13 years. In fact, in 1997, when veteran budget reporters George Hager and Eric Pianin wrote a book on the deficit wars, its subtitle promised to explain “why neither Democrats nor Republicans can balance the budget, end the deficit, and satisfy the public.”⁴ They were not alone in their predictions. As the first of Bill Clinton’s two terms came to a close, the Congressional Budget Office (CBO) continued to forecast deficits that averaged approximately \$200 billion between FY 1997 and FY 2006.⁵

Perhaps we should consider it nothing short of remarkable, therefore, that as we write this article at the end of the second Clinton term, not only have Democrats and Republicans “balanced the budget and ended the deficit” (we’ll leave a discussion of “satisfying the public” for another day), but CBO and the Office of Management and Budget (OMB) now project large unified budget *surpluses* as far as the eye can see.⁶ How did this astonishing turnaround come about?

From 1990 Deal to the 1992 Campaign

Reducing the federal deficit had received major emphasis in the Bush administration, and a multiyear deficit reduction deal was enacted in the late fall of 1990. This law increased taxes, made targeted reductions in mandatory spending, and kept discretionary spending growth below the inflation rate for fiscal years 1991 through 1995. The latter savings were to be enforced by the new procedural control of statutory caps on discretionary spending; the caps were particularly tight in the later years of this period. Growth in new mandatory spending was to be controlled by PAYGO rules, which required offsets within the mandatory category for new entitlements and for revenue cuts. (These new procedures were part of the Budget Enforcement Act, or BEA.)⁷ The expectation was that this deal would almost eliminate the federal deficit: a CBO analysis at the time projected a FY 1995 deficit of only \$57 billion. However, the recession that started in the latter part of 1990 overwhelmed the effects of the policy changes, and by the time of the presidential campaign, CBO was projecting a FY 1995 deficit of \$244 billion.⁸

The deficit took center stage in the 1992 presidential campaign in part because of the

4. George Hager and Eric Pianin, *Mirage: Why Neither Democrats nor Republicans Can Balance the Budget, End the Deficit, and Satisfy the Public* (New York: Random House, 1997).

5. Congressional Budget Office, *The Economic and Budget Outlook: FYs 1998–2007* (Washington, D.C.: Congressional Budget Office, January 1997), xviii.

6. As long as the eye cannot see too far. Virtually all forecasters project that the budget will go back into deficit under current policies after about FY 2020.

7. For more details on the 1990 deal, see James Edwin Kee and Scott Nystrom, “The 1990 Budget Package: Redefining the Debate,” *Public Budgeting and Finance* 10, no. 1 (Spring 1991): 3–24.

8. Congressional Budget Office, *The Economic and Budget Outlook: An Update* (Washington, D.C.: Congressional Budget Office, August 1992).

surprising appeal of third-party candidate H. Ross Perot, who made eliminating the deficit a centerpiece of his campaign. Since the voters who were most in tune with the Perot message were precisely the swing voters that both the Clinton and Bush campaigns needed to capture, Clinton pledged that he would cut the deficit in half by the end of his first term.⁹ He also promised to enact a middle-class tax cut and to provide additional funding for the many public “investments” that were listed in his campaign manifesto, *Putting People First*.

The 1993 Deficit Reduction Package

Having captured the presidency but with only 43 percent of the popular vote, Clinton needed to translate his budget pledges into practical and consistent proposals. Believing that his reelection depended on satisfying the Perot voters, for whom deficit reduction was the sine qua non of budgeting, Clinton abandoned the middle-class tax cut as being temporarily unaffordable. However, in February 1993, Clinton also called for immediate passage of a \$19.5 billion “stimulus” package as a down payment on a larger \$160 billion four-year effort to spend more money on physical infrastructure and human capital. Although originally expected by liberals to sail through Congress, the proposal met stiff opposition from Senate Republicans. Clinton lacked the 60 votes necessary to overcome a Senate filibuster, and eventually the plan was abandoned.

The defeat of the stimulus package marked the beginning of the first Clinton administration’s focus on deficit reduction. This emphasis, championed by influential White House staffer Robert Rubin, by the Federal Reserve, and by the Treasury and OMB leadership, eventually led to a more conservative approach designed to reduce the deficit while placing very little emphasis on increasing public investment spending.¹⁰ The mood at the time is perhaps best illustrated by the uncommon delay in passing a disaster relief supplemental appropriation for massive flooding on the Mississippi.¹¹

A \$500 billion, five-year deficit reduction package—the Omnibus Budget Reconciliation Act (OBRA) of 1993—was enacted into law in the first year of the Clinton administration. This effort was notable for the partisanship of its support and opposition. No Republican in either body voted for either the budget resolution that pledged deficit reductions or the reconciliation bill that codified the revenue increases and spending cuts necessary to make that pledge a reality. The Republicans were particularly opposed to the law’s heavy reliance on tax increases, and especially the increase in the top marginal tax rate from 31 percent to 39.6 percent. OBRA 1993 also extended the discretionary spending caps and the PAYGO rules from the 1990 BEA. Therefore, by the end of Clinton’s first

9. Bob Woodward, *The Agenda* (New York: Simon and Shuster, 1994), 42.

10. For an entertaining if not entirely credible description of the deficit hawks’ victory—from the losing perspective—see Robert B. Reich, *Locked in the Cabinet* (New York: Knopf, 1997).

11. Bob Benenson, “Members Seeking Budget Cuts Bottle up Flood Relief,” *Congressional Quarterly Weekly Report* 25 (July 24, 1993): 1941–1943.

year in office, a package roughly equivalent in magnitude to the 1990 deficit reductions was enacted, but unlike in that previous case, a downturn in the economy did not offset these savings.

Table 1 shows trend data on Clinton-era budgetary aggregates and related macroeconomic conditions. Receipts as a percentage of GDP grew steadily to a historic high, and outlays declined steadily in the opposite direction. Underlying these trends were an increase in economic growth rates and stable and low interest rates. Economic productivity and employment returned to levels not seen since the post–World War II era, but without causing an increase in inflation. The impression left by these numbers is one of calm and steady progress—the so-called glide path—toward fiscal responsibility and macroeconomic health. But although the end of the Clinton era may have featured a “soft landing,” the flight that led to it was tremendously bumpy.

The Health Care Reform Detour

The year 1994 was dominated by the administration’s effort to pass comprehensive health care reform legislation. Its primary thrust was to provide nearly comprehensive access to health care. Clinton made what was later regarded as a major strategic mistake by putting his wife, Hillary Rodham Clinton, and White House aide Ira Magaziner in charge of the proposal’s design and advocacy. Large task forces working behind closed doors produced a complicated plan that was derided by even some advocates of health care entitlements

TABLE 1
Clinton-Era Budgetary Aggregates and GDP

Fiscal Years	Receipts*	Outlays*	Deficit () or Surplus*	Change in Real GDP	Interest Rate on 10-Year Treasuries
1992	17.5	22.2	(4.7)	3.3	7.0
1993	17.6	21.5	(3.9)	2.4	5.9
1994	18.1	21.0	(2.9)	4.0	7.1
1995	18.5	20.7	(2.2)	2.7	6.6
1996	18.9	20.3	(1.4)	3.7	6.4
1997	19.3	19.6	(0.3)	4.5	6.4
1998	19.9	19.1	0.8	4.3	5.3
1999	20.0	18.7	1.4	3.9	5.7
2000 est.	20.4	18.7	1.7	3.3	6.1
2001 est.	20.1	18.3	1.8	2.7	6.1
2002 est.	19.8	18.0	1.8	2.5	6.1

Sources: U.S. Budget for FY 2001; Historical Tables; Economic Report of the President.

*As percentage of GDP.

as a Rube Goldberg contraption, and a well-orchestrated campaign by the insurance industry then turned public opinion against the plan.

The health care plan was also criticized on budgetary grounds. The administration claimed that its plan would reduce the deficit by \$59 billion between 1995 and 2000, but the CBO countered that the plan would *add* \$74 billion to deficits in those six years. CBO also suggested that the proposed “health alliances” (conduits through which premiums would flow and benefits would be paid) were governmental in nature and that their transactions should probably be included in the budget; this enabled opponents to label these premiums as “taxes.”¹² Some administration representatives blamed CBO’s controversial rulings for the death of the plan, but this was sour grapes: political and economic conditions weren’t exactly ripe for a nonincremental expansion of health spending.

Budgetary War and Uneasy Truce, 1995–1997

In part because Republicans convinced many voters that the 1993 deficit reduction law included “the largest tax increase in history,”¹³ Republicans gained control of the House and Senate in the midterm election of 1994. The House’s Republican revolutionaries then dominated the agenda with their campaign platform the “Contract with America,” a poll-tested pledge to propose 10 groups of initiatives that included regulatory reform, reduced taxes, and a budget balanced through spending cuts.

Although little of the contract was eventually enacted into law, the Republicans made a strong start with passage of a budget resolution that would cut taxes and attack spending on Clinton’s favorite programs. But the Republicans’ momentum slowed during the summer and came to a crashing stop in the fall. Clinton vetoed the reconciliation bill that Republicans projected would balance the budget by FY 2002, citing in particular a cut of \$270 billion from Medicare over a seven-year period. The Republican leadership countered by threatening to hold the appropriation bills hostage until the president capitulated on reconciliation. This was a massive miscalculation of Clinton’s will and political savvy and of the public’s support for the Republican approach.¹⁴ Two separate government shutdowns, one five days (November 14 to 19, 1995) in length and the second lasting for three weeks (December 16, 1995, to January 8, 1996) paralyzed “nonessential” government services. Not until the spring of 1996 did the branches compromise on FY96 appro-

12. See CBO, *An Analysis of the Administration’s Health Proposal* (Washington, D.C.: Congressional Budget Office, February 1994) for this analysis. See also Haynes Johnson and David Broder, *The System: The American Way of Politics at the Breaking Point* (Boston: Little, Brown and Company, 1996).

13. This claim is not true, even if only increases since World War II are considered. On an annualized basis, the 1982 Reagan TEFRA bill raised taxes by a greater amount; the 1993 Clinton increase was in second place, however.

14. George Hager, “Daring Budgets Would Create Vastly Smaller Government,” *Congressional Quarterly Weekly Report* 53 (May 13, 1995): 1298–1303; idem, “Clinton Shifts Tactics, Proposes Erasing Deficit in 10 Years,” *Congressional Quarterly Weekly Report* 53 (June 17, 1995): 1715–1720.

priations, reducing discretionary spending, but not nearly as far as the Republicans would have liked.¹⁵

Reaching this compromise did not help the Republicans, for the tag of “extremist” still stuck to them, costing them seats in the 1996 congressional elections. Clinton also won a convincing 49–41% victory in the 1996 presidential elections over Senator Bob Dole, who had run on a tax-cutting platform that was inconsistent with his fiscal record as a senator and was not convincing to the voters.¹⁶ The economy and associated revenue estimates were surging higher. Given these conditions, congressional Republicans understandably drew back from their confrontational strategy, and the reconciliation bill that passed in late 1997—the so-called Balanced Budget Act—had something in it for both sides. The Republicans did get a tax cut, but a much smaller one than they had advocated two years earlier. Cuts in mandatory spending (emphasizing Medicare) coupled with a further extension of the discretionary caps through FY 2002 offset those revenue losses.¹⁷

Impeachment and Presidential Resurgence, 1998–2000

The period between 1998 and 2000 was an affirmation of the status quo; no major budget policy changes were enacted. Budget totals, however, changed dramatically. Although the goal of the Balanced Budget Act was to achieve a zero deficit by FY 2002, the holy grail of budget surplus actually arrived a full four years ahead of schedule. Continuing a trend that had begun with gradually declining deficits between 1992 and 1997, FY 1998 saw the first unified budget surplus (\$69 billion) since FY 1969. The surplus for FY 1999 increased to \$124 billion, and the surplus for FY 2000 exceeded \$230 billion.

The politics of surpluses, surprisingly to many, proved as difficult as the politics of deficits. And as if the question of what to do with the surplus wasn’t difficult enough, 1998 was dominated by talk—and later more than talk—of impeachment. The president was understandably weakened during this process, and the Republican Congress renewed its attempt to dictate appropriations to the president.

The level of discretionary caps enacted in 1997 was central to this dispute. The caps held fairly well in FY 1998, but as the years went on, the caps became progressively tighter. In FY 1999 and FY 2000, the Congress found itself in the difficult position of being unable

15. For more on these shutdowns, see Roy T. Meyers, “Late Appropriations and Government Shutdowns: Frequency, Causes, Consequences, and Remedies,” *Public Budgeting and Finance* 17 (Fall 1997): 25–38. For a journalistic account of the politics behind the government shutdowns, see Hager and Pianin, *Mirage*, particularly chaps. 8 and 9.

16. Alissa J. Rubin, “Dole ‘Bets the Country’ on Tax Cut Package,” *Congressional Quarterly Weekly Report* 54 (August, 10, 1996): 2245–2249.

17. George Hager, “Clinton, GOP Congress Strike Historic Budget Agreement,” *Congressional Quarterly Weekly Report* 55 (May 3, 1997): 993–1006; Ronald D. Elving and Andrew Taylor, “A Balanced-Budget Deal Won, A Defining Issue Lost,” *Congressional Quarterly Weekly Report* 55 (August 2, 1997): 1831–1846.

to enact appropriation bills at the capped level while feeling politically bound to retain the caps. In this environment, the Congress began to “budget by gimmick.”¹⁸

Although budget gimmicks are nothing new in the federal budget process,¹⁹ the FY 1999 and FY 2000 appropriations processes practically elevated them to an art form. Chief among the gimmicks was the declaration of certain items as “emergency” spending. The emergency designation had been enacted in the 1990 BEA but was used in only a limited way between fiscal years 1991 and 1998, averaging a little over \$7 billion per year. For fiscal years 1999 and 2000, however, designated emergencies averaged over \$30 billion per year and included such nonemergency items as the decennial census, a constitutional requirement adopted 210 years earlier. Other gimmicks employed, particularly for FY 2000 appropriation bills, included advance appropriations (appropriations made in one fiscal year that do not become available until a future fiscal year), obligation and payment timing shifts (such as moving paydays from one fiscal year to another), and directed scoring (in effect, telling CBO that a particular bill costs less than CBO thinks it does).²⁰

The Republicans renewed their tax cut campaign, but the administration and congressional Democrats outmaneuvered them here as well. President Clinton was able to link the issues of tax cuts and Social Security, pledging that he would “save Social Security first” before agreeing to any reduction in taxes. Practically, this meant that the goal for budget balancing shifted from balancing the unified budget (which, a couple of years earlier, would have been seen as difficult enough) to “on-budget” balance (that is, balancing the budget without including the surpluses in the Social Security trust funds) and then eliminating the debt by some point in the future. This had the political effect of putting congressional Republicans on the defensive concerning tax cuts, and the Republicans were reduced to passing tax cut bills (involving, for example, marriage penalty and estate taxes) that were largely intended as 2000 campaign issues.

Although many Americans seem convinced that it would be desirable for the federal government to “pay down the debt,” the president never explained clearly and simply the best justification for this policy: reducing the debt would enable the creation of more private capital and thus promote economic growth; it would also create more public debt capacity and private tax-bearing capacity in the future. Doing so would help the country prepare for the fiscal challenges presented by future Social Security and health care spending: the “ticking time bombs” in the budget. We lack the space in this article to detail how big those bombs are and when they will go off, but the consensus among fiscal experts is that by the 2030s (with health care spending contributing most of the risk), the borrowing required to maintain current policy could threaten economic prosperity. (This timetable is actually less worrisome than that which was projected before the more rapid growth of the mid- to late 1990s.)²¹

18. Andrew Taylor, “Congress Wraps up and Heads Home on a Trail of Broken Budget Caps,” *Congressional Quarterly Weekly Report* 56 (October 24, 1998): 2885–2889.

19. See Roy T. Meyers, *Strategic Budgeting* (Ann Arbor: University of Michigan Press, 1994).

20. CBO, *The Budget and Economic Outlook: Fiscal Years 2001–2010* (Washington, D.C.: Congressional Budget Office, January 2000), 12, 76.

21. CBO, *The Long-Term Budget Outlook* (Washington, D.C.: Congressional Budget Office, October 2000).

Now might be the best time to face up to these long-run threats, because funding would be available for transition costs and because changing policy now would provide individuals with more time to adjust their behaviors. On the other hand, perhaps it is never convenient for most politicians to advocate reforming programs that affect so many people in ways that can be portrayed negatively. The famous “third-rail” metaphor applied to Social Security and Medicare (“touch it and you die”) was if anything given greater currency when Republicans bravely attempted to cut Medicare spending in 1995, for they were severely criticized and punished at the polls for doing so.²² Since then, political debates over health policy have largely attacked the principle of managed care—understandable because of how managed care has been implemented, but also discouraging to those who believe that managed care is an inevitable part of the solution to rapid health care cost growth. Similarly, there has been very little serious discussion of reforming Social Security, despite the opportunity presented by the Advisory Council on Social Security’s presentation of alternative reform approaches in 1997.²³

Why Has the Budget Moved from Deficit to Surplus?

Consistent with the adage that “success has a thousand fathers, while failure is an orphan,” both the Clinton administration and congressional Republicans sought acclaim for the 180-degree shift in fiscal results. Circumstantial evidence would credit the Clinton administration: the movement did happen on its watch, and certainly the 1993 budget agreement, which had no Republican support, was a significant contributor. But the ground was prepared for that law by the earlier 1990 budget agreement between President Bush and the Congress; in particular, that law established the BEA spending cap and PAYGO procedures, which were more likely to reduce the deficit than the Gramm-Rudman-Hollings sequestration empty threat that they replaced. This conclusion is ironic, because other Republicans maligned that agreement so much for Bush’s abandonment of his “no new taxes” pledge that they helped Bush lose his reelection bid.

In a recent report, CBO noted that its January 1997 estimate of a \$171 billion deficit in FY2000 had changed by more than \$400 billion in only three-and-one-half years, as a \$232 billion surplus was forecast in July 2000. CBO then decomposed the causes of the government’s vastly improved fiscal condition. Legislation during this period had almost no effect, and reductions in spending because of “technical factors” produced about a quarter of the change. The remaining three-quarters came from faster than expected growth in revenues. Significant increases in economic productivity meant higher profits, and these profits transformed into higher earned incomes and higher equity prices (to the point of an equity investment bubble?). Cashing in led to sharp increases into capital gains revenues, and as the numbers of taxpayers in upper income brackets increased, as did incomes

22. David Maraniss and Michael Weisskopf, “*Tell Newt to Shut Up*” (New York: Touchstone, 1996). See also Herbert Stein, “Don’t Ask Alice,” *Washington Post* (October 30, 1994): C5.

23. For an alternative perspective, see Dean Baker and Mark Weisbrot, *Social Security: The Phony Crisis* (Chicago: University of Chicago Press, 1999).

within these brackets, the 1993 increases to marginal tax rates produced more revenues than anyone had expected.

Economists have long argued about how to explain changes in productivity. Certainly the information revolution contributed significantly to the recent spurt, illustrating the dynamism of a competitive economy. However, it would be a mistake to conclude, as some analysts have, that government played no supporting role: indeed, the web itself was invented by the government. Credit claimers from both parties can identify government actions that created the fundamental conditions for the 1990s' success: welfare reform increased labor flexibility, and deregulation and tax simplification reduced the effects of distorting incentives. The trade liberalization of the 1990s also promoted higher rates of economic growth. Nevertheless, the most widely admired governmental contribution to the virtuous cycle was the Federal Reserve's management of monetary policy under Chairman Alan Greenspan. The Clinton administration had a very cooperative relationship with Greenspan on a personal as well as a policy basis, allowing both to skillfully manage international crises in Mexico and then southeast Asia and to keep interest rates far below past "full employment" levels without stimulating inflation. Neither would have been possible had a tighter fiscal policy not been adopted first.

Our widely distributed praise must unfortunately be qualified. First, some of the impressive results of the 1990s were undoubtedly due to luck. The end of the Cold War came at a fortuitous time, allowing defense spending to be reduced at a rapid pace, and the energy markets were calm. One does not have to be an extreme pessimist to suspect that in the future, unexpected events will threaten our fiscal stability rather than improve it.

Second, although, in the short run, deficits may be behind us, we can easily project that they will return if the country's demographics and unselective technological innovation in health care continue as expected. As impressive as the progress on the deficit has been, the latter years of the 1990s may also be most remembered for squandering an opportunity to reform the largest entitlement programs.

MICROBUDGETARY POLICY

How did microbudgetary policy change during the Clinton era? Who won and who lost in the battle for budget allocations, and why? What do these results indicate about policy choices and the role of the budget process in affecting these choices?

Table 2 shows the shifts in BEA category allocations as a percentage of total outlays throughout the Clinton era. Allocations in two categories declined: net interest, as deficits were reduced, and defense discretionary, as the military downsized. The latter trend began in 1987, when defense discretionary spending accounted for 28.1 percent of total outlays. Nondefense discretionary and mandatory spending (excluding interest) increased during the Clinton years, the latter at a faster rate; at the end of the era, mandatory spending was a little more than three times the size of nondefense discretionary spending.

Table 3 shows budget allocations throughout this period by budget functions, and in

TABLE 2
Clinton-Era Shifts in BEA Category Allocations
(Outlays as a Percentage of Total Outlays)

	Defense Discretionary	Nondefense Discretionary	Mandatory Excluding Net Interest	Net Interest
1992	21.9	15.4	46.9	14.4
1993	20.7	16.1	47.5	14.1
1994	19.3	16.5	48.9	13.9
1995	18.0	16.6	48.7	15.3
1996	17.0	16.0	50.3	15.4
1997	17.0	16.1	50.5	15.2
1998	16.4	16.1	51.8	14.6
1999	16.2	16.4	52.7	13.5
2000 est.	16.3	17.0	53.2	12.3
2001 est.	15.9	17.3	54.1	11.4
2002 est.	15.8	17.4	55.2	10.5

this case, for budget authority as a percentage of the totals in even-numbered years. Some of the aforementioned winners and losers stand out: Social Security, Health, and Medicare in the first category, and National Defense (particularly military personnel) in the second. Other functions show stable patterns—Science, Space, and Technology and Veterans—whereas another, Agriculture, shows a significant down-then-up pattern. Yet another function—Education, Training, Employment, and Social Services—shows a surprisingly stable pattern, when knowledge of the politics of this period would cause one to expect a significant increase in funding (for Clinton was sometimes described as wanting to become “the nation’s principal”). To begin to understand the real distribution of microbudgetary allocations during the period, we will have to go down to the subfunction level, consider tax expenditures as well as regular spending, and connect budget allocations to important authorizing legislation and other factors. We necessarily do this in a very selective fashion.

Starting with examples of successful advocacy of spending increases, one of the most interesting was for Ground Transportation—from \$23.3 billion in FY1992 to \$38.6 billion in FY2000 (all figures are in current dollars, and FY2000 figures are estimates). The major cause was passage of the 1998 Transportation Equity Act for the 21st Century, which required that appropriations be no lower than the previous year’s gasoline tax receipts. The extraordinary political skills of the House committee chair for the bill, Pennsylvania Representative Bud Shuster (R), were critical to its passage. By first threatening to take highway spending off-budget, then loading the bill with member set-asides,

TABLE 3
Clinton-Era Allocations to Budget Functions, Alternate Fiscal Years
(Budget Authority as Percentage of total)

	1992	1994	1996	1998	2000 (est.)
National Defense	20.1	17.2	16.8	16.0	16.3
International Affairs	1.4	1.2	1.0	0.9	1.1
Science, Space, and Technology	1.2	1.2	1.1	1.1	1.1
Energy	0.4	0.3	0.2	0.0	-0.1
Natural Resources and Environment	1.5	1.5	1.4	1.4	1.4
Agriculture	1.5	1.1	0.6	0.8	1.8
Commerce and Housing Credit	3.2	1.8	0.5	0.8	0.6
Transportation	2.5	2.8	2.3	2.7	3.0
Community and Regional Development	0.8	1.0	0.8	0.6	0.6
Education, Training, Employment, and Social Services	3.3	3.4	3.3	3.6	3.1
Health	6.3	7.6	7.0	8.0	8.8
Medicare	9.1	10.6	11.4	11.4	11.5
Income Security	13.7	14.2	14.0	13.7	13.5
Social Security	19.7	21.0	22.3	22.5	22.7
Veterans Benefits and Services	2.3	2.4	2.5	2.5	2.6
Administration of Justice	1.0	1.0	1.3	1.5	1.5
General Government	0.9	0.8	0.7	1.0	0.8
Net Interest	13.6	13.3	15.3	14.3	12.2
Undistributed Offsetting Receipts	-2.7	-2.5	-2.4	-2.8	-2.4

Source: U.S. Budget for FY2001, Historical Tables.

Shuster demonstrated that age-old legislative tactics could still work despite massive pressures to reduce spending.²⁴

Another large increase in spending was in the Health Research and Training subfunction—from \$10.7 billion in FY 1992 to \$18.5 billion in FY2000. Medical research advocates have long enjoyed widely distributed geographic support and an understandable desire to cure terrible diseases; during the 1990s they successfully argued for more spending to take advantage of biotech's potential.

A third example of rapid spending growth was in the Administration of Justice function. The drug war's addiction to incarceration for lower-level dealers pushed Bureau of

24. Kirk Victor, "Trust Me," *National Journal* (March 11, 1995): 607-611; Alan K. Ota, "Shuster Prepares for Onslaught against Members' Projects," *Congressional Quarterly Weekly Report* 56 (March 21, 1998): 735-737.

Prisons spending higher, and a tough-on-crime bidding war between the parties led to passage of the Violent Crime Control and Law Enforcement Act of 1994. The subfunction for Criminal Justice Assistance reflected the full menu of new grant programs, including Clinton's widely touted program to put "100,000 new cops on the streets": spending grew from \$872 million in FY1992 to \$4.6 billion in FY2000.

The start of an explanation for the apparent slow growth in education spending is that although budget authority for Elementary, Secondary and Vocational Education did increase from \$14.2 to \$17.2 billion, this was partially offset by Higher Education budget authority being stuck at around \$12.2 billion. However, this masks a tremendous increase in federal financial support for higher education through tax preferences. By FY2000, the government was expecting a revenue loss of \$4.6 billion for the new Hope tax credit, \$2.4 billion for the new lifetime learning tax credit, and additional losses for smaller higher education tax preferences.

The decline and increase in Agriculture spending is the result of what might be viewed as a "failed crop." After decades of academic critiques of price and income supports, with the Freedom to Farm Act (FTF) of 1996, the government finally agreed to wean the agricultural sector of these subsidies. The plan made sizeable transition payments at the beginning but was then to phase out subsidies and associated regulations over the next seven years. But bumper crops and plummeting international demand also weakened the resolve of many who voted for the FTF, and agriculture appropriations grew rapidly.

The other entitlement spending that was revised significantly was welfare. The long-standing Aid to Families with Dependent Children (AFDC) program was replaced in 1996 by Temporary Assistance to Needy Families (TANF). The distinctive word in the title was "temporary": the campaign pledge of "ending welfare as we know it" was operationalized by ending the entitlement status of welfare for current recipients through the mechanism of time limits; instead, each state became entitled to a block grant formula allocation. Many liberals criticized this welfare reform legislation, including some of Clinton's highest welfare administrators, who resigned in protest. They focused on the potential of the law to encourage states to "race to the bottom" of benefit levels, particularly during a recession. Because of the strong economy, luckily that scenario has not yet come about. The threat of enforced time limits, and the new opportunities provided by expanded child care, job search and training funds made available to the states, jointly produced significant drops in state spending on welfare. The race then began in the federal government to recapture unspent funds held by the states, but the states successfully resisted. Although this area appears to be a success story, there remains significant uncertainty about the effect of the new policies on those who lost eligibility and on the depressing effect on take-up rates for the associated Medicaid program and the new State Children's Health Insurance Program. Advocates of a strong safety net also expressed their discontent about major cuts to food stamps spending and harsh limits on immigrants' eligibility for social services. Overall, federal spending on income security during the period remained quite stable (not counting the new child credit that was estimated to cost \$20 billion in FY2000, which was classified in the Education function). Poverty did decline,

as the economic growth tide raised most boats, but the country's comparatively wide level of income disparity was not significantly changed.²⁵

Although our limited discussion cannot determine who was responsible for these different budget allocations, it's generally safe to conclude that most were compromises between the parties and between the executive and legislative branches. Whether these compromises were in fact good budgetary policy is obviously a matter that is somewhat dependent on value perspectives. Defenders of adopted policies often rely on prime facie arguments, such as observing that the latter 1990's reduction in crime statistics was correlated with spending for increased incarceration and/or the explosion in grant funding for community policing. We are often skeptical about such arguments, despite being sympathetic to many of the Clinton administration's policy goals and to his "third-way" philosophy of considering innovative combinations of policy approaches. Our skepticism is generally based on a suspicion that the political leaders of this administration developed proposals primarily to produce positive focus group and opinion poll results (for example, "100,000 police officers") while at the same time spending insufficient amounts to have much chance of creating predicted impacts. Republicans often behaved similarly.

This problem is related to a question that may especially concern readers of this journal: did the formal rules and informal norms used to produce the 1990s' macrobudgetary success distort microbudgetary allocations? The BEA's different procedures for discretionary and mandatory spending were chosen because they matched existing committee jurisdictions; however, they hindered politicians from comparing approaches within budget functions or across policy tools. This artificial separation helped stimulate use of inefficient policy designs, particularly when combined with political pressures, such as when those who knew better argued that "targeted tax cuts" were not functionally equivalent to spending. A good example is the Clinton proposal to provide a tax exemption for income from municipal bonds that provide funds for school construction in disadvantaged areas.

Liberal strategists might argue that they rejected the obvious alternative—a targeted grant program—because the potential harshness of the discretionary caps prevented adequate funding. Using caps to generate most of the spending savings also created the incentive to carve spending out from this total by converting to quasi-mandatory status. An example is the crime bill's establishment of a pseudo—"trust fund" for criminal justice spending, which in effect set a floor on discretionary spending for this area. The cumulative effect of such conversions was to further reduce budgetary flexibility.

PRESIDENTIAL-CONGRESSIONAL RELATIONS

Without meaning to diminish the seriousness of the transgression, Bill Clinton was not the first president to lie to protect his political career. That Bill Clinton was impeached for do-

25. R. Kent Weaver, *Ending Welfare as We Know It* (Washington, D.C.: Brookings, 2000); Rebecca M. Blank, *It Takes a Nation: A New Agenda for Fighting Poverty* (Princeton, N.J.: Princeton University Press, 1997).

ing so indicates that his relationship with the Congress was extraordinarily bad. Conflicts over budgeting contributed significantly to that unhappy relationship.

One major explanation why is unrelated to the personalities of and the strategies used by Clinton and the various congressional leaders; rather, it is structural. According to presidential scholar Stephen Skowronek, one of the president's expected functions is to disrupt the existing order and legitimate a new one.²⁶ This was a dicey problem for Clinton. His fate was to begin his presidency when deficits were extremely high and worrisome to the public. However, cutting spending was counter to Clinton's predilection toward government spending; his 1995 State of the Union sound bite that "the era of big government is over" was surely an insincere tactical maneuver. For that matter, many citizens who wanted deficit reductions also disliked most cuts in spending or increases in taxes that would produce that result. Clinton therefore had to move back and forth between the need to reduce large deficits and the desire to use the fisc for many purposes.

His start in office was similar to that of most presidents—inexperience invites mistakes—and it was further hindered by the arteriosclerotic Democratic majority in the 103rd Congress.²⁷ The only major success of the first two years was OBRA 1993, but this helped the president's party lose the Congress. Paradoxically, the return of divided government made it easier for Clinton to deal with his structural dilemma, particularly because it provided him with weak opponents. Speaker Newt Gingrich had engineered an impressive electoral victory but had deluded himself that he could act like powerful 19th-century speaker Henry Clay. The Republicans had been a minority lost in the political wilderness for 40 years, and their actions in the first year of their congressional majority led many to conclude that the party was not yet ready for prime time. Their leadership's most critical mistake was forgetting that despite the constitutional assignment of the power of the purse to the Congress, the president is more than the political equal of the Congress. They learned as Clinton wielded the veto pen and spoke from the bully pulpit; at the same time they found out how difficult it is to convince a majority party to follow a coherent strategy.

The Republicans' problem was made even more difficult by Clinton's extraordinary skill at high-level bargaining. A major element of his approach was described by his political consultant Dick Morris as "triangulation": taking positions that would distinguish him from both congressional Republicans and Democrats.²⁸ The Democratic losses in 1994,

26. Stephen Skowronek, *The Politics Presidents Make* (Cambridge: Harvard University Press, 1993); idem, "The Risks of 'Third-Way' Politics," *Society* 33 (September 1996): 32–36. See also Sidney M. Milkis and Michael Nelson, *The American Presidency: Origins and Development, 1776–1998*, 3d ed. (Washington, D.C.: Congressional Quarterly Press, 1999); Samuel Kernell, *Going Public: New Strategies of Presidential Leadership* (Washington, D.C.: Congressional Quarterly Press, 1997).

27. Paul Charles Light, *The President's Agenda* (Baltimore: Johns Hopkins University Press, 1982).

28. William Schneider, "Triangulation's Budgetary Triumph," *National Journal* 27 (December 23, 1995): 3182.

which hurt moderates more than liberals and thus shifted the Democratic caucus to the left, led Clinton back to the “New Democrat” positions he had featured in his 1992 campaign. He returned to that campaign’s “war room” approach of issuing frequent public statements within short media cycles, but he also gave his Republican opponents enough rope so that they exposed the contradictions in their own positions. During Clinton’s second term, the Republicans would adopt budget resolutions with discretionary spending far below the president’s budget requests, then hope that he would agree as the branches bargained over appropriations bills. They would also load down appropriations bills with numerous policy riders, particularly ones that countered actions by the Environmental Protection Agency and other regulatory and land use agencies. Why they did this repeatedly had most observers perplexed, for it was clear that the Republicans were mortally afraid to call Clinton’s veto bluffs and go down the “shutdown” path again. By the end of Clinton’s term, some Republicans publicly confessed that they didn’t even want to negotiate with him! Each year, the Republicans searched for a new end-game strategy, but each year they caved to the administration’s insistence on more funding for numerous nondefense discretionary programs.

The Republicans’ credibility as fiscal conservatives was also hurt by their growing taste for the pork barrel. During their time in the minority, Republicans had vociferously criticized Democrats for appropriations set-asides, but after a year of self-denial, the attractions of majority power were apparently too strong to resist. And once most Republicans began loading up appropriations bills, they had a much harder time criticizing administration proposals.²⁹

One brief instance of conflict over budgetary allocations came with the 1997 battles over President Clinton’s use of the line-item veto. House Republicans, in their Contract with America, had pledged to give the president a statutory equivalent of an item veto (actually, a change to the rescission process that tipped the presumption substantially in the president’s favor). This promise became reality with passage of the Line Item Veto Act in 1996. The act took effect in 1997, and Clinton used it in a very limited way in the FY 1998 appropriations process to eliminate a small number of tax benefits and mandatory spending items. The president’s discretionary cancellations totaled less than one-tenth of one percent (\$477 million out of \$526 billion) of the amount provided in appropriations bills; 60 percent of these cancellations were overturned by the Congress (especially in the Military Construction appropriations bill, a classic pork product). The line-item veto was reduced to a one-year experiment when the Supreme Court ruled it unconstitutional in June 1998, on *Chadha*-type grounds that this procedure did not conform with the constitutional requirements that legislation pass both House and Senate in identical form and be presented to the president for signature or veto.³⁰

29. Senator John McCain’s web page lists both Republican and Democratic set-asides: (<http://www.senate.gov/~mccain/porkbar.htm>).

30. Philip G. Joyce, “The Federal Line Item Veto Experiment: After the Supreme Court Ruling, What’s Next?” *Public Budgeting and Finance* 18 (Winter 1998): 3–21.

BUDGETING IN THE EXECUTIVE BRANCH

Budgeting occupied center stage during the Reagan and Bush presidencies; Reagan's first budget director, David Stockman, and Bush's only budget director, Richard Darman, were among the most easily identified members of those administrations. Early in the Clinton administration, it appeared that OMB's role would be diminished because of the president's decision to create a National Economic Council (NEC) as part of the White House staff and because OMB's career staff had been assisting Republican presidents for 12 years.³¹ Yet the appointment of Leon Panetta as budget director brought almost immediate political credibility to OMB, and more generally, the professional qualifications and respect engendered by its directors throughout the administration ensured that OMB maintained its central policymaking position:

Leon Panetta (1993–1995) was the longtime chair of the House Budget Committee and a tireless advocate of deficit reduction when tapped by Clinton to be his first budget director. He fought successfully within the administration for an emphasis on the deficit over public investment spending, had a great deal of credibility on the Hill, and went on to be arguably the most successful of Clinton's White House chiefs of staff.

Alice Rivlin (1995–1996) took over for Panetta when the former was named Chief of Staff. A widely respected economist, she had been the founding director of the CBO. She had also been in the running to be the first Clinton OMB director but had settled for deputy director when Panetta was tapped for the job. She initially helped Panetta fight for deficit reduction, continued that effort on her own watch, and advocated attention to government performance issues during her time as director. She left OMB to become vice-chair of the Federal Reserve.

Franklin Raines (1996–1998) came to OMB from Fannie Mae, the giant government-sponsored housing enterprise. He was budget director in the early part of the second administration, playing an important role in negotiations between the White House and Congress associated with the 1997 reconciliation bill. He left OMB in 1998 to return to Fannie Mae, this time as its chairman.

Jacob Lew (1998–2001) had been an OMB official (serving as associate director for legislative affairs, executive associate director, and deputy director) since 1994 when he was selected to succeed Raines as OMB director midway through 1998. Lew was most heavily involved with negotiating with the Congress over administration priorities during his time in office.

In some contrast to our criticism of its apparent preference for symbolic policy proposals, the Clinton administration was exceptionally devoted to focusing attention on government performance. At first, the main role was played by Vice President Gore and his National Performance Review (later the National Partnership for Reinventing Govern-

31. Paul Starobin, "The Broker," *National Journal* 26 (April 16, 1994): 878–883.

ment). Patterned after a state auditor's review of Texas government, the National Performance Review (or NPR) sought to identify both improvements in management practices ("works better") and new approaches for possible budgetary savings ("costs less"). The NPR in general advocated the empowerment of managers and accountability for results.³² The NPR also championed a reduction in red tape in federal agencies. Part of this was to be brought about by a reduction of 272,900 middle managers, including many employees whom NPR believed existed only to keep an eye on other federal managers; an unspecified number of these were in agency budget shops. NPR was just as hostile to the annual review of agency budgets that was carried out by OMB and the Congress, and it proposed adoption of biennial budgeting and the availability of spending authority beyond one year. It was largely unsuccessful in implementing these and other budgeting reforms, particularly those that required legislative action.

A much more far-reaching reform was embodied in the Government Performance and Results Act (GPRA) of 1993. This legislation, which had been championed by Delaware Senator William Roth (R) since the late 1980s, required federal agencies to develop strategic plans and performance measures and to report on performance. OMB jump-started implementation of GPRA by requiring agencies to include more performance information with budget submissions with the FY96 budget, earlier than GPRA required.³³ Further, an internal reorganization of OMB, called "OMB 2000," was designed to bring more review and attention to management and performance issues during budget review by merging "management" and "budget" sides of OMB to create new "resource management offices."³⁴

Although there is some evidence that OMB has used performance information in reviewing budgets for the president, the most significant effects of performance information have been seen at the agency level. This does not mean that performance information—for budgeting or anything else—is used uniformly across the federal government. For one thing, the federal government is a collection of agencies that do very dissimilar things, some of which are much easier to measure than others, and for another, some agencies simply have more experience measuring and managing performance than others do. The General Accounting Office's (GAO's) prediction in 1997, that implementation of GPRA would be "uneven" across the federal government has proven a prescient one.³⁵

Still, the lack of any wholesale transformation of centralized budgeting processes

32. John Kamensky, "Role of the Reinventing Government Movement in Federal Management Reform," *Public Administration Review* 56, no. 3 (May/June 1996): 247–255. See also Peri E. Arnold, *Making the Managerial Presidency*, 2d rev. ed. (Lawrence: University Press of Kansas, 1998).

33. Philip G. Joyce, "Performance-Based Budgeting," in *Handbook of Government Budgeting*, ed. Roy T. Meyers (San Francisco: Jossey-Bass, 1999), 597–619.

34. Bernard H. Martin, Joseph S. Wholey, and Roy T. Meyers, "The New Equation at OMB: M + B = RMO," *Public Budgeting and Finance* 15 (Winter 1995): 86–96; Shelley Lynne Tomkin, *Inside OMB* (Armonk, N.Y.: M. E. Sharpe, 1998).

35. GAO, *The Government Performance and Results Act: Governmentwide Implementation Will Be Uneven* (Washington, D.C.: Government Accounting Office, June 1997).

masks a great deal of activity occurring in many agencies, where budget development and execution are increasingly becoming more informed by performance considerations. Consider the U.S. Coast Guard, which now makes wholesale use of performance information in budget formulation and implementation, allowing dollars to be allocated within the Marine Safety program in line with where they will have the greatest effect on preventing accidents.³⁶ The Veterans Health Administration has confronted a basic resource allocation problem—a disconnect between where veterans live (in the South and West) and where most hospitals are (in the East and Midwest)—by developing an allocation system based on where funding can best contribute to achieving health outcomes for veterans.³⁷ Our point is that it is in the management of resources by agencies that perhaps the greatest effect of this new performance orientation can be seen, an effect that would be missed if one focused only on how OMB used performance information.

GPRA also envisions that the Congress will prod agencies to develop a performance management orientation, requiring, for example, frequent consultation between the Congress and the agencies on the details of strategic plans and performance measures. That expectation has yet to be realized. The House Republican leadership quickly addressed the flaws in the initial strategic plans, issuing low grades to most, and kept GAO on the trail of other agencies' failures to comply with GPRA. Of course, full agency compliance would have been miraculous in light of confusing statutory directives and the tendency of members of Congress to put priority on the location of spending over other criteria, but the Congress has yet to look inward as an explanation for slow progress on GPRA.

Finally, a discussion of executive branch budgeting would be incomplete if it did not include implementation of the Chief Financial Officers Act (CFO Act) of 1990 and several amendments to this law, especially the Government Management Reform Act (GMRA) of 1994 and the Federal Financial Management Improvement Act (FFMIA) of 1996. The CFO Act was designed to battle some management failings that had been uncovered in the 1990s, perhaps best exemplified by the well-publicized scandals at the Department of Housing and Urban Development. The legislation required the establishment of chief financial officers in 24 executive branch agencies, the production of clean financial statements for agencies and the U.S. government as a whole, and a closer working relationship between federal financial management professionals, including chief financial officers, the OMB, and agency inspectors general. As expected, implementation uncovered financial management weaknesses in many agencies, such as failures in controlling property, plant, equipment, and cash. But because OMB and federal agencies have made "considerable investments of time, money and energy . . . to reengineer and refine agency accounting procedures and processes," according to L. R. Jones and Jerry McCaffery, some agencies have received unqualified opinions.³⁸

36. For a description of the Coast Guard system, see Joyce, "Performance-Based Budgeting," 611. See also Anne Laurent, "The Curse of Can Do," *Government Executive* 32 (March 2000), 41–49.

37. See "Healthy Accomplishments," *Government Executive* 31 (February 1999), 66–68.

38. L. R. Jones and Jerry McCaffery, "Financial Management Reform in the Federal Government," in *Handbook of Government Budgeting*, ed. Roy T. Meyers (San Francisco: Jossey-Bass, 1999), 76–77.

Another Clinton-era financial management reform was the 1994 Federal Acquisition Streamlining Act, which required major capital purchases to be justified on the basis of cost, schedule, and performance, freeing the procurement process from excessive devotion to detailed specifications and low-bid awards.³⁹ The Information Technology Management Reform Act of 1996 (also known as Clinger-Cohen) required agencies to take a more performance-based approach to procuring information technology (IT) investments. This included a requirement to select and manage investments with a specific focus on the extent to which they assist the agency in fulfilling its mission, to establish measures for IT performance, and to report the results of these measures to OMB.⁴⁰

PROSPECTS FOR BUDGETING DURING THE POST-CLINTON PRESIDENCY

In last year of the Clinton administration, news reports portrayed the president as being obsessed with his “legacy.” Every aging president seems to become especially concerned about history’s judgment, but perhaps Clinton was more so because of the embarrassment from his impeachment.

We would rather not make a definitive statement about Clinton’s legacy, except for observing that there have been few great presidents in American history, and Clinton will join the large group with mixed records. Presidential historians will have much to debate, particularly because Clinton’s record includes such extreme positives as his record on deficit reductions and such extreme negatives as the fact that he was “an unusually good liar,” the capsule description offered by Nebraska Senator Robert Kerrey (D).⁴¹ When we say that Clinton will be “a hard act to follow,” we don’t mean that to be a simplistic statement.⁴²

Instead, we’d like to close by asking how budgeting might evolve in the post-Clinton presidency. We are leery of issuing formal predictions, because of the inherent unpredictability of some important variables, such as the balance of power between the major political parties. On the other hand, we consider it an absolute certainty that macroeconomic conditions will worsen, and probably sooner than most observers expect. When that happens, eliminating the debt won’t appear to be as easy as it does today, nor as desirable. The days of reckoning for the major entitlements will be ever closer, and the cluttered tax code will beg for another attempt at revision. Can the budget process—as is or modified—live up to these challenges?

The experience of the past decade may justify some cautious optimism. The movement of the budget from deficit to surplus was an impressive and unexpected result, and it came

39. Suzannah Zak Figura, “Capital Considerations,” *Government Executive* 31 (February 1999), 25–28.

40. Nancy Ferris, “High-Tech Hurdles,” *Government Executive* 31 (February 1999), 19–23.

41. See Christopher Hitchens, *No One Left to Lie To* (New York: Verso, 1999).

42. For comprehensive legacy assessments, see Colin Campbell and Bert A. Rockman, eds., *The Clinton Presidency: First Appraisals* (Chatham, N.J.: Chatham House, 1996); idem, *The Clinton Legacy* (New York: Chatham House, 2000).

about in part because of the acceptance of inconvenient budget process constraints. The easy symbolic outs of the balanced-budget constitutional amendment were repeatedly rejected. And improvements in the executive branch's capacity to integrate management and budgeting may serve as the basis for more selectivity among spending and taxing options.

On the other hand, the frequent breakdowns of the budget process indicate that it isn't very robust. Many observers have suggested that there is no reason to expect that a process that was created to deal with large deficits is up to the task of budgeting under large surpluses, and they cite the discretionary caps as a fine example. The caps temporarily answered the age-old question "How big a government do we want?" with the answer "no bigger for now." Under current law, the caps expire in FY 2002, but they most likely will not survive until then, because a bigger government is now more affordable. Recent events suggest that either the caps will have to be raised by large amounts or politicians will have to exercise more self-control in their advocacy and acceptance of the individual spending proposals that constitute discretionary spending. Reconciliation must also be revived, or a substitute invented, if mandatory spending is to be sufficiently controlled.

Another question is the future role of the congressional budget resolution. The main outlines of budget policy in the 1990s were set by occasional multiyear agreements between the branches. This practice is in stark contrast to that set out in the Congressional Budget Act, in which the budget resolution is the main means by which the Congress is to set fiscal policy *each* year. Perhaps the Congress will attempt to return to this approach, or it may decide that the vision of the Congressional Budget Act is an unrealistic one. If the latter is the case, it would behoove the branches to think about how they might better coordinate their budget processes, rather than rely on haphazard summit procedures.

In 2000, the House of Representatives debated and killed the proposed Comprehensive Budget Process Reform Act (H.R. 853), which would have converted to biennial budgeting and a joint budget resolution. Although this was not a perfect bill from our perspective, we also felt that it was often misunderstood and mischaracterized in the congressional debate concerning it. If the country is to address the fiscal challenges it faces, the Congress and the president will need to go beyond the day-to-day battle for partisan advantages and more seriously consider how to improve the country's budget process.