TWO

OMB, the Presidency, and the Federal Budget

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Since the creation of the executive budget in 1921, central control of executive branch spending has been at the core of presidential power, and the budget bureau has been the instrument of that power. From the Bureau of the Budget's focus on budget control in its early decades to the economic mobilization for World War II to its response to the 1960s government activism, BOB was at the center of budget control.

After BOB's reincarnation as the Office of Management and Budget in 1970, it has played an increasingly important role in defending the president's budget and policy priorities in Congress. Increased partisan polarization and the focus on deficits changed budgetary policymaking from a bottom-up process to top-down control, in which the politics of fiscal policy eclipsed the budget bureau's impact on federal budget outcomes.

For its first fifty years, when most of the federal budget comprised discretionary spending, BOB's influence over the federal budget was at its zenith. But as deficit spending grew out of control and the national debt approached 80 percent of GDP, OMB's impact on budget totals decreased. OMB could analyze the consequences of large entitlement programs but could not, by itself, force bipartisan agreement in Congress on a coherent fiscal policy.

Nevertheless, OMB's career professionals continued to be masters of the details of the programs and agencies of the executive branch. With OMB's political leadership paying more attention to contentious issues affecting fiscal policies, budget examiners have had as much or more influence over executive branch agencies as had those of BOB.

This chapter will present an overview of BOB's first half-century and the establishment of the executive budget; it will then turn to its second half-century, with the transformation from bottom-up budgeting to imperative control from the top, driven by increasing deficits. Finally, it will analyze the trends that have led to an unsustainable fiscal future: the disintegration of the regular budgetary order, continuing resolutions and government shutdowns, and the rise of mandatory spending.

THE FIRST FIFTY YEARS: PRESIDENTIAL CONTROL AND THE BUDGETARY PROCESS

From its humble creation in the Budget and Accounting Act of 1921, BOB grew to become the major staff arm of the presidency, with control over executive branch budgeting. During most of this period, there was a broad political consensus that balancing the federal budget was a priority. The major exception was financing World War II, but President Eisenhower returned to the focus on budget balance. Despite Kennedy and Johnson's Keynesian perspectives, the budget was balanced in fiscal year 1969. Whether it was the tight spending control of the 1920s and 1950s or the more expansive periods of the New Deal or the Great Society, BOB was central to presidential priorities.

1920s: Creating the Executive Budget and Spending Restraint

In the nineteenth century, the executive budget process consisted of a Book of Estimates collected in the Treasury Department and forwarded to Congress with no coordination or prioritization among the separate requests by the president. The lack of coordination was mirrored in Congress, where taxing and spending authority were distributed among a number of committees. The result was increased deficit spending, with the proliferation of rivers and harbors projects (pork barrel), which created stress on the federal budget. In the executive branch, funds were increasingly transferred among different accounts, and agencies often practiced "coercive deficiencies," presenting Congress with *faits accom-*

plis by spending more funds than were appropriated and forcing Congress to pay the bills.[1]

To remedy these problems, Congress passed the Budget and Accounting Act of 1921, which created the Bureau of the Budget in the Treasury Department (as well as the General Accounting Office).[2] The newly created BOB was empowered to "assemble, correlate, revise, reduce, or increase the estimates of the several departments or establishments."[3] Charles Dawes, its first director, promised that BOB would be "nonpartisan, nonpolitical, and impartial."[4] Dawes's immediate successors in the 1920s continued his emphasis on budget control, including imposing budget saving restrictions on BOB itself, down to the allocation of pencils and paper clips.[5] This self-imposed narrow perspective of BOB's role fit with its number of personnel of fewer than thirty, precluding it from taking a more expansive view of its role.[6]

1930–1950: Depression, WWII, and Budget Expansion

During the 1920s, when presidents wanted to constrain agency spending, BOB carried out its duties as an "agent of spending control," and initially President Franklin Roosevelt used BOB for reducing expenditures.[7] But with the deepening of the Great Depression, expenditures had to expand to finance New Deal agencies and their programs. FDR's shift to increased spending so alarmed his fiscally conservative BOB director Lewis Douglas that Douglas resigned in 1934.[8] During FDR's presidency, BOB gained more influence over the executive branch with central legislative clearance, which was expanded from merely budgetary issues to all legislative proposals to determine if they were "in accord with" the president's program.[9] The BOB also acquired apportionment control and was active in broader aspects of administrative management.[10]

The growth of government activities during the New Deal made it obvious that the presidency needed more administrative capacity to coordinate and lead the executive branch. In 1937, the President's Committee on Administrative Management (the Brownlow Committee) recommended the expansion of central executive resources, both personal and institutional. The committee declared, "The president needs help," and argued that the budget bureau was the right staff agency to provide institutional support.

In response to the recommendations of the Committee on Administrative Management, Congress passed the Reorganization Act of 1939,

giving the president limited reorganization authority. With this flexibility, Roosevelt issued Executive Order 8248, establishing the Executive Office of the President, and he transferred BOB from Treasury to the new EOP. Directors Harold Smith and James Webb led BOB during the 1940s, the only era of the budget bureau in which the management function was highly valued and powerful.[11] By 1945, BOB comprised 80 percent of total EOP staff.[12]

The impetus provided by the government's response to the Great Depression and World War II greatly expanded the role of BOB and increased its personnel from 156 in 1940 to 567 in 1945.[13] During World War II, BOB was the primary staff support for the president; in addition to its budget portfolio, it focused on the managerial dimensions of the war effort.

1950s and 1960s: Establishing the "Regular Order" of the Budgetary Process

After World War II, President Truman proposed an active policy agenda, and BOB had a monopoly on the data, expertise, and analysis of the operation of the executive branch. With a relatively small White House staff, Truman came to use BOB as a presidential staff agency, a role that would expand in the future.[14] Roosevelt and Truman distinguished between their personal staffs concerned with their partisan interests and the duties of BOB to the institution of the presidency.[15] Truman distinguished his policy needs from BOB's functions; as he said, "Give me your best professional analysis. I'll make the political judgment."[16]

After World War II, President Eisenhower, in contrast to President Truman, did not have an active policy agenda, and subordinated BOB's management functions to budget control. He was determined to use BOB as his instrument of spending control, and BOB delivered. The huge deficits of WWII, amounting to 20 to 30 percent of GDP, were brought down and the budget ran surpluses or small deficits through the 1950s.[17] In this era, the federal budget process became more predictable and the "regular order" of the mid-twentieth-century budgetary process was established.

Aaron Wildavsky characterized the regular budgetary process of the 1950s as "classical budgeting." Budgetary outcomes were marked by incrementalism, with agencies protecting their base budgets and focusing their efforts on the annual increments they hoped to gain from appropriations committees in Congress. Budgeting in this era was an

iterative, bottom-up process conducted within an annual budget cycle. The BOB sent out budget guidance in the spring; agencies made their budget requests to departments in the summer, which forwarded them to BOB in the fall, which were then subjected to the director's review (with possible appeals to the president). The BOB then consolidated the president's budget proposal for the following fiscal year and submitted it to Congress early the next year.[18]

This program-driven executive branch budgeting fit well with the congressional budget process, and BOB staff coordinated with appropriations committee staffs on the Hill. The president's budget request was disaggregated and considered by appropriations committees in both Houses, then subjected to conference committee compromises. Richard Fenno, in *The Power of the Purse*, documented the appropriations committees' decisionmaking in the regular order from the late 1940s to the early 1960s, the classical era in the budgetary process.[19] During this era, most of the budget was "controllable" and went through the appropriations committees, and BOB's influence on the overall budget was considerable. Expenditures that were not controlled through appropriations consisted of "borrowing authority" or expenditures from trust funds, such as Social Security. These "entitlements" and "uncontrollables" were called "backdoor spending" and were a relatively minor portion of total spending, but they would overwhelm budget making in the second half of the twentieth century.

Presidents Kennedy and Johnson saw BOB as too hide-bound by its traditional role of cutting budgets and did not consider it well suited to their activist policies of the New Frontier and Great Society.[20] They pushed BOB to more effectively support their creative agendas and began to centralize policymaking in the White House staff. This began the transition from bottom-up budgeting to an era of top-down budgeting, beginning as policy centralization in the White House and leading to the decline of the regular budgetary process and the domination of budgeting by deficits. Kennedy and Johnson also began to use Keynesian-inspired fiscal policy more consciously.

Presidents needed BOB because it had a monopoly on the technical information necessary to make informed budgetary decisions. The BOB's influence was based on the budget examiners' intimate familiarity with the programs and agencies they oversaw. The institutional staff of BOB grew from thirty in the 1930s to 156 in 1940; World War II pushed its

numbers to 567 in 1945. At this time, BOB constituted 80 percent of the total EOP staff, but in 2019 it was 28 percent.[21] BOB directors became top-level advisors to presidents. As the size of the White House staff grew after 1970 and control of policymaking was centralized, they would be more closely integrated with presidents' political advisers. The role of political appointees became more important, and their numbers grew after the creation of OMB.

THE SECOND FIFTY YEARS: DEFICITS, POLARIZATION, AND BREAKDOWN OF THE REGULAR ORDER

When President Nixon created the Office of Management and Budget in 1970, he intended to make it more responsive to presidential priorities through an overlay of more political appointees. Nixon was successful, and in the 1980s David Stockman took OMB power to a new level by effectively harnessing OMB to implement President Reagan's budget priorities. Presidents George H. W. Bush and Bill Clinton both increased taxes and cut spending, leading to a string of four balanced budgets at the turn of the century. After that, deficit spending spurred by the Great Recession led to deficits of more than $1 trillion and a national debt approaching 80 percent of GDP.

1970s: Creation of OMB and the 1974 Budget Act

As a conservative (for that era) chief executive facing a Democratic Congress, President Nixon wanted tighter control of the executive branch, and he saw the budget bureau as a key to that control. Nixon's approach was to centralize policymaking in the White House at the expense of Cabinet secretaries, and to reorganize the budget bureau. Consequently, on July 1, 1970, Reorganization Plan No. 2 transformed BOB into the Office of Management and Budget. Nixon distinguished policymaking, a White House function, from administration: "The Domestic Council will be primarily concerned with *what* we do; the Office of Management and Budget will be primarily concerned with *how* we do it and *how well* we do it."[22] The reality, however, was that OMB would play an even more important role in presidential policymaking after 1970.

In previous years, the director and deputy directors had always been appointed by the president, though the deputy was most often elevated from the career ranks. To emphasize presidential control of policy, the

new OMB director, George Shultz, was given an office in the West Wing of the White House. In addition, political control was pushed deeper into the budget bureau. Whereas in BOB, eight career program division heads reported directly to the director, in OMB the division heads reported to four new, politically appointed program associate directors (PADs).[23]

Members of Congress felt that, under Nixon, OMB was becoming too powerful, particularly because of Nixon's aggressive impoundment of funds.[24] A bipartisan committee report said OMB had become a "super department with enormous authority over all of the activities of the Federal Government. Its Director has become, in effect, a Deputy President who exercises vital Presidential powers."[25] Consequently, in 1974, Congress passed a law requiring the director and deputy director of OMB be confirmed by the Senate.

As part of its reaction to the "imperial presidencies" of Johnson and Nixon, Congress enacted a number of laws to constrain presidential power. The budgetary dimension of this reassertion of congressional prerogatives was the Congressional Budget and Impoundment Control Act of 1974. The act created a new congressional budget process that was intended to return the power of the purse to Congress. Deficits had been increasing, and there was no single place in Congress where the budget as a whole was considered in order to balance spending, taxing, and borrowing.

To remedy the lack of coherence, the 1974 Budget Act created budget committees in both Houses and a new budgetary process that would allow Congress to set national priorities and produce coherent fiscal policies. The new process called for the budget committees to report in the spring a concurrent resolution that would set totals for budget authority, outlays, and revenues, as well as the resulting surplus/deficit. After Congress agreed to these broad outlines, the authorizing and appropriating committees would make specific spending decisions.

Toward the end of the fiscal year (changed from July 1 to October 1), Congress could pass another concurrent resolution. If the aggregate of spending and taxing decisions would result in exceeding the totals in the concurrent resolution, Congress could pass a reconciliation bill that would force specific committees to revise previous decisions to report out totals that would bring them into accord with the concurrent resolution. Although originally intended to be a minor procedure at the end of a fiscal year, reconciliation has come to be used as an enforcement

mechanism passed along with concurrent resolutions. When it is paired with an omnibus budget bill, it must be signed by the president and can, thus, be vetoed.

Nixon's aggressive use of executive power, the new budget process, and increasing deficits changed the way OMB was used by presidents. The presence of more political appointees—Carter added two new executive associate directors above the program associate directors—meant that OMB would be more active in pursuing presidential priorities on the Hill. This trend accelerated significantly in the Reagan administration. By the end of the Nixon presidency, OMB was criticized as being too politicized and responsive to the president's partisan and political needs to the neglect of its broader institutional duties.[26]

1980s: President Reagan and David Stockman

The electoral victory of Ronald Reagan gave him the opportunity to make drastic shifts in budget priorities. In the election year of 1980, Congressman David Stockman prepared a "Black Book" of potential budget cuts to agency programs that impressed Reagan so much that he appointed him director of OMB.[27] Stockman, only thirty-five years old, soon became one of the most visible budget directors and the architect of the Reagan administration's budget agenda.

Stockman mastered budget data and the congressional budget process; once he was confirmed, OMB worked overtime to revise completely President Carter's FY1982 budget proposal. Reagan and his top White House staff delegated broad authority to Stockman to make sense of the numbers and enforce their priorities.[28]

Reagan's FY1982 budget made significant cuts in domestic spending, primarily human resources programs, but defense spending was another matter. At the end of his administration, Carter had increased defense spending by 5 percent; not to be outdone, Reagan increased it by another 7 percent in real terms, resulting in the largest peacetime defense appropriations bill ever passed, totaling $199.7 billion. As a result, real growth in defense spending from 1980 to 1986 amounted to 10 percent per year.[29]

Although candidate Reagan and Republicans had long denounced deficit spending and the increasing public debt, President Reagan was willing to drop his aversion to budget deficits in favor of increased defense spending and his tax cut priorities. Reagan had adopted the "supply-

side" argument that large tax cuts to those in upper tax brackets would pay for themselves by stimulating increased investment by businesses, which would, in turn, result in greater profits and, thus, tax revenues resulting in a balanced budget by 1984.[30]

Stockman later explained the supply-side approach as a "dangerous experiment of a few supply siders who had gotten the President's good ear."[31] Reagan's arguments for tax cuts and defense increases were bolstered by OMB's "rosy scenario" of unrealistically optimistic projections of economic growth, which Stockman characterized as "our cockeyed economic forecasts."[32]

The failure of the 1981 tax cuts to increase revenues forced Reagan in 1982 to adopt the largest peacetime tax increase in U.S. history.[33] But the tax increases in 1982 and 1983 were not able to replace the revenue lost to defense increases and tax cuts, and the budget deficit reached 5.9 percent of GDP in 1983. The result of Reagan's budget and taxing policies, with their accumulated deficits, was a tripling of the national debt between 1981 and 1989, increasing it from 25 percent to 40 percent of GDP (table 2-1).[34] Scholar Iwan Morgan concluded, "Had Reagan not demonstrated such boldness, determination, and skill in pursuit of his

TABLE 2-1. Debt Increased from 25 Percent to 40 Percent of GDP in the 1980s

Budget Deficits and Debt as % GDP

Year	Deficit as % GDP	Debt as % GDP
1980	2.6	25.5
1981	2.5	25.2
1982	3.9	27.9
1983	5.9	32.1
1984	4.7	33.1
1985	5.0	35.3
1986	4.9	38.4
1987	3.1	39.5
1988	3.0	39.8

Source: Congressional Budget Office, *The Budget and Economic Outlook: 2018–2028* (April 2018), Appendix E-1, p. 145.

agenda, the 1980s would not have gone down in history as an era of huge deficits."[35]

The Stockman era at OMB increased the centralization of presidential control of budgeting through top-down imposition of budget cuts in discretionary and mandatory spending. Defense of agency budgets on the Hill had, in the past, been done by agency heads, but Stockman replaced their agency-specific arguments with a top-down imperative that focused on the totals, not the component pieces.

During the 1980s, the shift from bottom-up to top-down budgeting was wrenching for career OMB staff. Barry Anderson, former assistant director for budget review, worked closely with Stockman and imposed the necessary cuts on agencies to meet broad deficit targets. He prided himself on creating "budget gimmicks" in pursuit of presidential goals, and consequently he was effective at thwarting budget gimmicks to maintain or increase spending on agency programs. According to Anderson, resistance to top-down budgeting decreased only as career OMB staff were replaced with new ones.[36]

During the Stockman era, the executive budget process and congressional decisions became more blended and intertwined, in contrast to the previous practice of handing off the president's budget proposal to Congress for its consideration and final decisions. Rapidly changing economic circumstances led to constant revisions in estimates and continual renegotiations with congressional committees. The budget process in Congress changed from a regular, annual process to a continual set of negotiations, with Stockman asking OMB staff "what if" questions and demanding quick turnarounds. The focus of OMB leadership shifted from individual programs and agencies to budget aggregates of total expenditures, deficits, discretionary expenditures, entitlements, tax revenues, etc.

Stockman effectively forced President Reagan's priorities through Congress. From his perspective, Congress was "reduced to the status of a ministerial arm of the White House. . . . The constitutional prerogatives of the legislative branch would have to be, in effect, suspended" to achieve "rubber stamp approval" of Reagan budget priorities.[37]

The Reagan era of the 1980s began the breakdown of the regular budgetary process, with record deficits, the use of accounting gimmicks, continual partisan bickering, and an unwillingness to face the structural problems that produced large deficits. President Reagan's political suc-

cess in cutting taxes marked the change from traditional Republican fiscal conservatism to uncritically embracing tax cuts regardless of their fiscal consequences. The tax increases in 1982 and 1983 were, thereafter, forgotten as part of the Reagan legacy. Cutting taxes without “paying for them” with corresponding spending cuts were priorities of the George W. Bush and Trump administrations.

The continuation of large deficits during the Reagan administration led Congress to pass the Balanced Budget and Emergency Deficit Control Act of 1985, known as Gramm-Rudman-Hollings (GRH) in 1985 (revised in 1987). The purpose of GRH was to reduce the deficit by specific percentages each year until the deficit was eliminated. If the deficit targets were not met, discretionary spending was to be cut (sequestered) across the board automatically. The fixed deficit targets were unrealistic and were avoided by various gimmicks, for example, using unrealistic economic assumptions and shifting the accounting of spending from one fiscal year to another. When the state of the economy led to lower levels of revenue and, thus, required unacceptable automatic budget cuts, GRH was abandoned and replaced by the pay-as-you-go (PAYGO) procedures of the Budget Enforcement Act of 1990.[38]

1990s: Bush 41, Clinton, and Balanced Budgets

Under Presidents Bush (41) and Clinton, OMB’s knowledge of agency programs continued to be crucial at the agency level, and both presidents decreased the number of OMB staff, despite new responsibilities for managerial functions.[39]

President Bush’s first budget was based on optimistic economic assumptions and resulted in a projected deficit of more than $400 billion, 4 percent of GDP. As the economy slowed down, it became clear in 1990 that unless serious steps were taken the deficit would balloon unacceptably and a GRH sequester of enormous proportions would be required. OMB Director Richard Darman convinced Bush that, for the good of the country, he had to abandon his campaign promise of “no new taxes” and negotiate a deficit reduction package with Democrats in Congress. The agreement included tax increases, cuts in entitlements, and discretionary spending caps that reduced the deficit by about $500 billion over five years.”[40]

The compromise in the fall of 1990 resulted in the Budget Enforcement Act, which repealed GRH and its sequestrations. The constraints

in the act were intended to control spending and tax cuts rather than deficits, which were subject to economic fluctuations and emergencies. Spending caps were set on discretionary spending and PAYGO applied to mandatory spending and tax changes. That is, if new legislation increased spending, it had to be offset by decreases elsewhere or revenue had to be increased. Similarly, any tax cuts had to be offset by decreased spending or other revenue increases. The PAYGO requirements lasted until the expiration of the act in 2002. Bush's courageous deficit reduction package, despite denunciations from Republican conservatives, helped make possible the balanced budgets at the end of the 1990s.

Bill Clinton was elected in 1992 after campaigning for increased social spending, but after he was inaugurated, the deficit hawks among his economic advisors convinced him that a continuation of large deficits would hurt the economy and jeopardize the rest of his presidency. They convinced him to recommend tax increases and spending cuts amounting to about $500 billion over several years. Clinton's proposal, the Omnibus Budget and Reconciliation Act (OBRA) of 1993, was passed with no Republican votes and one-vote margins in the House (218 to 216), with Vice President Gore breaking a tie in the Senate.[41]

When Republicans took over Congress in 1995, they resolved to force the large cuts in entitlements and program eliminations they had promised in the "Contract for America."[42] They had decided to spare cuts to Social Security and defense spending, and called for large cuts in Medicare and Medicaid. In October, they passed the largest reconciliation bill passed to that time, including large cuts in health care and welfare programs, and the elimination of many agencies, including several cabinet departments. They also threatened to default on the national debt if Clinton did not go along with their cuts and sign the omnibus reconciliation bill.

Nevertheless, Clinton vetoed a continuing resolution, triggering a six-day shutdown of most of the government, involving 800,000 federal workers. A new continuing resolution was passed, and several appropriations bills were passed and signed. But the continuing resolution ran out on December 15, and 280,000 government workers were furloughed. Finally, presidential candidate Robert Dole announced to Republicans in Congress that "enough is enough" and Congress passed a continuing resolution on January 6 to end a twenty-one-day shutdown. Clinton and the Republicans finally came to agree on a budget that was calculated

to eliminate the deficit within seven years. The booming economy of the 1990s and the deficit reduction packages of 1990 and 1993 led to balanced budgets from 1998 to 2001, the longest string of balanced budgets since the 1920s (table 2-2).

Both Bush and Clinton were hurt politically by their deficit reducing measures, but they were acts of political courage that enabled the government to produce balanced budgets at the turn of the century. Ironically, one of the issues in the presidential campaign of 2000 was about how to deal with the budget surpluses.

Bush 43, Obama, and the Great Recession

In what Irene Rubin termed "The Great Unraveling," policy choices in the early twenty-first century turned the four years of surplus from 1998 to 2001 into a pattern of deficit spending, which was greatly exacerbated by the Great Recession of 2008–2010.[43]

Despite winning the 2000 elections with fewer votes than Al Gore, President Bush claimed a mandate and won large tax cuts in 2001 and 2003. When some pointed out the increasing deficits and their danger in 2003, Vice President Cheney asserted that "Reagan proved that deficits don't matter. We won the mid-term elections, this is our due."[44] The reconciliation process, which was originally intended to enforce reductions in spending (and thus the deficit) was used by the Bush administration to force through its tax cuts, thus increasing the deficit.[45] In addition, the new Medicare Part D prescription drug benefits program and the wars in Afghanistan and Iraq added to the increasing deficits. The discipline

TABLE 2-2. Four Years of Budget Surplus
Budget Surplus and National Debt as % of GDP

Year	Surplus as % GDP	Debt as % GDP
1998	0.8	41.6
1999	1.3	38.2
2000	2.3	33.6
2001	1.2	31.4

Source: Congressional Budget Office, *The Budget and Economic Outlook: 2018–2028* (April 2018, Appendix E-1, p. 145.

provided by the 1990 Budget Enforcement Act (BEA), with its PAYGO provisions, lapsed after 2002 (table 2-3).

Top-down budgeting continued and was reinforced, with OMB focusing less on the specifics of program budgets and emphasizing budget aggregates, particularly under President Bush.[46] Presidents Clinton and Bush both made cuts in OMB staff, despite its responsibility for the National Performance Review under Clinton and the Program Assessment Rating Tool (PART) under Bush.

At the end of the Bush administration, failures in financial regulation, reckless borrowing and lending by financial institutions, and the subprime loan crisis led to the beginning of the Great Recession in 2008–2009. The Bush administration responded with a range of programs, including the Troubled Assets Relief Program (TARP, for which the Treasury was eventually reimbursed). When Barack Obama came to the presidency in 2009, he convinced Congress to pass the American Recovery and Reinvestment Act (ARRA), a huge stimulus program of tax cuts and spending increases, amounting to $787 billion. The combination of the stimulus package and decreased tax revenue resulted in record-high peacetime deficits of more than $1 trillion from 2009 to 2012 (7 to 10 percent of GDP).[47]

Huge deficits increased the national debt from 35.2 percent of GDP in 2007 to 70.4 percent in 2012. The United States was lucky that interest rates on U.S. borrowing did not increase significantly, because fiscal uncertainty in the rest of the world led investors to see the United States

TABLE 2-3. The "Unraveling" of Budget Balance
Budget Deficits and Debt as % GDP

Year	Deficit as % GDP	Debt as % GDP
2002	1.5	32.6
2003	3.3	34.5
2004	3.4	35.5
2005	2.5	35.6
2006	1.8	35.3
2007	1.1	35.2

Source: Congressional Budget Office, *The Budget and Economic Outlook: 2018–2028* (April 2018, Appendix E-1, p. 145

as a safe haven despite its economic and budgetary problems. The Great Recession reduced federal revenues in FY2009 and FY2010 to 14.6 percent of GDP, as opposed to expenditures of 24.4 percent of GDP.[48]

To address the huge deficits created by the decrease in revenue and stimulus spending to recover from the Great Recession, in 2010 President Obama appointed the National Commission on Fiscal Responsibility and Reform (Simpson-Bowles) to propose a bipartisan compromise deficit reduction package.[49] The committee wrote a report, but too few committee members supported the final proposal of the cochairs, and it was rejected by Congress.

After Simpson-Bowles failed, President Obama made a proposal to House Speaker John Boehner for a $4 trillion deficit-reducing "Grand Bargain," which included cuts in Social Security and Medicare in exchange for tax increases. Obama would probably have been able to win support from congressional Democrats, but the Freedom Caucus of Republican conservatives in the House would not agree to the tax increases, and Boehner abandoned negotiations (table 2-4).

After the failure of Simpson-Bowles and the attempted Grand Bargain, Congress passed the Budget Control Act of 2011 (BCA), which raised the debt ceiling (after a downgrade of U.S. bonds by Standard and Poor from AAA to AA+) and created the Joint Select Committee on Deficit Reduction (Super Committee) to propose a deficit reduction plan.

As an incentive for the bipartisan committee to compromise, the law set up an unacceptable outcome if they failed to come to an agreement. The law provided that OMB had to reduce (sequester) funds annually

TABLE 2-4. **Record Deficits after the Great Recession**

Budget Deficits and Debt as % GDP

Year	Deficit as % GDP	Debt as % GDP
2008	3.1	39.3
2009	9.8	52.3
2010	8.7	60.9
2011	8.5	65.9
2012	6.8	70.4

Source: Congressional Budget Office, *The Budget and Economic Outlook: 2018–2028*, April 2018, Appendix E-1, p. 145.

across the board from discretionary domestic and defense spending. This approach to trimming budgets was considered so extreme in size and so irrational—for example, not choosing priorities—that it would force both sides to make compromises. When the two parties failed to agree, OMB ordered the budget cuts, causing disruptions in executive branch programs and agencies. The threat of sequester, which was designed to be a poison pill, became a reality that pleased no one. In subsequent years, from 2014 to 2019, the impact of sequestration was lessened, though not eliminated, by a series of compromises, totaling $439 billion, that lifted discretionary spending ceilings, somewhat reducing the disruption to programs caused by sequestration.[50]

The disruption to defense spending was considerably reduced by the exclusion of funds for Overseas Contingency Operations (OCO) from the caps on discretionary spending. The use of this type of supplemental appropriations for defense funding had been a common practice, amounting to about 2 percent of defense appropriations annually. But after 9/11, funding for the wars in Iraq and Afghanistan was paid through OCO appropriations, which amounted to 20 percent of Department of Defense (DOD) funding from 2001 to 2018, peaking at 28 percent of DOD budgets in 2007 and 2008. Because OCO funds were exempted from discretionary spending caps, funding for more routine operations could be protected by including them in OCO supplementals, and between 2006 and 2019 more than $50 billion in routine operations annually were included in OCO legislation.[51] From 2001 to 2020, total appropriations for OCO funding approached $2 trillion.[52]

Initial Trump Budgets

After the Budget Control Act of 2011, deficits declined until 2015, after which they began to climb again. During his campaign for the presidency, Donald Trump proclaimed, "We will balance the budget without making cuts in Social Security and Medicare."[53] But his actions belied his words, and even with a strong economy and low unemployment, he advocated a large, pro-cyclical tax cut.

The Republican Tax Cuts and Jobs Act (TCJA) of 2017 (PL 115-97) provided a short-run stimulus but led to significantly reduced projected federal revenues over the longer term.[54] When the huge projected deficits over ten years flowing from the tax cut were pointed out to Trump, he responded, "Yeah, but I won't be here."[55] Despite optimistic assumptions

about economic growth and congressional decisions, President Trump's FY2020 budget request projected continued deficits of more than $1 trillion (table 2-5). When asked why he did not mention the size of the deficit in his 2019 State of the Union address, his OMB director and acting White House chief of staff Mick Mulvaney replied, "nobody cares" about deficits.[56] In 2020, Trump responded to concerns about the growing national debt: "Who the hell cares about the budget? We're going to have a country."[57]

In 2018, the CBO projected that the United States would continue to spend significantly more than the revenues it would bring in and that the national debt would be near 93 percent of GDP by 2029 and 150 percent by 2049.[58] The consensus among CBO, OMB, the Congressional Research Service (CRS), and the Government Accountability Office (GAO) was that current trends in deficit spending and accumulation of the national debt were unsustainable. Health costs were rising and would continue to increase, as would Social Security expenditures due to demographic shifts.[59] Even keeping the debt-to-GDP ratio at its relatively high 2019 level of 77 percent of GDP until 2047 would require cuts in the deficit (that is, tax increases and/or spending cuts) of $380 billion in each year, beginning in 2018. To achieve a debt-to-GDP ratio at the average of the previous fifty years would necessitate net savings of $620 billion annually.[60]

OMB as an Institution

In its most recent fifty years, as OMB leadership increased its influence with presidents, career staffers had less influence on overall administration policy. Nevertheless, they were masters of the details of government

TABLE 2-5. **OMB Projections of Deficits**

Year	Deficit $ Trillion	Deficit as % GDP	Debt as % GDP
2019	1.1	5.1	79.5
2020	1.1	4.9	80.7
2021	1.1	4.5	81.6
2022	1.0	4.2	82.1

Source: White House: The President's FY2020 Budget Request (2019), Summary Tables: S-1, p. 107; S-4, p. 110; S-5, p. 112.

operations that often fall below the level of "political interest." Consequently, OMB career staffers continued to wield considerable control over their bailiwicks in the executive branch. [61] For instance, budget issues below the level of political visibility were often left to the discretion of OMB staff, and if there was a need to cut agency budgets, career staffers had significant discretion in how and where to make the cuts.[62]

The institutional staff of OMB peaked at 686 in 1975, and as the White House staff grew in size over subsequent decades, OMB staffing shrank to 480 in 2018 (the White House Office itself comprised 450 personnel).[63] In 2016, there were more than fifty political appointees, seven of them Senate confirmed.[64] Four recent presidents (Clinton, Bush 43, Obama, and Trump) highlighted the importance of OMB directors to their political fortunes by appointing their OMB directors subsequently to be their White House chiefs of staff.[65]

OMB has always had a reputation for how much work it extracts from is staff. The five Resource Management Offices, housing the traditional budget staff, from PADs to budget examiners, had only 235 FTE in 2016.[66] Its workload has only increased, because of the shrinkage of total staff and the functions added to its jurisdiction since 1970: Office of Federal Procurement Policy (OFPP) in 1974; Office of Information and Regulatory Affairs (OIRA) in 1980; Office of Federal Financial Management (OFFM) in 1990; and Office of E-Government Technology and the Intellectual Property Enforcement Coordinator in 2002. Management functions, such as the Program Assessment Rating Tool (PART) of the Bush administration, also consumed much energy, though without significantly affecting budgetary decisions in Congress.[67]

DISINTEGRATION OF THE BUDGETARY PROCESS

Increasing polarization between the political parties has led to the disintegration of the traditional budgetary process. The continuing fissure is that Republicans favor cutting taxes and Democrats resist cuts to domestic programs, especially Social Security and Medicare. Political moderates (and realists) understand that deficits cannot be eliminated and the national debt reduced without some combination of increased taxes and programmatic cuts of these key uncontrollables. This section will explain the factors leading to the implosion of the budgetary process:

the breakdown of the regular order, increasing occurrence of continuing resolutions, and the rise of uncontrollable spending.

Collapse of the Regular Order

Between the 1974 passage of the Congressional Budget Act and 2015, Congress adopted a budget resolution by the mandated date (May 15, changed to April 15 in 1986) only six times.[68] The most recent year in which all appropriations bills were passed before the beginning of the fiscal year and signed by the president was 1996.[69]

As developed in the 1950s and 1960s, and fraying in the late 1970s, the regular order on appropriations involved the origin of appropriations bills in the House (from subcommittee to full committee to floor passage); then consideration in the Senate (from subcommittee to full committee to floor passage); then conference committee and final passage on the floors of both chambers. From 1975 to 2012, only 61 percent of regular appropriations bills were passed in the regular order.[70]

The regular order is sometimes still observed within the appropriations committees, which hold hearings and draft bills. But more often, there is a hybrid model in which continuing resolutions are passed and then spending bills are lumped together in omnibus or smaller “minibus” bills. Between 1986 and 2016, twenty-two separate omnibus laws were passed in nineteen different fiscal years, each covering some or all of the twelve (or thirteen) appropriations bills.[71] Omnibus legislation results in less transparency and time for deliberation, but it also allows both Democratic and Republican priorities to be packaged together, making it easier to get bills through both houses.[72]

While the House more often passed its bills before the beginning of the new fiscal year (88 percent), the Senate was often the sticking point. As the Senate became more individualistic, appropriations bills were increasingly filibustered or subjected to numerous amendments. As a result, the majority party in the Senate often combined appropriations bills into omnibus packages and brought them to the floor just before deadlines.

Peter Hanson has suggested some reforms that might ameliorate these problems: 1) limit filibusters on appropriation bills (though this has not solved the problems with executive branch appointments); 2) the Senate should not wait for House appropriations bills to pass before beginning Senate consideration; 3) allow limited earmarking to broaden coalitions;

and 4) reduce transparency by publicly reporting only total votes on bills, not by individual member, allowing members to make difficult compromises without public vilification by opponents.

Although restoring the regular order to the appropriations process would be salutary, regular appropriations now constitute an increasingly smaller portion of total spending, and reducing expenditures in discretionary spending will not significantly reduce the deficit or decrease the national debt.

Continuing Resolutions, Shutdowns, and the Debt Ceiling

Constitutionally, all agencies must be funded through appropriations bills passed by Congress; when it cannot agree on appropriations for one or all of the twelve appropriation bills, Congress must pass continuing resolutions (CRs) to keep agencies funded. These laws are stop-gap measures allowing the agencies to continue operating, generally at the previous year's levels. OMB strictly enforced the spending limits specified in the continuing resolutions, often a certain percentage of agencies' previous fiscal year appropriations; no new programs can be undertaken. Political polarization and the other factors just discussed have resulted in increasing use of CRs, which (along with sequestration) are extremely disruptive to executive branch operations.

Since passage of the 1974 Budget Act, all regular appropriations have been enacted before the beginning of the fiscal year only four times: 1977, 1989, 1995, and 1997. Since 1997, the average annual number of CRs enacted is six, their coverage averaging five months. In 2002, 2011, and 2013, some CRs lasted for the full year.[73] The continuing resolution passed in March 21, 2018, totaled $1.3 trillion and was 2,322 pages long.[74] Continuing resolutions and omnibus bills decrease budgetary transparency, disrupt federal agencies, and lead to less deliberative policy decisions. When continuing resolutions run out without an appropriation, governmental programs are further disrupted by government shutdowns.[75]

The Anti-Deficiency Act (31 USC 1341) prohibits government employees from obligating or spending funds that have not been appropriated. Thus, when the fiscal year begins without the passage of an appropriation or a continuing resolution, affected agencies must begin the shutdown process. Before the 1980s, there were occasional lapses in appropriations, but they did not stop agencies from carrying out their

functions. During the 1980s, gaps in funding with no continuing resolution occasionally entailed the shutdown process for those agencies that had not been funded, though only for several days. During government shutdowns, the power of OMB is enhanced, since it must decide which programs and personnel are essential for the protection of life and property and, thus, must continue to operate during shutdowns.

In 1995, however, the lack of agreement on appropriations between Bill Clinton and the Republican Congress resulted in a shutdown that lasted twenty-one days (after a previous six-day shutdown), and in 2013 Republican attempts to stop parts of the Affordable Care Act resulted in a sixteen-day shutdown. In 2018–2019, when President Trump did not get sufficient funding for his promised “wall” along the border with Mexico, 800,000 federal workers were furloughed for thirty-five days.[76]

During shutdowns, those employees in affected agencies who are deemed by OMB to be essential for the protection of life and property still must continue doing their work, though these “excepted” employees do not receive pay, and other furloughed workers were forbidden from reporting for work. The rules OMB uses are based on the Anti-Deficiency Act and subject to differing interpretations in different administrations.[77] As the 2018–2019 shutdown dragged on, the Trump administration ordered OMB to reinterpret its policies to allow workers to return to perform functions that were having a highly visible impact; for example, to process tax refunds, to clean up national parks, etc. None of the workers in the affected agencies received their pay during the shutdowns, though Congress appropriated their back pay after the shutdown. Government shutdowns disrupt the agencies that implement programs; they waste resources; and they have serious economic consequences. CBO estimated that the 2018–2019 partial shutdown delayed $18 billion in federal spending and cost the economy about $11 billion.[78]

In addition to shutdowns, threats to not increase the debt limit further increase budgetary uncertainty. The statutory limit on the national debt was created in 1917 in reaction to the need to provide continuing funding for World War I. Before that, Congress had to pass separate authorizations when additional borrowing was needed, in order for the Treasury to borrow money. In contemporary times, however, the statutory debt limit has been used as a “fiscal suicide vest” in which the full faith and credit of the United States is put at risk for one party to extract concessions on fiscal policy. Treasury Secretary Jack Lew observed: “the

debt limit has morphed into a weapon that irresponsible actors in Congress can wield against our economic well-being."[79]

From 2011 to 2019, the debt limit was approached several times. In these cases, the Treasury Department shifted cash balances and took extraordinary measures (that is, shifting funds among accounts; for example, from Social Security and Medicare trust funds) to pay its ongoing expenses. In the final resolution of each of these disputes, Congress suspended the debt ceiling until a specific date, when a new round of negotiating over fiscal policy had to begin.[80]

Permanent legislation could provide for automatic increases in the debt ceiling, allowing the United States to pay the debt it has incurred. But some members of Congress have refused to pass such legislation to be able to hold the full faith and credit of the United States hostage to get their way on policy issues. Automatic CRs would deprive some members of a powerful tool to get their way. The problem, of course, is that in such hostage showdowns, the hostages (that is, U.S. citizens, the full faith and credit of the U.S. government, and the economy) suffer.

The Rise of Mandatory Spending

Funds that are provided through the appropriations process are considered discretionary, or "controllable," and must be passed annually. Mandatory, or "uncontrollable," spending is authorized by substantive committees and is not subject to the regular appropriations process. To reduce mandatory spending, which comprises most of federal spending, Congress must pass new legislation that changes the level of benefits and/or the number of beneficiaries in entitlement programs (or increases offsetting collections netted against that spending).[81]

The largest entitlement programs are Social Security (about 24 percent of federal spending) and Medicare/Medicaid (about 27 percent of federal spending); their costs are increasing rapidly due to an aging population .[82] Other mandatory spending includes government retirement programs, unemployment insurance, and Supplemental Nutrition Assistance Program (SNAP, formerly food stamps). These types of uncontrollable, mandatory spending amounted to 63 percent of total outlays in fiscal year 2017. In addition, interest on the national debt, which amounted to about 7 percent of annual spending in 2017, must be paid, leaving discretionary spending at 30 percent of outlays. In 2018, CBO

projected that by 2028 mandatory spending would be 64 percent of outlays with net interest of 13 percent, leaving discretionary spending at 23 percent (table 2-6).[83]

Although defense spending is technically discretionary, spending has been increasing steadily and is unlikely to be cut; in 2019, it was more than $700 billion and amounted to more than half of all discretionary spending. The total of mandatory spending, interest on the national debt, and defense spending amounted to about 85 percent of the federal budget. Without cuts to the defense budget, by 2028 nondefense discretionary spending (that is, most of what the federal government does) will shrink even further from its 2018 level of 15 percent of outlays.

Consequently, cuts in nondefense discretionary spending would not put much of a dent in the deficit or debt. This leaves appropriations committees fighting more and more over less and less. Insofar as future budget battles are concerned with the overall health of the economy and the ratio of debt-to-GDP, they will have to be focused on uncontrollable spending and revenues. This leaves OMB's greatest influence relevant to a smaller portion of total federal spending. OMB career staff have considerable expertise in the financing of entitlement programs, and if Congress decides to enact changes to achieve cost savings, OMB will play a major role. But Congress has not often been willing to address such change in recent years. Congress and presidents have squandered opportunities to deal with the broader trends of fiscal policy, making the inevitable reckoning with budgetary and economic reality more traumatic.

TABLE 2-6. Uncontrollables Increasingly Dominate the Budget

Category	% Annual Outlays in 2017	% Annual Projected Outlays in 2028
Mandatory spending	63	64
Interest on the debt	7	13
Total uncontrollable	70	77

Source: Congressional Research Service, "The Federal Budget: Overview and Issues for FY 2019 and Beyond" (May 21, 2018), p. 7, (author name redacted).

CONCLUSION

After the creation of the executive budget in 1921, the Bureau of the Budget served as the primary tool for presidential control of the federal budget and, as such, the overall contours of the executive branch. In its first half-century, presidents used BOB to control discretionary spending through bottom-up budgeting, but also to respond to changing national priorities, such as the Great Depression, World War II, and Great Society programs.

During its second half-century, the Office of Management and Budget adapted to accommodate presidential concerns about budget deficits. In doing so, its approach shifted from a bottom-up focus on programs and agencies to the top-down imperative to reduce deficits. Although OMB maintained its expertise in and control over agency budgets, its leadership shifted the primary focus from controlling spending by programs and agencies to shepherding the president's budget through Congress. Discretionary (controllable) spending was overwhelmed by the demands of mandatory spending programs (uncontrollables). The leadership of OMB became more political (with more than fifty political appointees in 2018), and directors worked closely with White House staff to implement the president's political and policy priorities.

In the twenty-first century, deficits increased; as the gross national debt exceeded $22 trillion, and as the net debt approached 80 percent of GDP, OMB could not assert control. The staff of OMB shared the concern of many informed observers, including CBO, CRS, and GAO, that current fiscal trends were not sustainable. Less than 30 percent of annual outlays were subject to annual appropriations, and half of those funds went to the defense budget. Thus, career OMB expertise in agency oversight and control, while important for executive branch effectiveness and efficiency, could not impose rational budget decisions on a polarized Congress and presidency. As former OMB professional Kathleen Peroff observed, "the concern of presidents and Congress about deficits has diminished. OMB has often lost in the White House debate over the importance of fiscal constraint versus the inexorable political dynamics of the welfare/warfare state."[84]

The COVID-19 pandemic that began in March and April of 2020 severely affected the economic outlook for the United States and the rest of the world. Within four weeks more than 22 million workers in

the United States filed for unemployment compensation, more than 10 percent of the total workforce. Subsequently, the unemployment rate approached 20 percent, the highest since the Great Depression, when unemployment was about 25 percent. Decreasing revenue from tax payments, in addition to automatic payments from safety net programs and the huge stimulus program of $2.2 trillion, have ensured that deficits for 2021 and fiscal year 2022, which were already projected to be more than $1 trillion (4.5 percent of GDP), will be much higher. Subsequent year deficits will likely increase the national debt to 100 percent of GDP within a decade. The stimulus spending and decreased revenue will drive the deficit higher than the previous post–World War II record deficit of 9.8 percent of GDP in fiscal year 2009. It is also possible that deficits will approach those of the World War II era, when they ranged from 21 percent to 29.6 percent of GDP from 1943 to 1945.[85]

At the end of the budget bureau's first century, the United States was on an unsustainable fiscal path. OMB projected years of deficits of $1 trillion, and without major changes, the national debt-to-GDP ratio would likely reach 100 percent within a decade. Without significant changes, the trust fund for Medicare would be depleted and revenues would cover only 91 percent of spending by 2026. Ten years after that, Social Security disability and old age insurance would face the same fate.[86]

Politicians and experts have considered a range of reforms of the budgetary process, hoping to address the fiscal crisis. But as former CBO director Rudy Penner observed, "the process is not the problem; the problem is the problem." Both political parties must compromise, because only painful political decisions that reduce spending and increase taxes can begin to reduce deficits and address the national debt.

Notes

1. The author would like to thank the following friends and colleagues for their advice and assistance in writing this paper: scholars of the federal budget process Meena Bose, Jim Carter, Matt Dickenson, Phil Joyce, David Lewis, Siona Listokin, Roy Meyers, Iwan Morgan, Elouise Pasachoff, Irene Rubin, Andy Rudalevige, and Joe White; OMB career professionals Barry Clendenin, Martha Coven, Phil Dame, Bernie Martin, Kathy Peroff, Steve Redburn, and Jeffrey Weinberg.

For details, see James P. Pfiffner, *The President, the Budget, and Congress: Impoundment and the 1974 Budget Act* (Boulder, CO: Westview Press, 1979), pp. 9–20.

2. For a detailed analysis of the development of the 1921 Budget and Accounting Act, see John Dearborn, "The 'Proper Organs' for Presidential Repre-

sentation: A Fresh Look at the Budget and Accounting Act of 1921," *Journal of Policy History* 31, no. 1 (2019), pp. 1–41.

3. Budget and Accounting Act of 1921, Section. 207, quoted in Fritz Morstein Marx, "The Bureau of the Budget: Its Evolution and Present Role," Part I, *American Political Science Review* 39, no. 4 (1945), p. 668. In an address to budget representatives in departments and agencies, President Harding emphasized Dawes' authority: "He is going to have all the authority of this government back of him. There will be many heart burnings." Charles W. Dawes, *The First Year of the Budget of the United States* (NY: Harper and Brothers, 1923), p. 20.

4. Dawes, *The First Year of the Budget of the United States*, p. 178. Dawes went on, "Again I say, we have nothing to do with policy. Much as we love the President, if Congress in its omnipotence over appropriations and in accordance with its authority over policy, passed a law that garbage should be put on the White House steps, it would be our regrettable duty, as a bureau, in an impartial, nonpolitical and nonpartisan way to advise the Executive and Congress as to how the largest amount of garbage could be spread in the most expeditious and economical manner."

5. Larry Berman, *The Office of Management and Budget and the Presidency, 1921–1979* (Princeton University Press, 1979), pp. 7–8.

6. Philip R. Dame and Bernard H. Martin, *The Evolution of OMB* (Middletown, DE: Create Space Publishing, 2009), p. 93.

7. See Allen Schick, "The Budget Bureau That Was: Thoughts on the Rise, Decline, and Future of a Presidential Agency," *Law and Contemporary Problems* 35, no. 3 (1970), p. 522.

8. Berman, *OMB and the Presidency*, p. 9.

9. Richard E. Neustadt, "Presidency and Legislation: The Growth of Central Clearance," *American Political Science Review* 48, no. 3 (1954), p. 644. For an incisive analysis of contemporary legislative clearance and the enrolled bill process, see Jeffrey Weinberg, "The View from the Oval Office: Understanding the Legislative Presidency," *Journal of Legislative Studies* 24, no. 4 (2018), pp. 1–15.

10. For an analysis of BOB's role in administrative management, see James P. Pfiffner, "OMB: Professionalism, Politicization, and the Presidency," in *Executive Leadership in Anglo-American Systems*, edited by Colin Campbell and Margaret Wysomirski, pp. 195–218. On this era, see also Matthew Dickinson and Andrew Rudalevige, "Presidents, Responsiveness, and Competence: Revisiting the 'Golden Age' at the Bureau of the Budget," *Political Science Quarterly* 119, no. 4 (2004–2005).

11. Pfiffner, "OMB: Professionalism, Politicization, and the Presidency," pp. 201–05.

12. Dame and Martin, *The Evolution of OMB*, p. 93.

13. Ibid.

14. See Matthew Dickinson and Andrew Rudalevige, "Presidents, Responsiveness, and Competence: Revisiting the 'Golden Age' at the Bureau of the Budget," *Political Science Quarterly* 119, no. 4 (2004–2005), p. 653.

15. Dickinson and Rudalevige, "Presidents, Responsiveness, and Competence," p. 648.

16. Statement by Elmer Staats, who chaired the panel meeting of the Presidency Project of the National Academy of Public Administration (May 17, 1988). The author was present.

17. Congressional Budget Office, "The Budget and Economic Outlook: 2018–2028 (April 2018), table 1.3.

18. Aaron Wildavsky, *The New Politics of the Budgetary Process* (NY: Little Brown, 1988), pp. 166–68.

19. Richard Fenno, *The Power of the Purse* (Boston: Little Brown, 1966), pp. 100–02.

20. Schick, "The Budget Bureau That Was," p. 533.

21. The 80 percent comes from *The Office of Management and Budget; An Insider's Guide*, edited by Steve Redburn and Paul Posner (Washington: White House Transition Project, 2016), p. 12. The 20 percent comes from OMB: Congressional Budget Submission, FY 2020, p. OMB-8, EOP-9.

22. Reorganization Plan No. 2, 1970. Title 5, Chapter 9, US Code, Appendix, p. 200 (italics in the original).

23. See Dame and Martin, *The Evolution of OMB*, p. 30.

24. James P. Pfiffner, *The President, the Budget, and Congress: Impoundment and the 1974 Budget Act* (Boulder, CO: Westview Press, 1979), pp. 9–20.

25. Quoted in Louis Fisher, *Presidential Spending Power* (Princeton University Press, 1975), p. 52.

26. Berman, *OMB and the Presidency*, pp. 117–25.

27. The author observed executive branch panic in reaction to Stockman's hit list from the office of the director of the Office of Personnel Management in 1980.

28. For a detailed analysis of Reagan's first year budget, see James P. Pfiffner, "The Reagan Budget Juggernaut: The Fiscal 1982 Budget Campaign," in *The President and Economic Policy*, edited by James P. Pfiffner (Philadelphia: ISHI Publications, 1986).

29. Stockman, *The Triumph of Politics* (New York: Harper & Row, 1986), p. 109.

30. Reagan's tax cut was known as the Economic Recovery Tax Act of 1981. For an excellent and thorough analysis of the specific budget and economic data of the Reagan presidency, see Iwan Morgan, *The Age of Deficits: Presidents and Unbalanced Budgets from Jimmy Carter to George W. Bush* (University Press of Kansas, 2009), pp. 76–121.

31. Stockman, *The Triumph of Politics*, p. 268.

32. Ibid., p. 133.

33. Morgan, *Age of Deficits*, p. 119. The tax increase was known as the Tax Equity and Deficit Control Act of 1982.

34. Congressional Budget Office, "The Budget and Economic Outlook: 2018–2028 (April 2018), table E-1, p. 144.

35. Morgan, *Age of Deficits*, p. 56.

36. Interview with Barry Anderson by Steve Redburn of the George Mason University Center on the Public Service, October 16, 2015, www.youtube.com/watch?v=COMVBSWPvqw.

37. Stockman, *The Triumph of Politics*, p. 159.

38. See Irene Rubin, *Balancing the Federal Budget* (New York: Chatham House, 2003), pp. 37–45.

39. Joe White, "The President's Budget vs. Congressional Budgeting," in *Rivals for Power: Presidential-Congressional Relations*, edited by James A. Thurber (NY: Roman and Littlefield, 2013), pp. 185, 189.

40. Morgan, *The Age of Deficits*, pp. 137–49.

41. For details, see James P. Pfiffner, "President Clinton, Newt Gingrich, and the 104th Congress," in *On Parties: Essays Honoring Austin Ranney*, edited by Nelson W. Polsby and Raymond E. Wolfinger (Berkeley, CA: Institute of Governmental Studies Press, 2000). pp. 135–68.

42. For a detailed analysis of the battles between President Clinton and the 104th Congress, see James P. Pfiffner, "President Clinton, Newt Gingrich, and the 104th Congress," pp. 135–68.

43. Irene Rubin, "The Great Unraveling: Federal Budgeting, 1998–2006," *Public Administration Review* (July/August 2007), pp. 608–23. See, also, Irene Rubin, "Budgeting during the Bush Administration," *Public Budgeting and Finance* (2009).

44. "O'Neill says Cheney told him, 'Deficits don't matter,'" *Chicago Tribune,* January 12, 2004.

45. See the testimony and answers to questions by Martha Coven, Committee on the Budget, House of Representatives, 115th Congress, 2nd Session, Legislative History of the Joint Select Committee on Budget and Appropriations Process Reform, December 19, 2018, pp. 88–90.

46. Email to the author from Barry Clendenin, former OMB Deputy Associate Director for the Health Division from 1994 to 2008. See, also, Joe White, "The President's Budget vs. Congressional Budgeting," in *Rivals for Power,* p. 242.

47. Congressional Budget Office, *The Budget and Economic Outlook: 2018–2028* (April 2018, table 1.3.

48. Ibid., Appendix E-1, p. 145.

49. For a detailed analysis, see Roy T. Meyers, "The Implosion of the Federal Budget Process: Triggers, Commissions, Cliffs, Sequesters, Debt Ceilings, and Shutdown," *Public Budgeting and Finance* (2014).

50. Congressional Budget Office, "The Budget and Economic Outlook 2019–2029" (March 2019), p. 105. See also Alicia Parlapiano, "How Congress Has Worked to Avoid the 'Sequester' Spending Caps," *New York Times*, October 29, 2015.

51. Congressional Budget Office, "Finding for Overseas Contingency Operations and Its Impact on Defense Spending (October 2018) ("At a Glance" box, no page number).

52. U.S. Government Accountability Office, Letter to Senators John McCain and Mac Thornberry, January 10, 2018, updated by Seamus P. Daniels, "Bad Idea: Moving OCO Back into the Base Budget (While Negotiating a Budget Deal)," CSIS, November 2918, pp. 1–6.

53. Aaron Blake, "Trump Won't Even Try to Balance the Budget Anymore," *Washington Post*, February 12, 2018.

54. William G. Gale and others, "Effects of the Tax Cuts and Jobs Act: A Preliminary Analysis," Brookings (June 13, 2018).

55. Michael Rainey and Yuval Rosenberg, "Trump Says National Debt Is Not His Problem," *Fiscal Times*, December 5, 2018.

56. Jared Bernstein, "Mick Mulvaney Says 'Nobody Cares' about Deficits," *Washington Post*, February 6, 2019.

57. Colby Itkowitz and David A. Fahrenthold, "Trump Privately Told Donors New Details about Soleimani Airstrike at Mar-a-Lago Fundraiser, *Washington Post*, January 18, 2020.

58. Congressional Budget Office, "The Budget and Economic Outlook: 2019–2029" (January 2019), p. 1; Congressional Budget Office, "The 2019 Long-Term Budget Outlook" (June 2019), p. 2.

59. Congressional Research Service, "The Federal Budget: Overview and Issues for FY 2019 and Beyond," (May 21, 2018), p. 7, (author name redacted), pp. 20–22.

60. Ibid.

61. For an insightful and thorough analysis of OMB's budgetary influence

on departments and agencies, see Eloise Pasachoff, "The President's Budget as a Source of Agency Policy Control," *Yale Law Journal* (2016), pp. 2182–290.

62. Shelley Lynne Tomkin, *Inside OMB: Politics and Process in the President's Budget Office* (NY: M. E. Sharp, 1998), p. 115.

63. The 686 number comes from Dame and Martin, *The Evolution of OMB*, p. 93. The 480 and 450 numbers come from OMB: Congressional Budget Submission, FY 2020, p. OMB-8.

64. U.S. House of Representatives, Committee on Oversight and Government Reform, 114th Congress, 2nd Session, *Policy and Supporting Positions* (Plum Book), (December 1, 2016), pp. 5–7.

65. See Martha Coven, "OMB's Role within the White House," Paper Presented at the Conference, Serving President and Presidency: The Role of the Office of Management and Budget in Presidential Policy Making, Hofstra University, April 11–12, 2019. Clinton appointed Leon Panetta; Bush 43 appointed Josh Bolten; Obama appointed Jack Lew; and Trump appointed Mick Mulvaney (acting).

66. *The Office of Management and Budget; An Insider's Guide*, edited by Steve Redburn and Paul Posner (Washington: White House Transition Project, 2016), p. 10. OMB-wide support offices had 174. The rest of agency personnel worked in statutory offices of Office of Information and Regulatory Affairs (OIRA, 1980); Office of Federal Financial Management (OFFM, 1990); Office of Federal Procurement Policy (OFPP, 1974); Office of E-Government Technology; and Intellectual Property Enforcement Coordinator (2002).

67. Email to the author from Barry Clendenin, former OMB Deputy Associate Director for the Health Division from 1994 to 2008.

68. Bill Heniff Jr., "Congressional Budget Resolutions: Historical Information," Congressional Research Service (November 16, 2015).

69. Molly E. Reynolds and Peter Hanson, "There Might Not be a Government Shutdown this Year. This is Big News," *Washington Post,* Monkey Cage, September 19, 2018.

70. This analysis is based on Peter Hanson, "Restoring Regular Order in Congressional Appropriations" (Washington: Brookings Economic Studies, November 2015).

71. James Saturno and Jessica Tollestruup, "Omnibus Appropriations Acts: Overview of Recent Practices," Congressional Research Service (January 14, 2016).

72. Molly Reynolds, "There Might Not be a Government Shutdown this Year" (Washington: Brookings, September 19, 2018).

73. All data from James V. Saturno and Jessica Tollestrup, "Continuing Resolutions: Overview of Components and Recent Practices," Congressional Research Service (January 14, 2016).

74. Chris Cillizza, "2,322 Reasons to Hate Congress (Washington: CNN Politics, March 22, 2018).

75. On the costs of continuing resolutions and shutdowns, see the compelling analysis by Phillip Joyce in "The Costs of Budget Uncertainty: Analyzing the Impact of Late Appropriations" (Washington: IBM Center for the Business of Government, 2012), p. 9.

76. Well into the 2018–2019 shutdown, OMB Director and acting White House Chief of Staff Mick Mulvaney said, "I found out for the first time last night that the person who technically shuts the government down is me, which is kind of cool." Veronica Stracqualursi, CNN, "White House Budget Director: 'Kind of Cool' to be in Charge of Government Shutdown," January 21, 2018.

77. For an analysis of OMB's role in the shutdown process, see chapter 4 in this volume.

78. Congressional Budget Office, "The Effects of the Partial Shutdown Ending in January 2019," January 2019; Niall McCarthy, "The Government Shutdown Cost the U.S. Economy $11 Billion," *Forbes*, January 30, 2019.

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80. Congressional Research Service, "The Debt Limit Since 2011" (December 20, 2018).

81. Email from Stevens Redburn, who was a career professional in OMB until he retired in 2006.

82. "Present Trends and the Evolution of Mandatory Spending," Congressional Research Service (January 31, 2017), name of author redacted.

83. Congressional Research Service, "The Federal Budget: Overview and Issues for FY 2019 and Beyond" (May 21, 2018), p. 7, (author name redacted).

84. Email to the author. Kathleen Peroff, winner of four presidential rank awards, was deputy associate director of the National Security Division of OMB from 2000 to 2013.

85. OMB, Historical Tables, "Table 1.2: Summary of Receipts, Outlays, and Surpluses or Deficits as Percentages of GDP, 1930-2025," www.whitehouse.gov/omb/historical-tables/

86. Government Accountability Office, "The Nation's Fiscal Health" (June 2018), GAO-18-299SP.