Parallel Politics
Economic Policymaking in the United States and Japan

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Party Politics, Divided Government, and Budget Deficits

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Members of Congress and the president have been grappling with runaway budget deficits for more than a decade. The twelve-digit budget deficits of the 1980s have been blamed for everything from a decline in private investment and personal savings to trade imbalances with Japan. Congress and the president seem unable or unwilling to come to grips with this problem. The budget agreement struck between President Bush and congressional negotiators in the fall of 1990, for example, claimed to slash $500 billion from the deficit over the next five years—while allowing the national debt to almost double to $6 trillion by 1995. Collectively, national policymakers seem akin to credit card junkies, hooked on living beyond their means, borrowing to pay the interest on their debt. But federal budget deficits are not new. Every president since World War II has run on a platform that promised to bring federal spending under control. Indeed, in only ten of the last sixty years have federal revenues exceeded expenditures.

Two explanations for the runaway deficits of the 1980s have received considerable play in both the popular press and the scholarly literature. One argues that they are the by-product of the "Reagan revolution," which combined tax cuts with sizable increases in defense spending. The other school of thought blames Congress, or more specifically, a change in the way Congress sets the budget. The Congressional Budget and Impoundment Control Act of 1974 gave the authority to determine the budget to newly created Budget committees in the House and Senate. The 1974 act, this school argues, broke the traditional role of the House Appropriations Committee as "guardian of the Treasury" and unleashed the spending profligacies of Congress.

These explanations represent two fairly common perceptions of American politics. The first views the twentieth century president as the dominant figure in policymaking, while the second emphasizes the influence of congressional committees. In this essay I attempt to show
that neither of these two common perceptions is true, and that the budget deficits of the 1980s and early 1990s are a consequence of divided partisan control of the presidency and Congress.

Presidential Ascendancy

The Framers of the Constitution did not consider the possibility that the president could attain a dominant position in federal policymaking. Although the members of the Constitutional Convention fretted about the powers assigned to Congress, their concern was not that Congress would abridge its powers, but that, through the power of the purse and other indirect means, it would encroach upon the powers of the other branches of government. Consequently, with the members of the convention sought to restrict the powers of Congress by establishing a system of checks on legislative decisionmaking. The principal check on congressional authority, the veto, was delegated to the president.

The intentions of the Framers notwithstanding, it has become part of the lore of American politics that the president has come to dominate national politics. This thesis is not without merit. The executive branch submits roughly 200 proposals to Congress every year. Among these proposals are budget requests, requests relating to fiscal management and proposals to reorganize the executive branch, and general policy proposals. Congress frequently accepts these proposals without amendment and moreover never takes action on an issue until it has received a proposal from the president. Presidents also nominate several thousand people for appointment to federal posts. Rarely are these nominations rejected, and most receive only perfunctory review.


6. For a discussion of the difference between delegation and abdication, see Sundquist, Decline and Resurgence, p. 12.

7. Sundquist, Decline and Resurgence, p. 12.
The argument is as follows: Congress delegates its authority to make public policy to the executive. Members of Congress agree to do so because it is a more efficient way for them to make policy, and delegation therefore allows members to make policy in many more areas than they otherwise could. Congress then uses direct and indirect means to discipline those in the executive branch charged with carrying out this delegated authority. Through these means Congress retains control of policymaking. Members indirectly shape executive decisions as they are being made, thus largely relieving themselves of the need to intervene directly or to challenge executive decisions at a later point.

Because Congress holds the power to veto or amend executive recommendations—such as the president's budget—the executive in his proposals likely will anticipate members' reactions and accommodate their demands before submitting his recommendations. Thus members are rarely seen to "seriously" review presidential proposals, for their demands have already been met in the proposals sent to them. The absence of evidence of congressional influence, therefore, should not be mistaken for the evidence of the absence of congressional influence.

Lastly, as James Sundquist noted, forebodings on Capitol Hill about executive ascendency are most marked when the president comes from a different party than the one that controls Congress. Complaints of executive usurpation, then, may reflect a wish for decreased delegation in the face of partisan conflict. Indeed, delegations to the executive seem to expand when both branches are controlled by the same party and to contract when control is divided.

So has Congress, in delegating, retained control over policymaking? In addressing this question, students of American politics have examined Party Politics, Divided Government, and Budget Deficits the links between congressional committees and the agencies they oversee. They describe federal policy as the product of presidential direction, but of policy subgovernments, made up of the committees (or subcommittees) in the House and Senate with jurisdiction over the policy, the executive agency charged with executing the policy, and the constituents to whom the agency caters. These studies have amassed a tremendous amount of evidence on particular policy decisions that clearly demonstrates that members of Congress take a much more active role in the day-to-day decisionmaking in the executive branch than is attributed to them by the presidential dominance thesis.

Further evidence of congressional efforts to control delegations to the president is exhibited by the ways Congress structures these delegations. The Budget and Accounting Act of 1921, for example, contains many provisions to control the revision, compilation, and transmittal of agency budget requests by the president. These provisions have been amended and expanded many times in the intervening years. Those who have argued that Congress has abdicated its responsibilities over policymaking have not ignored these facts, but they have missed their significance.

Congress therefore has the capability, through the structural details of delegation and through budgetary and legislative means, to control its delegations. But the effort required to restructure a delegation or sanction an errant agent may make the costs of control, for any specific instance


10. Weingast and Moran, "Bureaucratic Discretion."


12. See Kiewiet and McCubbins, Logic of Delegation, chap. 9. In granting authority to the president under the 1921 act, Congress required that the estimates submitted conform to existing law. The earlier legislation, for example, required that estimates be made only for those items authorized by law and that large deviations in estimates from the previous year's appropriations be explained in detail. Further, the form and content of the estimates were closely prescribed, as was the information required to justify each request. For details on the requirements of the 1921 act, see Communication from the President, H. Doc. 67-129.

13. The requirements have been expanded in the Budget and Accounting Procedures Act of 1950, the Government Accounting and Procedures Act of 1956, the Budget and Accounting Act of 1958, the Legislative Reorganization Act of 1970, and numerous other acts. See Kiewiet and McCubbins, Logic of Delegation, chap. 7, for a complete discussion.
of agency slippage, exceed the benefits. Put another way, although Congress has the ability to exercise control over policymaking, do its members lack the will to do so? 14

Members of Congress do seem more willing to exercise control at some times than at others. The efforts by Congress to restructure presidential discretion in the 1970s—for example, through the War Powers Act of 1973 and the 1974 budget act—are prominent examples. The mantle of responsibility, it seems, is delegated only when the president and the majorities in Congress share the same party label.

Although Congress may not have abdicated its authority to the president, its delegations have indisputably expanded the president's authority. Many analysts contend that the delegation of policy initiation to the president, such as the budget, has tilted the balance between the branches to favor the president. 15 Although the president has a vague constitutional mandate to present proposals to Congress, most successful proposals arise out of congressional delegation. 16 And it was the establishment of legislative clearance at the Budget Bureau, created under the 1921 budget act, that has been heralded as the principal source of presidential dominance in this century. 17

What must be remembered, however, and has not been forgotten by the Budget Bureau and its directors, is that Congress created the Budget Bureau (now the Office of Management and Budget), Congress funds the OMB, and Congress regulates the activities of the OMB. 18 As a former general counsel to the clerk of the House remarked, “Congress created OMB. Congress can uncreate it—or change it.” 19 To this effect,


16. For example, proposals for executive reorganization, which are not requested by Congress, are almost never approved, while Congress almost always passes a bill for spending or tax proposals.

17. See Sundquist, Decline and Resurgence, especially p. 155, for this argument.


of presidential dominance, this is a mistaken inference. Members of Congress logically anticipate the president’s reaction to their proposals. Their proposals, then, usually accommodate the president’s demands to avoid a veto. Indeed, if members of Congress have good information as to what is and what is not acceptable to the president, there should never be any vetoes.

The influence that the veto gives the president is, however, asymmetrical. The president can use the veto to restrain Congress when he prefers to spend less than its members do, but he cannot use it to extract more appropriations from Congress when he prefers to spend more than its members do. This asymmetry derives from inherent limitations in the veto power. The veto provides the president with only the power to reject acts of Congress; it does not provide him with the power to modify these acts. Thus Congress submits take-it-or-leave-it offers to the president, who is then faced with choosing between the bill passed by Congress and, at best, some future legislation that he may or may not prefer to the current offer.

On spending bills, the president’s position is even more precarious: on receiving the bill from Congress, the president can either accept the appropriations contained therein or veto it and let Congress write a continuing resolution. Because of the emergency nature of continuing resolutions, they are virtually veto proof. Also, because continuing resolutions almost always contain less spending than that contained in the corresponding appropriations bills, the president is able to reduce spending (to the level contained in the continuing resolution) through the use or threat of the veto, but he cannot get increased spending from a Congress that does not favor it.

The limited and asymmetric influence conveyed to the president by the veto is illustrated by the budget debates in Reagan’s second term. In his budget request for fiscal year 1985, Reagan proposed a large increase in defense spending for fiscal year 1986, coupled with a proposal to slash social security and domestic spending and eliminate cost of living adjustments for federal pension payments (including social security). The new political reality on Capitol Hill, however, did not favor a package of defense increases and domestic spending cuts. Senate Budget Committee Chairman Pete Domenici stated his expectation that defense spending would be held to less than a 6 percent inflation-adjusted increase for 1986.

Reagan buckled to the pressure and reduced his defense request to a 5.9 percent real (inflation-adjusted) increase. The package of domestic spending cuts and defense increases was still unacceptable to Democrats and liberal Republicans. In March 1985, the Senate Budget Committee voted to recommend an inflation-adjusted “freeze” on defense spending and a freeze on social security. Trying to unite a fractured party, the Senate Republican leadership negotiated with Reagan a 3 percent real increase in defense spending, combined with domestic spending cuts. In announcing this new deal, Reagan stated it was the “rock-bottom level” he would accept. But Reagan was holding the wrong veto stick. The veto does not offer the president a means to get increased funding out of a recalcitrant Congress. Despite Reagan’s veto threat, the Senate rejected the Republican leadership’s package. Ultimately, the Senate approved a budget resolution that reduced, but did not eliminate, cost of living adjustments and provided an increase in defense spending just large enough to offset the projected rate of inflation for fiscal year 1986.

On the other side of the Capitol, the House Budget Committee, on a party line vote, recommended more spending for domestic programs and less for defense than the budget passed by the Senate. The House, also on a party line vote, passed the resolution. Reagan pronounced the House budget resolution “unacceptable.” In conference the House and Senate compromised on defense, while accepting much of the domestic spending increases advocated by the House. As expected, Reagan accepted the bills passed under this resolution.

When Congress again slashed his requests for defense increases in favor of increases in domestic expenditures in 1986, Reagan again threatened to veto any bill that contained less than the increase in defense spending he had requested. In response to a query on this veto threat,

23. For a theoretical development and some empirical validation of this point, see Kiewiet and McCubbins, “Presidential Influence on Congressional Appropriations Decisions.”
24. Continuing resolutions are joint resolutions that may provide temporary funding for affected agencies when Congress fails to complete action on one or more regular appropriations bills before the start of a fiscal year. See Walter J. Oleszek, Congressional Procedures and the Policy Process, 3d ed. (Washington: Congressional Quarterly Press, 1989), pp. 74–76.
William H. Gray III, chairman of the House Budget Committee, recognized the asymmetry of influence offered by the veto, countered, "What's he going to do, veto the defense bill because it's too low?"97 Ultimately, again, the answer was no.

In the final analysis, presidents do make numerous proposals to Congress. Congress generally takes no independent action on an issue before the president's request. And on budget, tax, and economic policy, Congress typically enacts legislation that, in its broad outlines at least, is similar to the president's proposal. This does not, however, imply congressional abdication or presidential ascendency. If his proposals are to succeed, the president must anticipate the reaction of members of the House and Senate to his proposals and accommodate their demands and interests. Presidents know this, so they rarely submit proposals that are likely to fail. Those who ignore this lesson have their proposals ignored in lieu of congressional proposals, as happened to Reagan's budgets. Further, if Congress has delegated authority to initiate legislation to the president and thus has requested a proposal from him, and the president accommodates congressional interests in his proposal, then members of Congress should be expected to wait for his proposal and to enact something once they get it.

The Reagan "Revolution"

Perhaps the strongest evidence in favor of the presidential ascendancy model came in Reagan's first year. The budget for fiscal year 1982, passed in May 1981, was heralded (or decried) as a victory by a powerful president over an institutionalized Congress. But what sort of victory was this for Reagan? In the first place, the much-ballyhooed budget "cuts" of $36.6 billion did not actually cut spending. These cuts were measured not against the spending totals in the fiscal 1981 budget, but against Jimmy Carter's proposed budget for fiscal 1982.98 Congress

98. Indeed, due to the recession of 1981-82, spending for fiscal 1982 actually exceeded Reagan's budget by $35 billion, wiping out his "cuts." Unless otherwise indicated in the text, budgetary data were collected from the following government publications: budget by function data are reported in The Budget of the United States Government, prepared and submitted annually by the president; line item and agency estimates are reported in the annual Senate document, Appropriations, Budget Estimates, Etc.; and comparisons of House, Senate, and presidential spending proposals for line items and agencies are collected from various House and Senate appropriations

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had actually slashed a larger percentage from Carter's previous four budgets than it cut from the 1982 budget.

Second, over 90 percent of the programs and agencies that suffered cuts in Reagan's budget had previously suffered cuts by the Democrats and Jimmy Carter. Almost half of these agencies' budgets were cut not only by Reagan and Carter, but also by Democratic Congresses when Gerald Ford was president. Further, those items that were expanded under Reagan's budget, such as defense, had been expanded in Carter's previous two budgets. Thus, although the 1982 budget may have accelerated the spending reallocation, it was not a radical change. The 1982 budget merely continued trends of the previous two Democratic budgets.

Third, when Reagan did try to depart from the budgetary consensus of the previous administration, he was rebuffed. In the reconciliation legislation, Senate Minority Leader Robert Byrd successfully offered amendments to keep alive many programs scheduled for termination under the president's budget. Indeed, almost all of the programmes Reagan tried to terminate survived his tenure in office.99 Fourth, the "revolution" wrought by this victory was short-lived: in May 1981, for example, Reagan proposed a decrease in social security benefits, which was withdrawn without a hearing; he also proposed an additional $16 billion in spending cuts (relative to the levels authorized for fiscal 1982), which Congress rejected. Congress chipped away at Reagan's "cuts," passing a $4.5 billion supplemental spending bill to fund programs for the Environmental Protection Agency cut in the earlier reconciliation legislation and a $14.2 billion supplemental funding bill that included a $6.2 billion pay raise for government employees, $5 billion for agricultural programs, and $1 billion for social programs. Congress, in fact, overrode Reagan's veto to enact this second supplemental bill.

What responsibility, then, does Reagan bear for the runaway deficits of the 1980s? Table 1 compares changes in budget requests, relative to

bills and associated committee reports. For a complete discussion, see Kiewiet and McCubbins, Logic of Delegation, chap. 8.
99. In each of his budget requests, Reagan sought to terminate several dozen programs. In 1985, for example, he sought to end twenty-six programs, including the Job Corps, Amtrak, the Small Business Administration, urban mass transit subsidies, and rural water and waste disposal grants. But such cuts were not part of the Democratic-Republican compromise on spending; Congress voted only to terminate the U.S. Travel and Tourism Agency and to sell CONRAIL. Indeed, of the programs Reagan sought to terminate, only half even had their budgets reduced.
Table 1. Average Change in Budget Requests and Congressional Appropriations, by Administration, for Domestic Agencies, 1948-85

<table>
<thead>
<tr>
<th>Administration</th>
<th>Change in president's requests</th>
<th>Change in appropriations</th>
<th>n*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Truman</td>
<td>17.4</td>
<td>8.2</td>
<td>260</td>
</tr>
<tr>
<td>Eisenhower</td>
<td>11.5</td>
<td>8.9</td>
<td>373</td>
</tr>
<tr>
<td>Kennedy/Johnson</td>
<td>11.8</td>
<td>8.0</td>
<td>401</td>
</tr>
<tr>
<td>Nixon/Ford</td>
<td>11.1</td>
<td>11.5</td>
<td>386</td>
</tr>
<tr>
<td>Carter</td>
<td>10.7</td>
<td>10.3</td>
<td>214</td>
</tr>
<tr>
<td>Reagan</td>
<td>-7.7</td>
<td>0.6</td>
<td>215</td>
</tr>
</tbody>
</table>

Source: Data collected from annual Senate document, Appropriations, Budget Estimates, Etc.

a. Mean percentage change in president's budget requests for sixty-nine agencies relative to previous year's appropriation, averaged over president's term.

b. Mean percentage change in congressional appropriations for sixty-three agencies relative to previous year's appropriations, averaged over president's term.

c. Number of items in author's sample of agency spending decisions.

The preceding year's appropriation, averaged over a sample of sixty-three domestic agencies, for each president from Truman to Reagan. The table shows that, on average, most presidents (other than Reagan) requested more than a 10 percent increase for these programs. Reagan, in his first three budgets, requested on average, almost an 8 percent decrease. Reagan, in fact, requested spending cuts for nearly half the agencies in this sample. Nixon, by contrast, requested cuts for only 16 percent, while Eisenhower requested cuts for 19 percent.

Table 1 also shows that spending growth, for this sample of programs, was slower during Reagan's administration than during any other presidential administration since World War II. Whereas spending grew on average, between 8 percent and 11 percent for each president from Truman to Carter, spending growth for the 63 domestic agencies in this sample was held to less than 1 percent under Reagan. Thus there is some reason to believe that Ronald Reagan blazed a new direction in American politics in his first term in office.

But Reagan had one major advantage over his Republican predecessors: he did not have to contend with large Democratic majorities in both chambers of Congress. The Republicans held a majority of seats in the Senate for the first time in over two decades during Reagan's first six years in office. In comparison, when the Republicans controlled both houses of Congress in 1947–48 and again in 1953–54, they cut over 42 percent of the items in a sample of sixty-nine agencies (sixty-three domestic and six defense agencies). In fact, the Republican Congress of 1953–54 cut spending for almost two-thirds of the programs in this sample. When Reagan was elected and control was split, with the Republicans controlling the Senate and the Democrats controlling the House, spending was cut, on average, for only 30 percent of these sixty-nine agencies. When the Democrats controlled both chambers (1949–52, 1955–80), they cut the budgets of only 17 percent of these agencies, on average.

Should Reagan have done better? Because most of the federal programs in the postwar era were instituted and supported by the Democratic party, it is reasonable to expect that Republican control of Congress would bring about reductions in many of these programs. Further, it seems reasonable to expect that a divided Congress would reduce spending for more budget items than would one controlled by the Democrats, but not as many as would a Republican-controlled Congress. Reagan and the Republicans in the Senate, then, did about as expected: the 30 percent rate of reductions for 1982–85 falls almost dead center between the 17 percent rate for Democratic Congresses and the 42 percent rate for Republican Congresses.

A roughly similar pattern is evident for presidential success in Congress generally. Democratic presidents facing Democratic Congresses have won roughly 81 percent of their key votes; Republicans facing Republican Congresses have had an 86 percent success rate (on average); Reagan, facing a Democratic House and a Republican Senate (1981–87), won roughly two-thirds of the key votes; but Republican administrations facing Democratic Congresses have won, on average, 58 percent of these key votes. During his first year in office, with a Republican majority in the Senate, Reagan won an impressive 82 percent of the votes on which he took a stand. His success dropped to a postwar low of 44 percent in 1987, the first time he faced Democratic majorities in both chambers of Congress.
Table 2. Congressional Responses to Presidents’ Requests for Cuts or Increases
in Spending, by Administration, 1948–85
Percent

<table>
<thead>
<tr>
<th>Administration</th>
<th>Congress appropriated more than previous year</th>
<th>Congress appropriated less than previous year</th>
<th>Congress appropriated more than previous year</th>
<th>Congress appropriated less than previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Truman</td>
<td>0</td>
<td>100.0</td>
<td>86.7</td>
<td>13.3</td>
</tr>
<tr>
<td>Eisenhower</td>
<td>16.4</td>
<td>83.6</td>
<td>90.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Kennedy/Johnson</td>
<td>3.3</td>
<td>96.7</td>
<td>91.3</td>
<td>8.7</td>
</tr>
<tr>
<td>Nixon/Ford</td>
<td>26.8</td>
<td>73.2</td>
<td>96.1</td>
<td>3.9</td>
</tr>
<tr>
<td>Carter</td>
<td>31.6</td>
<td>68.4</td>
<td>96.9</td>
<td>3.1</td>
</tr>
<tr>
<td>Reagan</td>
<td>40.4</td>
<td>59.6</td>
<td>91.2</td>
<td>8.8</td>
</tr>
</tbody>
</table>

Source: See table 1.

Thus the question becomes, what was Reagan’s net effect on spending? Certainly, Reagan was no more successful than expected, given the circumstances in Congress. He actually was less successful than any other postwar president at pushing his spending cuts through Congress (see table 2). Truman succeeded in getting Congress to enact all of the relatively few cuts he requested. Eisenhower succeeded 84 percent of the time. Also, his batting average at getting spending increases out of Congress was less than any recent president. More generally, Reagan’s success rate in influencing congressional votes for each of his eight years in office was less than that of Dwight Eisenhower in each corresponding year. Indeed, Reagan’s success rate against a Democratic Congress was less than Richard Nixon’s success rate, even during the period of the Watergate scandal (Nixon won roughly 60 percent of his key votes that year). By this comparison Reagan was a weaker president than his predecessors.

What does account for the spending pattern of the 1980s? In the first place, though there has been much talk of budget “cuts” in the 1980s, nominal spending nearly doubled from fiscal years 1981 to 1989.36

36. The federal government has an unusual way of defining a cut. Although claims that tens of billions had been cut from the budget were made during the Reagan presidency, the budget actually increased from $600 billion in fiscal 1981 to $1.2 trillion in fiscal 1989. Indeed, rarely was spending actually reduced; “cuts” referred to changes in authorization so that spending was less than it would have been had the law not been changed. This was true even if spending ultimately was greater than it had been the year before. For example, “cuts” in Medicare were said to exceed $50 billion for the 1980s. Yet Medicare outlays actually grew from $32 billion to $94 billion. Timothy Muris, “The Uses and Abuses of Budget Baselines,” Working Papers in Political Science, P-89-3 (Hoover Institution, January 1989).
38. Woodrow Wilson first said it in Congressional Government (Houghton Mifflin, 1885).

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Similarly, while gross national product (valued in 1972 dollars) grew only 15 percent from 1981 to 1987, spending grew 40 percent. Defense spending, which grew by less than 30 percent (in 1972 dollars), accounted for roughly one-quarter of the increase during the 1981–87 period. Social security spending roughly matched the growth rate of defense. Another large chunk of the increase resulted from a near doubling (in real terms) of interest payments on the national debt. The remaining 30 percent of the total growth in the budget was in other domestic programs.

Second, the agencies and programs chosen for spending reductions in the 1980s were largely those whose budgets also declined throughout the latter part of the 1970s. The decline of the Great Society programs and the regulatory activities of the federal government started under Gerald Ford and accelerated under Jimmy Carter. Therefore the cuts in these programs began under a Congress in which both chambers were in Democratic hands and accelerated when both branches were controlled by the Democrats.

The budget story of the 1980s, then, is not the fiscal contractions so often advertised by Congress and the president. But several questions remain unanswered. Why should spending have grown during the administration of a fiscally conservative president? Should not Republican control of the Senate have brought about a reduction in federal spending?

Party Governance in Congress

To some analysts of American politics, the runaway deficits of the 1980s are not the unintended result of the Reagan revolution, but rather a consequence of a change in congressional procedure. This perception is based on a well-accepted view that Congress is not so much a democratic institution as a pluralistic leviathan.37 Central to this view is the thesis, more than a century old, that congressional politics is committee politics.38 As Kenneth Shepsle writes, speaking of the 1940s and 1950s:

In a system of government where both houses were run by a single party and where legislation was drafted by committees, the executive branch had little hope of exercising programmatic control over the legislative process. In their desire to pass their legislative programs, party leaders and committee chairmen had effectively becomes lawmakers and sometimes found it necessary to exercise policy and procedural control over the legislation that flowed from their committees.39

In terms of making policy, committee politics provided fertile soil for interest group liberalism, policy whirlpools, cozy little triangles, and unholy trinities. Policy was incubated and crafted by interested members who monopolized the berths on committees important to their constituents' concerns. Proposed legislation attracted few amendments on the floor because political conflicts were resolved inside committees, the legislators most interested were already on them, and those not on a given committee had little expertise and few resources to mobilize against committee recommendations. For all these reasons, deference to the committees' positions became the norm. Thus a gigantic logroll sanctified the division of labor that permitted policymaking by subgovernments—congressional committees, interest groups, and governmental agencies.39

Shepsle and others argue that "geography, jurisdiction, and party hang together in a sort of equilibrium," but that the balance that had held in the 1940s and 1950s, described above, has shifted further away from centralized party—or committee—control of Congress. Parties, by the 1970s, had become "considerably more submissive holding companies for member enterprises than had earlier been the case."40 But this shift has not altered their interpretation that "subgovernments" play a central role in policymaking. The "interest group liberalism" that purportedly dominates congressional politics,41 if true, has profound implications for budgeting as well. As Shepsle and Barry Weingast argue:

The omnipresent electoral imperative induces members of Congress to target expenditures to their electoral constituents or to those who can provide electorally relevant resources. This implies that legislators invent programs, seek funding, and are especially attentive to policy areas that create or maintain jobs within their electoral constituency. . . . Expenditure programs are, as a consequence, biased away from least-cost methods of production so as to favor those methods that yield greater electoral support.42

41. Lowi, End of Liberalism.

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As each subgovernment pursues its policies in the way Shepsle and Weingast describe, the end results could be that the government outspends its receipts.

To mitigate the effects of interest group liberalism, members of Congress traditionally were said to rely on the members of the House Appropriations Committee to guard the federal treasury, to make the hard choices between supporting their colleagues' programs and the need to economize on spending.43 As David Mayhew concluded in 1974, "By cutting budgets they work against the diffuse and primal danger that Congress will spend more money than it takes in. They lean against particularism and also against servicing of the organized."44 This system was supported by rules and procedures in Congress that separated authorization from appropriations. And the system appeared to work reasonably well, producing small but manageable deficits through the 1950s and 1960s.

This all changed with the Congressional Budget and Impoundment Control Act of 1974. Many viewed the new budget process established by the act as a way to coordinate spending and revenue decisions between the various congressional subsystems in order to cut the deficit. However, by transferring authority for establishing overall spending limits to the Budget committees, the budget process so weakened the House Appropriations Committee that it could no longer act to guard the treasury. Instead, its members seemingly became claimants on the federal treasury rather than its protector.45 The budget process itself, this school argues, has failed to work and there has been no restraint on spending in Congress.

Two assumptions underlie this explanation of the deficit crisis. The first is that "power in Congress has rested in the committees or, increasingly, in the subcommittees," and thus as a consequence, "throughout most of the postwar years, political parties in Congress have been weak, ineffectual organizations."46 The second is that the House Appropriations Committee was once the "guardian of the federal treasury" and now is only a subdued guardian. I examine these assumptions in turn, arguing that congressional parties and party leaders

43. Fenno, Power of the Purse.
exercised more control and greater influence in congressional politics, and in budgeting in particular, than commonly has been perceived. I then seek to explain the budgetary decisions of the 1980s in light of this new understanding.

The Institutions of Agency: Parties and Committees

The common view of weak parties and autonomous committees in Congress, in its logical form, is identical to the view of presidential dominance presented above. The membership of each house has delegated to its committees wide-ranging authority to write legislation, hold hearings, and oversee the executive branch. This delegation, like congressional delegation to the executive, has been mistaken for abdication.

Two factors underpin the alleged importance and autonomy of committees and subcommittees.

First, committees and their subcommittees originate legislation. Although there is some built-in overlap in committee and subcommittee jurisdictions, these units typically have jurisdictional monopoly over specific public policies. As a result, changes in statutory policy require the assent of relevant committee and subcommittee majorities. In other words, changes in policy may be vetoed by committees and subcommittees if their preferences are not reflected in the new policy. 47

And second,

In order for committees and subcommittees to maintain this control and influence, as well as to take even more affirmative steps in representing the interests of the policy constituencies, it must be the case that legislative majorities or other power centers in the legislature cannot or will not frustrate their designs. We maintain that this circumstance is achieved by the honoring of subcommittee veto power and other forms of reciprocity. Each subcommittee has its own turf, both to protect and to cultivate. The current arrangement among the

47. Shepsle and Weingast, "Legislative Politics and Budget Outcomes," p. 351.

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committees of Congress embodies the bargain, "You can retain veto power and influence in your area if I can retain it in mine." The important consequence of this bargain . . . is that people on the relevant subcommittees hold the power to protect and enhance the flow of public benefits to their constituents. 48

This view of committee and subcommittee power has been developed to explain a set of generalized observations about congressional behavior. It explains, for example, why coalitions within Congress are seemingly universal and nonpartisan: all members face the same need to bring home particularistic benefits, and the institutions are geared toward establishing and enforcing vote trades across projects and benefits. It also follows, for the same reason, that party discipline will be very lax—the vote trades across party lines. Committees also use their powers, particularly their ex post veto, to ensure that amendments rarely get offered to their bills, and when they are offered, few, if any, are successful. Further, committees can withhold legislation from consideration even in opposition to concerted floor majorities. Lastly, because committees are central to the policymaking process, committee members spend most of their time and effort in their committee work.

But these observations are not inconsistent with party control of committees. If congressional party organizations controlled committee decisionmaking, one would still expect to observe all of the phenomena typically recounted in support of the subgovernment model of congressional politics. Indeed, none of these observations discriminates between the two views. 49 However, obvious violations of this cozy view of subcommittee autonomy are easily observable. For example, multiple referrals, where legislation is sent to several subcommittees, are increasingly common in the House.

The influence of congressional parties and their leadership may be indirect rather than direct and overt. It is important to consider how congressional majorities retain their authority to make decisions. Members of Congress design their institutions to fit their purposes. Studies of congressional behavior have focused largely on how members secure

water projects, military bases, roads, and post offices for their districts, and the consequences of these activities for their political survival. These studies, of course, assume that voters appreciate projects in their district and that members can build reputations as good providers of federal pork.

But party affiliations are also an important ingredient in voters' decisions: party labels signal information that is otherwise very expensive for voters to obtain about the policy positions of candidates. As a result, politicians, in seeking office, also establish reputations as partisans and, moreover, have an incentive to enhance the collective reputation of their party. Thus politicians adopt a mixture of collective (partisan) and individual (district-oriented) activities in seeking reelection.

It follows that members will seek to structure Congress in a way that facilitates both of these activities. Party organizations, their leadership, and the committees that serve them provide the institutional means for pursuing the collective goals of party members. This leads to the enactment and implementation of policies that affect a large proportion of congressional districts and for which the members of the majority party can claim credit. But it is also in the interest of all members of the majority party to establish a system that enables them to secure the individual district-oriented benefits they need to enhance their individual reputations. Thus the majority party leadership uses its agenda powers, in concert with the agenda powers assigned to committees, to secure the omnibus pork barrel legislation so familiar to congressional scholars.

The congressional parties, of course, delegate much of the authority to make these kinds of decisions to the leadership and to committees, although the Democratic caucus has at times tried to make policy for the Democratic majority. In delegating, the congressional parties encounter an unavoidable problem: for a variety of reasons, intentional or not, the persons to whom authority is delegated may act in the best interests of those doing the delegating. Many scholars, in recognition of this problem, have concluded that the congressional parties have in fact abdicated their authority to the standing committees and subcommittees of Congress.

This conclusion, however, ignores the efforts on the part of the congressional parties to mitigate this delegation problem and the effects their efforts have on structuring choices and outcomes. Both authorizing and appropriating committees, as well as the party leadership, have a say in the passage of legislation. In essence, like the separation of powers in the structure of the federal government, party organizations—in particular the party leadership—and the system of standing committees form a separation of powers, a system of checks and balances, that protects the majority party from opportunistic behavior on the part of its agents.

Another important check parties have on standing committees is exercised through appointments. Indeed, appointments to the major committees—Appropriations, Rules, and Ways and Means—and transfers from the lesser committees to the major committees are strongly affected by the leadership's desires and are determined, to an extent, by past party loyalty.50

Committee activities are also constrained by procedural restrictions.51 Procedures can make it difficult for committees to hide information relevant to the evaluation of their recommendations. For example, the Government in the Sunshine Act opened up committee hearings so that committee members could no longer have exclusive access to information. Committees are also required to report their findings in submitting major legislation to the floor. Procedures also establish access points for selected representatives and constituencies to have input into committee decisions.

Some standing committees, of course, will receive greater scrutiny over their activities than will others. A few committees have jurisdiction over issues that are encompassed, at least implicitly, in the meaning of the party label. Because the party's label is a collective good for its members, the actions of these committees affect everyone in the party; the party and its leaders have a greater stake in making sure these committees serve their collective interests. Social security, for example,


has been a core Democratic program since the New Deal; thus the Committee on Ways and Means, which was delegated jurisdiction over this program, has been an important committee for the Democrats. Other standing committees (for example, Post Office, Interior, and Merchant Marine and Fisheries), have jurisdiction over issues unrelated, or only minimally related, to the issues that voters identify with the party. The majority party caucus will treat these committees differently. Those committees whose policy jurisdictions have the greatest external effects (such as Ways and Means, Appropriations, Rules, and Budget) will be the target of the greatest attention and party control: the appointment committee will seek to ensure, through the appointments it makes, that these standing committees pursue the majority party's agenda. On the other hand, committees like Agriculture (since 1960 at least) or Merchant Marine and Fisheries may escape serious efforts to "stack" their assignments.

Committees and their chairmen do of course have extensive discretion. But this range of discretion is not infinite, as the removal of Wright Patman, W. R. Poage, Edward Hebert, and Mel Price and the threatened removal of Les Aspin demonstrate. Party caucuses do take measures to ensure that committees act in a manner responsive to the will of the party.

Again, the conventional view has mistaken delegation—in this case from the majority party caucus to the standing committees of Congress—for abdication. Observers have recognized the transfer of authority and the actions of the agents (the committees). However, they have not recognized the mechanisms used by the majority party to direct the actions and choices of the committees and the effect these mechanisms have had on the committees.

If committees are agents of party caucuses, then one would expect that most the decisions in Congress could be made in committee, and that committee members would acquire expertise in the committee's jurisdiction. One would not expect these activities to be uncontrolled, however, and indeed there are many and varied attempts by majority party caucuses and their leadership to control committees. Further, committees will anticipate the reaction of the majority party to their proposals and thus can expect that few of their bills will be amended or rejected on the floor. The absence of amendments to committee bills by

52. See Kiewiet and McCubbins, Logic of Delegation; and Cox and McCubbins, Party Government.

Party Politics, Divided Government, and Budget Deficits floor majorities is, in fact, equally good evidence that committees are good and responsible agents of the majority party.53

The Role of the House Appropriations Committee

In Richard Fenno's classic account, the House Appropriations Committee was depicted as a budget-slashing guardian of the federal treasury, protecting the House from the budgetary excesses of its own committees and from budget-maximizing bureaucrats. This model of the committee was based upon Fenno's interviews of members of Congress and on a comparison of committee decisions and presidential requests for the period from 1947 to 1962. Fenno reported, for the thirty-six bureaus on which he collected data, that the amount recommended by the House Appropriations Committee for a bureau was less than the amount requested by the president in 73.6 percent of the 575 cases in his data set.54 I extended Fenno's work to a set of sixty-nine agencies and programs, including almost all of Fenno's thirty-six bureaus, for a period extending from 1948 to 1985. I found that the House Appropriations Committee cut the president's requests for 70.4 percent of the 1,983 cases in my data set.55

But do these statistics constitute evidence that the "dominant pattern" for the House Appropriations Committee is to guard the treasury? What would the committee recommend if it were not guarding the federal treasury? If the procedural restrictions on the Office of Management and Budget work to constrain its ability to revise agency budget estimates, and agencies compile estimates in accordance with the legislation that authorized their activities, then presidential requests will reflect, to a large extent, the level of funding preferred by the authorizing committees

53. Smith too challenges this stylized fact, pointing out that the frequency of amending activity has increased over the last decade. See Steven S. Smith, Call to Order: Floor Politics in the House and Senate (Brookings, 1989). However, his counting has been challenged by Weingast. See Barry Weingast, "Fighting Fire with Fire: Amending Activity and Institutional Change in the Postreform Congress," in Roger H. Davidson, ed., The Postreform Congress (St. Martin's, forthcoming).
55. The converse, of course, is that the committee increased spending for more than 19 percent of the budget items that came before it, and they granted an amount equal to the president's request in almost 10 percent of the cases. The proportion of times the committee recommended an increase for one of these items over the president's request ranged from zero in fiscal year 1947, to more than 13 percent in fiscal years 1959-61, to a high of 51 percent in 1984.
in Congress.56 These figures, of course, are often revised according to
the president's policy guidelines. If many committees prefer more
spending on items within their jurisdiction than would be preferred by
the House as a whole or by the majority party as a whole, and if the
House Appropriations Committee is relatively representative of the
House and the majority party, then the members of the House Appropriations
Committee will prefer to spend less for most items than the
members of the committee that authorized the items.57 Consequently,
the House Appropriations Committee will cut the president's spending
requests for most agencies. Thus, even if they are not guarding the
federal treasury, the members of the House Appropriations Committee
can be expected in most years to cut most executive budget requests.

In Feno's account of the House Appropriations Committee, party
politics plays essentially no role. I have argued here and elsewhere that
the partisan contingents on the committee are agents of their parties,58
and that as a result the committee functions as an agent of the majority
party, pursuing the collective policy goals of the party's membership.
These goals may sometimes be to cut the budget, but not necessarily so.
Consequently, the varying goals of the parties controlling the White
House and the House of Representatives determine the treatment
afforded the president's budget requests by the House Committee
on Appropriations. Democratic majorities favor higher spending on
domestic programs than do Republican majorities. How often the
committee cuts the president's requests is determined by partisan factors
(see table 3).

Between 1948 and 1985, the House Appropriations Committee was
most likely to cut the president's requests when the president was a
Democrat and the House was controlled by the Republicans (cuts amount
to 93 percent of actions taken). The committee was somewhat less likely
to cut the executive's requests when the same party controlled both
branches (roughly 80 percent of the requests). But a Democratic commit-

56. This, of course, is implicitly Mayhew's model of agency estimates (Congress:
The Electoral Connection). If it is true that the committee is protecting members from
themselves, the estimates the committee deals with must be a reflection of members'
own desires. If they were not, then the committee would be protecting members from
the executive branch, not from themselves.

57. On the unrepresentativeness of many House committees, see Cox and McCub-
bins, Party Government. On the representativeness of the House Appropriations
Committee, see Kiewiet and McCubbins, Logic of Delegation.

58. Cox and McCubbins, Party Government; and Kiewiet and McCubbins, Logic
of Delegation.

<table>
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<th>Committee action</th>
<th>Republican president, Democratic Congress</th>
<th>Republican president, Democratic House, Republican Senate</th>
<th>Democratic president, Republican Congress</th>
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<td>Cut president's requests</td>
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<td>67.1</td>
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<td>Recommended same amount as president</td>
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<td>4.7</td>
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<tr>
<td>Recommended more than president</td>
<td>6.0</td>
<td>18.5</td>
<td>55.6</td>
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</table>

Source: See table 1.

The Appropriations Committee was far less likely to cut a Republican president's requests (only 67 percent). Further, when the Democrats held a majority in the House, but the president and a majority of the Senate were Republicans, the committee cut only 38 percent of the president's requests and actually proposed increases for 56 percent of the items. Feno described such changes as "mood" swings: the committee would shift from an "economy mood" to a "spending mood." The pattern shown in table 3 suggests that the mood toward executive budget requests by the House Appropriations Committee is determined by partisan differences between the House, the Senate, and the executive.

Further, if the guardianship hypothesis is correct, I would expect no
House floor amendments that decrease the committee's recommendations.
The committee, after all, is supposedly doing a job the House is
incapable of doing, holding back spending. I find, however, that of the
spending recommendations made by the Appropriations Committee for
individual agencies and programs and amended on the floor, more than
58 percent were decreased and only 42 percent were increased. Of the
appropriations bills amended by the House that I examined, 106, or 43
percent of the amendments, reduced the totals recommended by the
Appropriations Committee.

Has the budget act of 1974 changed the House Appropriations
Committee from the Treasury guardian it once was to subdue guardians
who now seek their own claims on the federal treasury? There is no
evidence that it was a guardian or that its function has in fact changed.
It has been, and still is, a check upon the authority of the other standing committees in the House, a check used by the majority party leadership to ensure that the policies pursued by the other standing committees in the House reflect the collective goals of the membership of the majority party. This suggests that it is not a change in the behavior of members of the House Appropriations Committee, nor is it a change in the spending process, that wrought the deficits of the 1980s.

The Congressional Budget Process in the 1980s

The budget process created by the 1974 act has two key components. First, the newly created Budget committees are responsible for drafting a budget policy that sets guidelines for all aspects of federal spending and revenue. These guidelines are to be set out in the first budget resolution passed each year. Second, if these guidelines affect programs within a committee's jurisdiction, that committee is required to draft legislation reconciling spending on those programs with the guidelines in the first budget resolution. The 1974 budget act established a scorekeeping system to keep track of each committee's progress at reconciling its programs with the budget guidelines. If a committee fails to recommend legislation providing satisfactory reconciliation, then the Budget committees can write the reconciliation legislation for them. This procedure provides the Budget committees with an effective means of coordinating the activities of the other standing committees.

An important provision of the act ensures that the Budget committees are responsible to the majority party caucus and its leadership by establishing a special relationship between the committees and the party leadership. For example, although the House Budget Committee has standing jurisdiction, it does not have a standing membership. Members cannot attain seniority on the committee, tenure on the committee is limited, and the selection of members is largely controlled by the House leadership. The majority party leadership, through these procedures, has relatively greater control, year in and year out, over the composition of the Budget Committee than it does over the composition of any other committee. If greater control of the committee translates into greater control of the budget process, and if the budget process provides an effective means for coordinating the activities of the standing commit-

Party Politics, Divided Government, and Budget Deficits, then the majority party leadership can use the budget process to inject the party's priorities into all committees' decisions.

Indeed, from the perspective of floor majorities in the House and Senate, the budget process was strikingly effective in the early 1980s. In 1981 the Republicans in the House and Senate, together with some conservative Democrats, used the budget and reconciliation process to “cut” some $36.6 billion in spending for fiscal year 1982. In the House, a majority, consisting of Republicans and conservative Democrats, worked to defeat the House Democratic leadership. This coalition demonstrated how effectively the budget process could be used to submit congressional committees to the will of floor majorities. The first budget resolution included instructions for the House Committee on Agriculture to cut $2.18 billion; the House Committee on Banking and Urban Affairs, $12.91 billion; the Committee on Education and Labor, $13.54 billion; the Committee on Energy and Commerce, $6.40 billion; and the Committee on Public Works and Transportation, $6.61 billion.

The first budget resolution in 1982 for fiscal 1983 required cuts of $2.18 billion in budget authority. This time, as the amount indicates, the House Democratic party used inventive procedures, such as the “king-of-the-mountain” rule, to exert some influence over the course of the budget process. The resolution required that the House Committee on Ways and Means and the Senate Finance Committee recommend legislation to raise $20.9 billion in revenue. The budget resolution also required savings of $7.8 billion in defense spending.

In 1983 the House Democrats used the budget process to draft their own budget blueprint, contrived by the entire Democratic membership, as an alternative to the Republican budget submitted by Reagan. The Democrats’ budget added $33 billion in domestic spending to Reagan’s proposal, requested $30 billion in new revenues, and cut Reagan’s defense request by $16 billion. The final conference agreement added $5 billion to the House’s defense proposal and reduced, mostly by small amounts, most of the House’s domestic spending recommendations.

59. Kiewiet and McCubbins, Logic of Delegation, chap. 3.

60. Under this rule, seven budget alternatives (and sixty-eight perfecting amendments) were considered, with the House Budget Committee’s recommendation being voted on last. The rule requires that the last alternative to win a majority is the plan that prevails. This is just one example of the extraordinary rule changes used by the Democrats to control the budget process and the conservative “Boil Weevil” faction. In 1982 none of the alternatives won a majority. It was used again in 1983, when the Democratic House Budget Committee’s plan prevailed. See Stanley Bach and Steven S. Smith, Managing Uncertainty in the House of Representatives: Adaptation and Innovation in Special Rules (Brookings, 1988), pp. 74–78.
The Republicans, who controlled the Senate in the early 1980s, and the Democrats, who controlled the House, chose alternative strategies in using the budget process to further their programs. The Republican leadership used the budget process to give direction to Senate committees. The Democrats used the budget process as a means to unite the party behind a common program; the House Budget Committee held hearings with the entire Democratic caucus.

Ultimately, the result of efforts on the part of party caucuses to control the product and actions of committees is that spending policy reflects the desires of the majority party in each chamber. The evidence also suggests that spending policy is highly partisan: Republican presidents and Republican Congresses budget far less on domestic programs and more on defense than do their Democratic counterparts. Indeed, the single best predictor of changes in spending policy for almost the whole range of federal programs and agencies is party control of Congress and the White House. This analysis suggests that policy is influenced, to a far greater extent than commonly believed, by party politics. Further, the history of the budget process in the 1980s, contrary to the received wisdom, suggests that American political parties, though not as disciplined or cohesive as European political parties, do nonetheless govern.

**The Partisan Roots of Deficits**

If the two most common explanations of the runaway deficits of the 1980s are incorrect, how can these deficits be explained? Before offering an explanation, however, it is useful to reexamine the problem. The federal budget deficits in constant (1972) dollars are shown in the top panel of figure 1. The figure clearly shows the budget deficits resulting from the war effort from 1943 to 1946. It also shows remarkable stability (at least from the perspective of the 1980s) for the first two decades following World War II. In the late 1960s, however, imbalances in the federal accounts began to oscillate widely, with a constant trend toward increasing deficits. The trend steepened in the late 1970s, producing large, but apparently not unprecedented, peacetime deficits.

This picture of the deficit problem might be misleading, however. The borrowing entailed by these deficits may or may not pose a problem, depending upon the size of the income base against which it is leveraged. The deficits as a percentage of GNP are shown in the bottom panel of figure 1. (I use constant-dollar figures for both deficits and GNP since the price deflators for government purchases and GNP are different.) This is a dramatically different picture. Although there is a general trend downward during the postwar era (toward larger deficits as a percentage of GNP), the deficits of the 1980s are roughly the same proportion

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of GNP as the deficits of the 1970s. The record deficits of 1984-86 are of the same proportion as those during the Great Depression (without the depression), but for the rest of the decade they do not seem out of the ordinary.

To explain deficits, however measured, I need to explain both federal spending and revenue policies. With regard to federal spending decisions, it has been adequately demonstrated that the state of the national economy—in particular, changes in unemployment and inflation rates—affects spending decisions, with increases in the unemployment rate pushing spending up; that spending increases at a faster rate in election years than in off-years; and that the involvement of the United States in armed conflict leads to slower rates of spending growth for domestic programs and, of course, steeper growth rates for defense.

Further, federal spending decisions, at every stage of the process, reflect party politics. Domestic agencies, for example, do better under Democratic administrations and Democratic Congresses than under Republicans. Defense and high-technology programs do better under Republican administrations and Republican Congresses than under Democrats.

When the president is a Republican and both houses of Congress are controlled by Democrats, spending on domestic and social programs is somewhat restrained but is close to the levels that would have been adopted under a Democratic president. In such instances, although Republican presidents act as a restraint on domestic spending, the ability of Congress to package various spending items into an omnibus bill makes it difficult for even the most ardent Republicans to restrain spending.

But what happens when control of Congress is divided—when a Democratic majority controls the House and a Republican majority controls the Senate? This has happened several times, most recently from January 1981 to January 1987. The Constitution established a bilateral veto game between the two chambers, with each chamber holding a check on the actions of the other. The cooperation and coordination necessary to overcome these constitutional checks and balances is frequently inadequate. Budget deficits present members of Congress with a collective dilemma: everyone would be better off if deficits could be reduced, but individually members are not willing to reduce spending on their preferred programs or to raise taxes for their constituents. Neither congressional party is likely to go along with a solution to a problem, such as the deficit, for which the other party can claim credit, and each will use its institutional position, and the veto granted it by its control of one house of Congress, to defeat the other party's attempts to solve the problem. Under divided control, then, cooperation to solve collective problems, like the deficit, will largely be nonexistent.

What, then, will be the equilibrium in this bilateral veto game? I make a simplifying assumption about the preferences of the members of each party: I assume that there are two types of programs: domestic programs favored by the Democrats and defense programs favored by the Republicans. I assume that the Democrats most prefer that spending on their programs be increased and spending on the Republicans' programs decreased. If this is not possible, they next prefer that spending on all programs be increased. Their next choice would be decreases in both their own programs and the Republicans' programs, with their least preferred choice a decrease in their programs and an increase in the Republicans' programs. I assume that Republican preferences are similar with respect to their own programs.

In bilateral veto games, if no solution is adopted, the equilibrium would be to return to the reversion point, which for most federal programs is zero. That is, Congress must enact annual appropriations for most of these activities if they are to continue. Typically, however, if no appropriations bill is enacted Congress will pass a continuing resolution that pegs spending at some low baseline level (often at the spending rate for the previous fiscal year). Continuing resolutions typically yield little or no growth in spending and may even entail a modest decrease (adjusting for inflation). Thus, the reversion point, if no spending policy is agreed to by the two parties, is to decrease appropriations for all programs. The only alternative that is preferred by both parties, and thus will not be vetoed by one or the other, is for spending for both parties' programs to increase. Thus under conditions of divided control I expect overall spending to increase.

In 1983, for example, reconciliation legislation for fiscal 1984 did not cut budget authority in any area. In 1985 reconciliation legislation for fiscal year 1986 passed by Congress and signed by the president required cuts in agriculture, defense, energy, medicare, and ten other programs, but increased spending for the EPA's Superfund, income and social

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* Includes social security, medicare, and other health and welfare programs.

b. Functions were listed elsewhere until 1974.

Throughout the year, there were no significant cuts in any area except defense. Programs. Veterans affairs, and three other programs. The

Party Politics, Divided Government, and Budget Deficits

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Further, a simple regression employing only three variables—U.S. involvement in armed conflict (World War II, Korea, and Vietnam), the civilian unemployment rate, and the partisan control of the House, Senate, and presidency—can explain over 80 percent of the variation in deficits from 1929 to 1988. The estimated values of the deficit from this model are plotted against the actual values of the deficit in figure 3. A slightly more complicated regression model with these and a few other variables accounts for almost 95 percent of the variation in federal deficits over the same period. Moreover, this more complex model, emphasizing the party control of each of the policymaking branches, yields highly accurate predictions of the level of federal deficits: it predicts deficits $1 billion too small in 1984; $9 billion, $11 billion, and $11 billion too small in 1985, 1986, and 1987 respectively; and $20 billion too small in 1988 (the only year the predictions differed significantly from the actual deficit).

Conclusion

Two explanations for the runaway deficits of the 1980s have received widespread comment. The first is that the president did it—that Ronald Reagan, on his way to forging a revolution in American politics, put into place policies that pushed the United States over the deficit precipice. The second has its roots in Congress—that the Congressional Budget and Impoundment Control Act of 1974 led to the unraveling of fiscal restraints in Congress and the unleashing of the spendthrift, committee-centered, policy subgovernments. At the core of both these explanations is a perception that congressional parties are merely shells within which policy is bartered and which have no control over policy. Partisan congressional majorities are said to have abdicated their collective responsibilities over national policy either to the president or to congressional committees and subcommittees.
The apparent neglect of oversight and policy review by congressional majorities is evidence of this presumed abdication. In one case, although Congress cuts presidential estimates for nearly every item in the budget, the president’s policy priorities seem to emerge from Capitol Hill little changed. In the other case, the House and Senate rarely amend the work of their committees, and most members are unaware and unconcerned about the activities of committees other than their own.

What appears to be a neglect of oversight and review, however, is really a preference for a more effective form of delegation, a form in which the structure of the delegation—through “fire alarm” oversight, procedural restrictions, and checks and balances—alleviates the necessity for active oversight and review. The absence of oversight and review, then, is not evidence of abdication, but is instead evidence that the delegation is serving the purposes of those who structured it (in this case, congressional majorities). Delegation need not be abdication so long as delegates are properly constrained and disciplined.

The deficits of the 1980s are the consequence of a structural problem: divided government. As was the intent of the Framers of the Constitution, the result of divided partisan control of the executive and legislative departments has been stalemate. Thus, once the deficits of the 1980s were in full bloom, the check Reagan held over increases in revenue was sufficient to prevent Congress from enacting a tax increase. The compromise required to overcome the mutual checks held by the House Democrats and the Senate Republicans over each other’s spending programs led to increased spending on nearly every function of government. The arrival of George Bush’s lips in the Oval Office has done little to change this stalemate. The budget agreement reached in the fall of 1990 ushered in modest tax increases at the upper end of the income spectrum, no real dollar cuts in spending, and a “deficit reduction” dependent on interest rates declining to a nominal rate of 4 percent in the next five years. The national debt is slated to almost double in that time. Although spending growth has been held in check since the Democrats took control of both houses of Congress in 1986, especially for Republican programs such as defense, continued Republican opposition to tax increases will keep budget deficits in the headlines for years to come.

The purpose of this essay is to examine budgetary policymaking in Japan during the 1980s. The most important budgetary objective of these years was reduction of the budget deficit, or fiscal reconstruction, caused by the large deficit in the national account from the mid-1970s onward. Another important objective was to stimulate domestic demand in response to the record growth of Japan’s external surplus and to the criticism this generated among other countries. I discuss the extent to which these contradictory tasks were accomplished and the means employed to deal with them. I also identify the principal actors in the budgetary process and explain how their roles changed in this period.

For many years after World War II, Japan’s national budget was managed according to the balanced budget principle, which meant that all expenditures, including capital expenditures, were financed by tax and other current revenues. Although this principle was abandoned in fiscal year 1965, the reliance on bond revenue remained marginal in the


2. Revenue from long-term bonds is included in the general account revenues. Thus, at the budget stage, the total amount of expenditures must be equal to that of revenues. (In the settlement stage, there could be a difference between the two.) In spite of this, the amount of bond revenues is usually called the “deficit.” This paper uses the word “deficit” in this sense. This usage must not be confused with “deficit-financing bonds,” mentioned in note 6.