

Final research project

**US federal budget process:
*the President versus Congress***

Appendices



Erasmus University – IMP
Gideon van Zwieten (student number: 209976)
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Appendix I: budgeting – a definition

Budgeting is a worldwide phenomenon...to some extent, everybody does it. Everyone has to make choices between possible expenditures, as no one has unlimited resources. Budgeting, state Lee, Johnson and Joyce (2004: 2) is a “mechanism for setting goals and objectives, for measuring progress towards objectives, for identifying weaknesses or inadequacies in organizations, for controlling and integrating the diverse activities carried out by numerous subunits within large bureaucracies, both public and private”, both individual or organizational.

Public budgeting versus private budgeting

In this definition, two different types of budgets are identified: public budgets and private budgets. In our modern times, public budgets do incorporate elements of private budgeting. Rapid technological and societal changes, such as ICT, internationalization, individualization and capital movement, require governments to be effective and flexible – comparable to private sector organizations. Especially in the budget and control cycle, elements of the private sector have been implemented in public management, following new public management theories. Performance indicators are formulated in the early stages of policy-formulation and policy is evaluated with regard to efficiency, effectiveness and quality. New public management comes in many forms, from the radical idea of privatization and deregulation on the one extreme to finding private sector solutions within the public management framework on the other extreme (De Vries, 1998)¹. Given that this current research project focuses on the budgetary process of the US federal government, further discussion on budgets is limited to public budgets. Budgeting in the private sector and the notions of new public management lie beyond the scope of this current project. This chapter, therefore, is limited to a discussion of relevant literature on public budgets.

First, the theoretical concept of ‘public budgeting’ is discussed. A definition of a public budget (the product of the budgeting process) is given, after which the budgeting process itself is analyzed. Elements such as the importance of public budgeting, the characteristics of public budgeting and the differences between public and private budgeting pass the menu. This discussion is followed by the definition of public budgeting, as applied by the Organization for Economic Cooperation and Development (OECD). Then, the budget process of the United States is analyzed, including the roles of the different democratic institutions in this process. A conclusion is drawn as to the extent to which the US budget process can be considered representative for budgetary processes, in the definition of the OECD.

Different perspectives on public budgeting

This definition includes a number of functions of public budgets, from allocating money to being an instrument to distributing wealth. What determines the contents of the process of actually formulating a budget? Rubin (1990: 27) states that the process of public budgeting can be both technical or political. Technical in the sense that budgetary decisions must be “flexible, adaptive and interruptible” and to be divided in semi-independent strands of decision-making, from process to implementation. The budget itself can be a description of the status of an organization,

by listing the organization's purchases (the resources consumed), the work performed and the income generated. Only quantitative information is supplied. Public budgeting, in this view, is equal to public accounting, administering the revenues and costs adding up to a yearly total (Lee, Johnson & Joyce, 2004: 17). Budgets can also be explanations of causal relations, for the purchases and accomplishments of an organization. As such, it gives insight into an organizations functioning (Lee, Johnson & Joyce, 2004: 18).

The political perspective

Budgeting, however, can also be considered highly political because the decisions made are all political in nature.

This process of determining who gets what, how and why takes place within the political system itself. Easton (1965) argues that the decision-making process within the political system follows a set of patterns and processes. He identifies a number of decision-making steps that are taken in distributing the resources (Easton, 1965: 32).

- Step 1: changes in the social or physical environment of the political system create demands and supports for either actions or the status quo. These demands and supports are directed towards the political system as 'inputs'.
- Step 2: the groups supporting or demanding a certain action or status quo stimulate competition within the political system, leading to decisions or 'outputs' regarding a certain aspect of the surrounding social or physical environment.
- Step 3: this decision or 'output' is communicated, producing a change in the social or physical environment. This is called the 'outcome'.
- Step 4: the outcome may generate demands or supports against this policy ('feedback') or on a new, related, policy.
- Step 5: is again step 1, leading up to an interaction circle.

These steps are illustrated in the following figure:

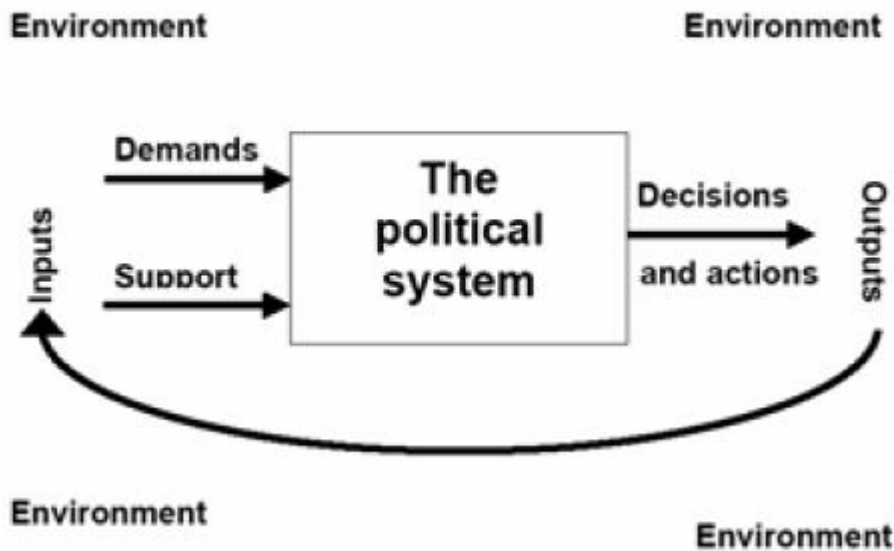


Figure 2.1: Political system (Easton, 1965: 32).

If the system functions well, Easton (1965) speaks of a 'stable political system'. If certain steps in the process do not function well, the system breaks down.

This political perspective on budgeting, determining who gets what, how and why by making political decisions, is further elaborated upon in this research paper; other perspectives on public budget, such as public accounting, are ignored as they do not fall within the scope of this research paper. The focus of this paper is on the political system itself and the actors participating in this system: the president and Congress.

Functions and characteristics of public budget

The public budget is proved to have five characteristics that differentiate it from other kinds of budget (Rubin, 1990). These five characteristics can be found at all levels of government, and all are – to some extent – prove of the political character of the budgetary process. The first element that characterizes public budget is the variety of actors involved in the formulation process and the different motivations and goals they bring into the game. Bureau chiefs, the OMB, chief executive officers, interest groups, legislators, the courts and individuals each participate in the process defending their own interest or that of their constituents. Roles may be direct, such as that of the legislators, or indirect, such as the participation of citizens. Some have structural roles in the process, such as the OMB, others appear at unpredictable intervals, such as the courts. The involvement of all these different parties, however, makes the budgetary process complex, dynamic and highly politicized as all parties strive to reach their own goals, often clashing with other parties fighting for other goals (Rubin, 1990).

A second characteristic identified is the separation between the payers and the deciders (Rubin, 1990: 15). The ones paying are not the ones deciding how the money is spent. The only 'power' the payers have is to elect new representatives if they do not agree with the way the money is allocated.

Third, the budget itself is an important instrument of public accountability. It gives insight into how the money is spent, whether money is wasted and whether the money is spent on the topics wished for by the public. Rubin (1990: 16), however, states that the budget does not always "present a complete and accurate picture". By scattering the resources spent among different portions in the budget, a legislator can conceal what the money is actually spent on.

Fourth, public budgets are open to influences from the environment. This openness creates the possibility for citizens and interest groups to participate in the process, and influence the budgetary formulation process. Fifth, this openness requires the budget to be flexible, so that it can be adjusted quickly. For example, due to unexpected emergencies, such as natural disasters, but also due to last-minute political decisions. At the other hand, the budget is constrained by a large number of rules and the political framework set in the elections. This budgetary constraint contests with the required flexibility. This, again, adds a political character to the budgetary process, as negotiations are necessary to determine the final contents of the budget (Rubin, 1990).

Functions and characteristics of the public budgeting process

Based on the goals set for the budget, the budgetary process may be designed differently. In general, the following characteristics can be identified, with regard to who propose, who frame choices, who examine what kind of information and who make the final decisions (Rubin, 1990).

The first characteristic concerns the executive versus legislative dominance. In the model of executive dominance, the chief executive submits a budgetary proposal. The legislature may make changes to this proposal, even changes the chief executive opposes, but the executive can veto these changes or sometimes even rewrite legislation. In the legislatively dominated budget process, the agencies present budget requests. These requests are not scrutinized by the chief executive, but submitted directly to the legislature for review and approval. The executive has little power.

A second politically significant characteristic of the budget process is the level of centralization. Rubin (1990: 65) states that centralization refers to "1) the degree to which the budget process is bottom-up or top-down and 2) the degree to which power is scattered among independent committees, commissions, and elected officials without an effective coordinating device". In the executive, a bottom-up process entails that agencies submit budget requests that are then either scrutinized by the executive or by the legislature. Top-down refers to a process in which the chief executive himself formulates a budget proposal without consulting the agencies. In the legislature, bottom-up means that the committees and commissions play an important role in determining the contents of the budget, while top-down is associated with spending control as the leading principle in scrutinizing the budget. The second concept, regarding the extent to which

power is scattered among individuals, influences the decision-making process itself. When no one has responsibility or decision-making authority, decision-making processes immobilize. Rubin (1990) argues that this strategy is often implemented when the amount of spending is to be limited, or to prevent the government from being too activist.

Third, the level of access for citizens and interest groups in the budget process is considered an important characteristic. The openness of the budget process varies; in open systems, decision-making takes place in plain public view, before the press, the public and interest groups. Representatives of various interests are invited to participate in the process. These processes are more accountable to the public. In closed systems, decision-making takes place behind closed doors. Rubin (1990) concludes that no system is completely open or completely closed.

Fourth, the format of the budget requests and lay-out and kind of information used to justify the request is considered to characterize the budget process. The key goals of the budget are reflected in the format. Four types of format are identified: line-item, performance, program, zero-based. These formats are elaborated upon further on in this chapter.

A fifth characteristic of the budget process is the extensiveness of the policy formulation and statements at the beginning of the budget process. A budget process may begin with a consideration of overall policies; decisions on more specific topics are made within the context of these larger decisions and are facilitated by them. This type of budget process requires the willingness to deal with major controversial policy issues first and, thus, requires the willingness to deal with conflict and controversy or the presence of high levels of consensus.

Finally, the timing and nature of reviews of budget requests is considered an important characteristic. While all budget processes include a moment of review, this moment, location and intensity vary. It may take place in the first stages of the process, with the executive carefully scrutinizing the budget proposals submitted by agencies; it may take place in the legislative, with committees holding hearings to examine the executive budget proposals; it may take place at a superficial level – for example due to a lack of staff – or at a more detailed level (Rubin, 1990).

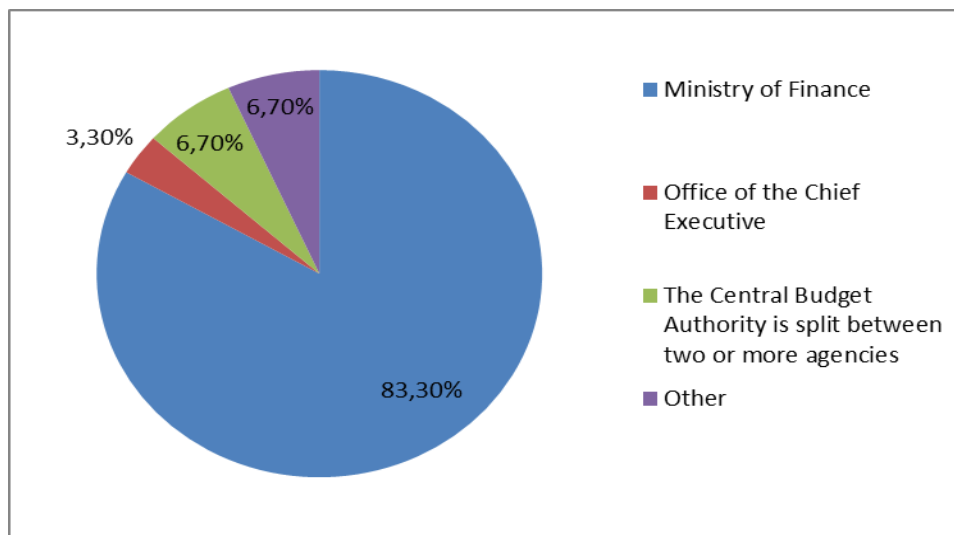
Appendix II: Formulating the federal budget

The annual budget cycle begins with the formulation of the president's budget and its submission to Congress, involves four different sets of congressional action, then moves to agencies to implement the budget and concludes with the review and audit of expenditures. The most important date in the budget cycle is October 1, the day the new fiscal year takes off (Schick, 2007). This research project focuses on the first two steps of the process: submission of the presidential budget proposal and the steps taken by Congress to amend the proposal and to adopt a budget resolution. Descriptions of the budget process will, therefore, be limited to the adoption process; implementation and review fall beyond the scope of this research project and will not be discussed.

OECD budget cycle practice

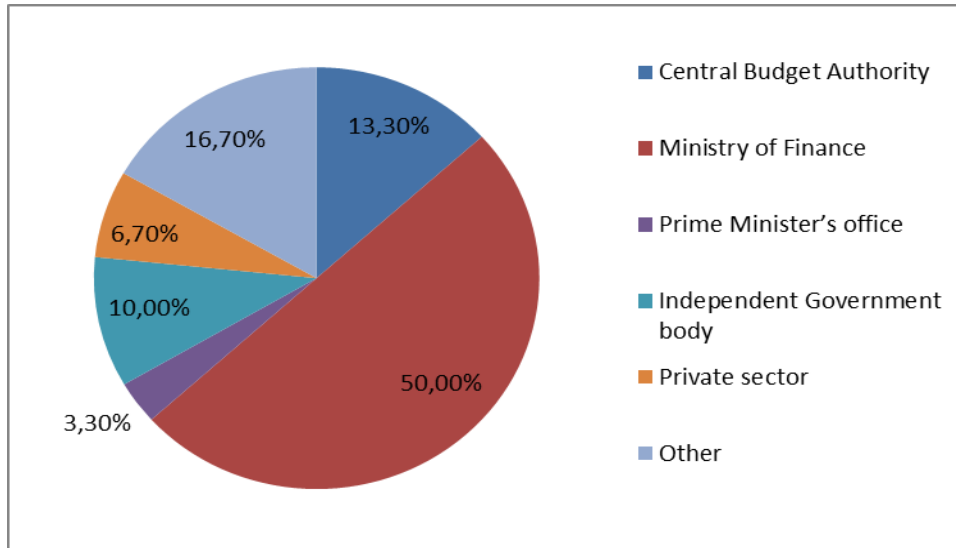
Every two years the Organization for Economic Cooperation and Development (OECD) executes a survey of budget practices and procedures in its 31 Member States and 66 non-members from the Middle East, Africa, Eastern Europe, Asia, Latin America and the Caribbean. The survey includes more than 99 questions on the entire budget cycle: preparation, approval, execution, accounting and audit, performance information, and aid management within developing countries. The results are collected in the International Database of Budget Practices and Procedures. The database is public and provides useful internationally comparative information to budget practitioners, academics and civil society.

Using the data of the 2007 survey, the following data can be presented with regard to the standard budget cycle. The function of central budget authority is located at the ministry of Finance in 83.3% of all countries; in 3.3% of the countries included in the survey the office of the chief executive is the budget authority and in 6.7% the authority is divided between two or more agencies. These data are visualized in the following pie-chart.



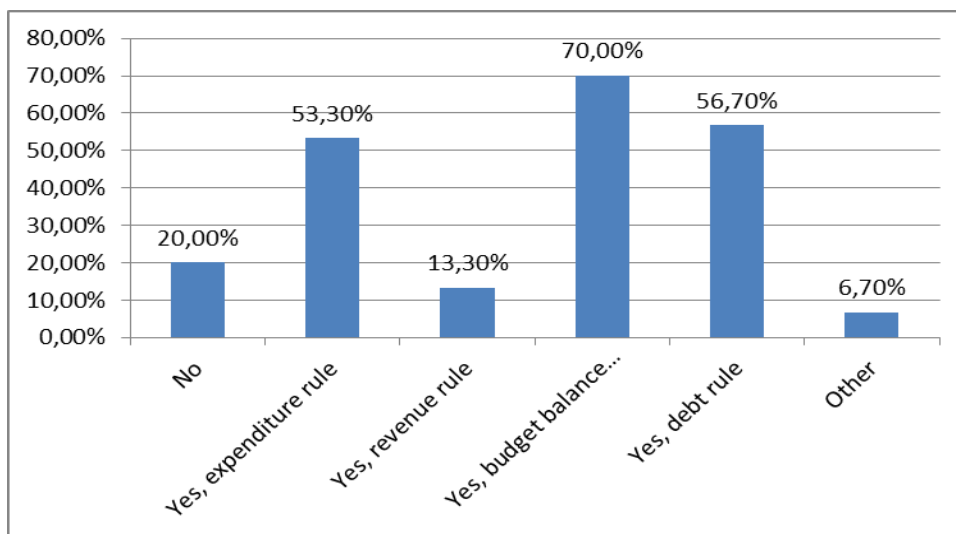
Graph 2.1: location of central budget authority in government (OECD, 2007)

In 50% of the participating countries, the minister of Finance is also responsible for the economic assumptions used in the budget. Also the central budget authority (13.3%) or an independent government body can be given this assignment. As a consequence, in over 60% of the countries there is no independent review of the economic assumptions. In eight countries either an independent panel, a supreme audit institution or the legislature do such a review. In two-thirds of the countries the economic assumptions reports are made public. Again in two-thirds of the countries fiscal risks are not evaluated or only on adhoc basis.



Graph 2.2: actor that formulates economic assumptions used in the budget (OECD, 2007)

Multi-year expenditure estimates are included at aggregate level (33.3%), ministry level (16.7%) or at line-item level (30%), and do either three years (43.3%) or four years (40%). These estimates are updated annually in 80% of the countries.

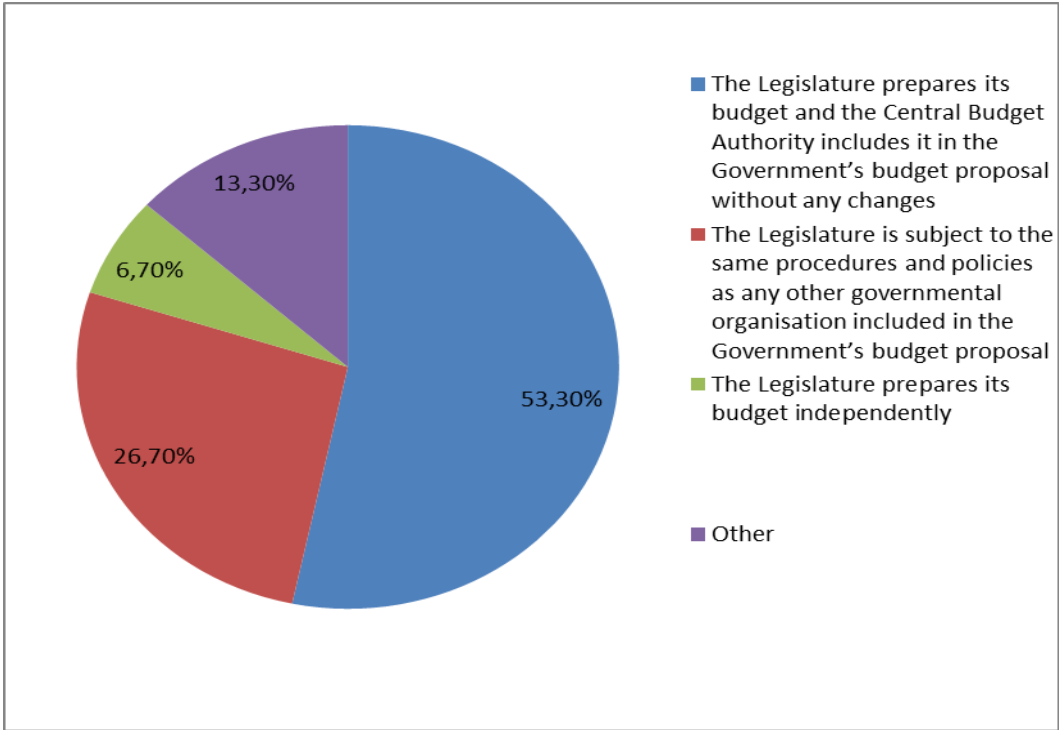


Graph 2.3: fiscal rules to limit fiscal policy (OECD, 2007)

In over two-thirds of all countries participating in the survey, structure and form of the annual budget, timing and roles and responsibilities of different parts of the Executive in budget formulation and execution are laid down in legislation. In over half of the countries, these elements of the budget cycle are also included in the Constitution. In formulating the budget, expenditure rules (53.3%), budget balance rule (70%) and debt rule (56.7%) are the most important fiscal guidelines. Ceilings / limits are imposed for each ministry's initial spending request in eighty percent of the countries.

In case of disputes, the ministry of Finance solves these in 33,3% of all cases. The president is included in only 3,3% of the respondent countries. In 53,3% of the countries funding is provided incrementally each year until the project is completed.

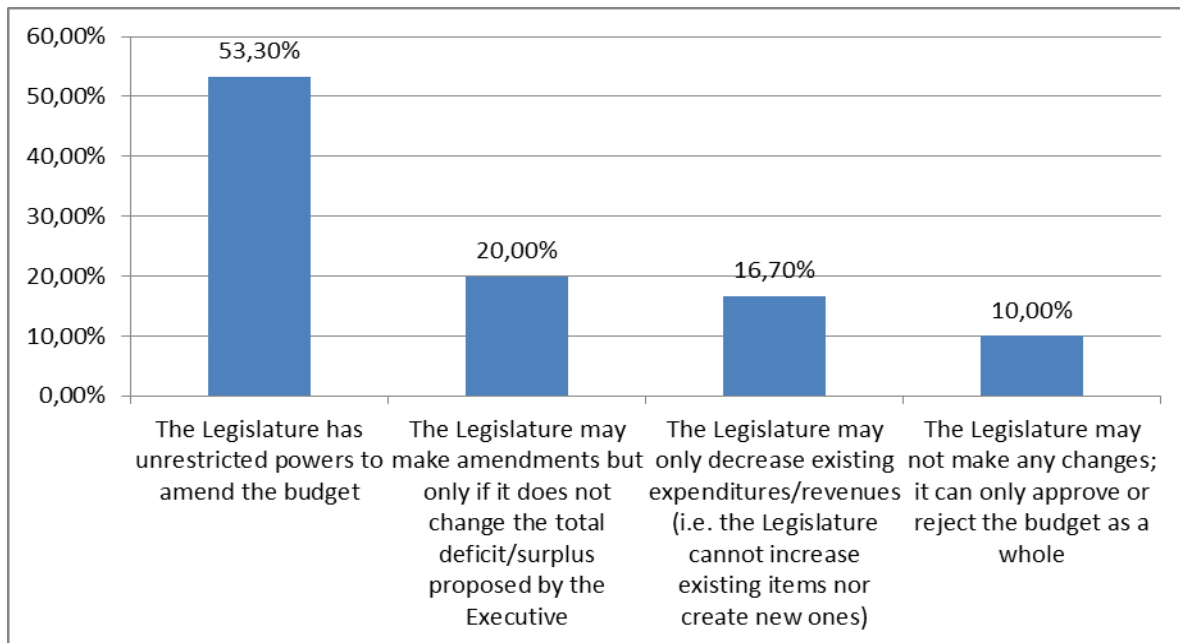
With regard to passing the budget, the following data are of relevance. In one third of the countries, a specialized budget research office/unit is attached to the Legislature to conduct analyses of the budget. In fifty percent of the cases, the budget is presented to the legislature about three months before the start of the fiscal year and is adopted one month before the starting date in 56.7% of the countries. The role of the legislature differs between the countries. In over half of the countries the legislative proposals are included in the budget without any changes. In only 6.7% of all countries, the legislature prepares its own budget.



Graph 2.4: role of the legislature (OECD, 2007)

In 53.3% of the countries the legislature has unrestricted powers to amend the budget, in 20% of the countries amendments may be made but only if it does not change the total deficit/surplus and

in 16% of the countries the legislature may only decrease existing expenditures/revenues. If a budget is not adopted before the start of the fiscal year, in 40% of the countries last year's budget is used as an interim budget.



Graph 2.5: power of legislature to amend the budget (OECD, 2007)

In ninety percent of the countries the executive does not have the power to veto the budget approved by the legislature (OECD, 2007).

It can be concluded that the US budgetary system differs quite a lot from international standards and norms. This especially goes for the roles of the actors – the president and Congress – in the budget process. First of all, the position of the Office of the Executive is quite unique. The veto-power the Executive holds, is known in only a limited number of OECD-member states. Also, the fact that the Executive holds the budget authority is not according to the OECD average. The role of the legislature, in that the legislature's amendments to the presidential budget proposal are accepted without changes, is comparable to other OECD-member states. However, the fact that Congress can limitlessly amend the presidential proposal is comparable to only a fifth of all member states. Also the fact that Congress has its own budgetary office, is rather unique and known in only 10% of all member states. The length of the budget process also deviates from average; the budget process in the US takes about 20 months, compared to twelve months on average. In chapter two of the research paper, more details are provided as to the US budgetary process in an international context.

In the following paragraphs, the US budgetary process is described in more detail.

Budget: legislative principles

The current budgetary process is based on the Budget Act of 1974. However, the budget process has often been a topic of fierce political deliberation. The first discussion that can be identified is the discussion on the balanced budget. The US Constitution does not require the president to submit a balanced budget; neither does Congress have to adopt a balanced budget resolution. However, as already stated in chapter 1, reaching a balanced budget has been on the political agenda for years. A second discussion is the discussion on budgetary reforms, in order to improve the budgetary process that is often time-consuming and ineffective. The discussion on the balanced budget is discussed in chapter three of this research paper. This paragraph focuses on the discussion of budgetary reform.

Budgetary reform: line-item, program, zero-based, performance budgeting

Rubin (1990: 67) argues that discussions on budgetary reform focus on the key goals of the budget; these are reflected in the format used for the budget and the relative emphasis put on expenditure control, management improvement, cost-effectiveness, policy and planning. Wildavsky and Caiden (1997: 263) state that budgeting is “supposed to contribute to continuity (for planning), to change (for policy evaluation), to flexibility (for the economy), to rigidity (for limiting spending) and to openness (for accountability)”. Over the years, a number of budget reforms have been introduced to realize a budgeting system that would meet all these requirements.

Line-item budgeting (traditional budgeting)

The traditional form of budgeting is the line-item budgeting. Wildavsky (2001) states that the traditional budget is based on an annual calculation of the expenditures expected in the year to come. The expectation is that most expenditures will be continued. Authorization and appropriation are followed by expenditure post-audited by external authorities. Items in the budget are lined into categories, such as personnel, maintenance, supplies, etc. These line-items are not directly related to the programs to which they serve. This fragments the decision-making process, but also simplifies the budgetary process. Only increases or decreases to the existing base are considered, and choices that may conflict are fragmented, so difficulties can be faced separately. It is neutral in its decisions, as budgetary decisions are taken independent from policy choices. It is, therefore, compatible with a variety of policies, all of which can be converted into line-items. Budgeting, as such, becomes spending (Wildavsky, 2001: 16). This incremental process of line-item budgeting is considered the traditional process of budgeting.

This type of budgeting does have its defects. In the line-item budgeting, for example, this year’s expected performance is compared to last year’s performance. However, if a mistake is made in the past, this mistake is likely to become a bigger one in the future. Also, in line-item budgeting it is hard to control spending. Current expenditure is based on past expenditure levels, raising the current expenditure even further. Budgets are not evaluated with regard to effectiveness and efficiency; last year’s budget are merely accepted as the factual starting point of this year’s budget, without learning from the past and without incorporating (large) changes in the spending side of the budget. As a consequence, the budget will continue to grow, preventing the budget

from ever reaching a budget balance or a surplus (Wildavsky, 2001). In times of economic prosperity, there are plenty financial means to hold the theory of growth, when everyone can get more. However, in times of economic hardship, the decline in expected revenues requires a slowdown in spending and a raise in taxes. These measures are difficult in traditional incremental budgeting (Wildavsky & Caiden, 1997).

Wildavsky and Caiden (1997: 262) argue that the demise of traditional budgeting can be found in the aftermath of the Second World War. Up to the World War period, a balanced budget was the standard. However, in the times of economic recession directly following the war disagreement between parties in Congress created a deficit on the budget balance. One side wanted to maintain spending levels, while the other side wanted to cut income taxes. Wildavsky and Caiden (1997) claim that developments such as the civil rights movement, environmental movements and the fight for equality stimulated political debate and an urge for government spending on these topics. The budget imbalance and the change in spending practices eluded a period of budgetary reform. Lee, Johnson and Joyce (2004) state that three stages of budgetary reform can be identified: program budgeting, zero-based budgeting and performance budgeting. In the following paragraphs, these three budgetary reforms are discussed in a historical context.

Program budgeting (PPB)

The first stage of budgetary reform was, according to Lee, Johnson and Joyce (2004: 12) characterized by ‘legislative concern for tight control over executive expenditure’. Wildavsky (2001) states that in 1965, President Johnson introduced this new form of budgeting, when he asked the heads of all federal agencies to formulate goals and, subsequently, come up with the most effective and least costly ways to reach these goals. This is central concept of program budgeting. The general idea of PPB is that “budgetary decisions should be made by focusing on output categories, such as governmental goals, objectives and programs” (Wildavsky, 2001: 34). In PPB alternative expenditure packages are compared to decide which package best contributes to the long-term objectives. This is called ‘horizontal comprehensiveness’ (Gosling, 2009). In these packages programs that contribute to a certain objective are grouped together. The total financial cost of reaching an objective determines the financial resources allocated to a certain program package. The programs in a package are delivered by different agencies, each contributing from individual experience and expertise. This leads to integrated, and therefore better, results (Gosling, 2009). The main purpose of this type of budgets is to reach effective budget, through policy analysis. Each year the programs are evaluated and, if no longer effective, replaced by other programs designed to lead to superior results. This changes the contents of a package and as such the resources attached to this package (Wildavsky, 2001).

Both Wildavsky (2001) and Gosling (2009) state that program budgeting has never been successfully implemented in its purest forms, as this budget has a number of weak points. The first point of weakness is the frequency of policy analysis. Programs are evaluated – and improved – at such a regular basis, that implementation of programs hardly ever takes place. A program is changed before the implementation phase is reached. This makes it a merely theoretical form of budgeting (Wildavsky, 2001: 14). Furthermore, policy analysis is a highly

complex process that is expensive in terms of time, talent and money (Wildavsky, 2001: 52). As in program budget policy analysis takes place within a very limited time frame and with arbitrary resources, PPB discredits policy analysis. Also, the principle agents in the political system may not be evident in their goals and objectives. 'Grand decisions' in politics ask for value judgments and politics, and not for straight-forward policy analysis. Program budgeting also means telling an agency to find better policy than the policies now implemented, without giving guidelines on how to do just that. One can merely discuss elements of current policy, such as effectiveness, estimated costs, comparing alternatives, but it is difficult to create a complete new policy (Gosling, 2009).

A second disadvantage of this type of budgeting is the interdependency between the programs in an expenditure package. One program cannot be changed without influencing or changing the other programs in the package. As such, a government cannot chose to implement merely one program of a package; it is choosing the whole package or none of it. Furthermore, the money flows are linked to the objective formulated for a certain expenditure package. This implies that the objective cannot be abandoned without abandoning the structure organized to reach this objective. This makes PPB quite rigid, both in the composition of the package, in the objectives formulated and in the financial resources allocated to reaching this objective (Rubin, 1990).

Zero-based budgeting (ZBB)

The program budgeting was short-lived and in the 1970s the system of program budgeting was largely abandoned. In 1977, President Carter introduced a new type of budgeting: zero-based budgeting. The system was first introduced by Peter Pyhrr, in the Harvard Business Review in 1970, but spread more rapidly at a federal level when President Carter adopted this new budgetary reform (Lee, Johnson & Joyce, 2004).

Zero-based budgeting is a particular kind of program budgeting. It is, in contrast to program budgeting, based on vertical comprehensiveness. In this type of budgeting all governmental activities and objectives can be reconsidered at an annual basis. The past, as reflected in the budgetary base, is rejected and everything is open for scrutiny (Wildavsky, 2001). Not only the programs are evaluated, but also service levels are scrutinized. All items are prioritized; money will be spend on lower priorities as long as it is available; if there are more items to be financed than means available, the items lowest on the list are not funded. A new proposal may be funded at the cost of an older proposal (Rubin, 1990). Zero-based budgeting enables a government to respond to fast-moving events. It fosters bottom-up budget and was often used in the lower levels of government (Gosling, 2009).

Zero-based budgeting, however, makes the budgetary process almost unmanageable. It is costly in terms of managerial time, as it takes considerable time to go through the process of reviewing operations in enough detail to justify costs each budget cycle. Also, it may foster competition and conflict among agencies, but also within agencies (Rubin, 1990). As Wildavsky (2001: 11) states, old quarrels become new conflicts, calculations become uncontrollable and complex. The budgetary process includes too many variables to be able to scrutinize all of them at an annual

basis. Nowadays, only poorer countries are forced to apply this type of budgeting as they simply do not have the means to establish stable and continuous programs (Wildavsky, 2001).

Performance budgeting

In all three types of budgeting (traditional, program and zero-based budget), government agencies can incorporate performance measures into their justification for new resources. Performance budgeting was introduced in the mid-1980s, following the New York City budget crisis (Lee, Johnson & Joyce, 2004: 14). The then current budgetary system did not reveal the overall financial position of the municipal government, leading up to an almost bankruptcy of the city. Subsequently, both the municipal government and its citizens sought ways to improve the effectiveness and public accountability of the budget. The solution was found in performance budgeting. Performance budgetary thinking starts at the activities that need to be executed. Budget proposers calculate which performance results need to be obtained and what budgetary resources are needed to realize these results (Gosling, 2009).

The new budgetary thinking was adopted at a federal level, in the 1993 Government Performance and Results Act (Wildavsky, 2001). The act focuses on setting program goals, measuring performance against them, and reporting on progress. Following adoption of this act in Congress, agencies are now required to submit five-year strategic plans to OMB. These plans include mission statements, general (quantifiable and measurable) goals and objectives (including outcome goals), a description of how to reach these goals, risk factors beyond the agency's control and a proposal for program evaluation (Wildavsky & Caiden, 1997).

The problem with performance budgeting is, however, how to link information on performance to decisions on budget allocations. The highly charged political environment often prevents policy makers from taking the time to formulate well thought out policy plans, with quantifiable and measurable goals. And, even though such plans are formulated, the weight likely to be given to such information may differ (Wildavsky & Caiden, 1997).

Budgetary reform: a conclusion

Despite decades of reform, however, the traditional budgetary process of line-item budgeting prevails. Wildavsky (2001: 16) argues that the reason why traditional budgeting has lasted so long, is that it makes calculations and budgetary decisions easy. "The present is appropriated to the past which may be known, instead of the future, which cannot be comprehended. Choices that might cause conflict are fragmented so that not all difficulties need to be faced at one time. Budgeters may have objectives, but the budget itself is organized around activities or functions...traditional budgeting does not demand analysis of policy but neither does it inhibit it." As traditional budgeting is neutral with regard to policy, it can be used regardless of policy. Traditional budgeting is simpler, easier, more controllable and more flexible than the two alternatives discussed. So far, no budgetary procedure has been developed that has the virtues of traditional budgeting but lacks the defects.

However, to limit spending on the budget and incremental growth, a number of measures have been taken. Since the beginnings of the 1990s pay-as-you-go (PAYGO) statutory procedures regulate direct spending. The procedure ensures that any increase in direct spending or reduce in revenues is fully offset, so that the deficit is not increased and the surplus is not diminished. The remedy for a PAYGO-violation is the sequester, in which the president can issue an order for cuts in the direct spending program, based on a sequestration advice of the OMB director (Schick, 2007: 58). In 2002 the statutory procedures of PAYGO expired, but both the House and the Senate have adopted their own internal PAYGO procedures, applicable to individual measures and covering a timeframe of 10 years (Schick, 2007).

1974 Budget Act

The official name of this act is the Congressional Budget and Impoundment Control Act of 1974. Congress itself considered it a ‘historic legislative development’, in that it gave Congress control over the budgetary process. It created structures and procedures to give Congress the ability to make appropriations decisions, thus enabling them to set their own policy priorities. The structure included new budget committees in the House and Senate – each with their own staff – and a new Congressional Budget Office. The spending total – and thus also the Presidential budget proposal – was to be broken down in twenty budget categories. ‘Crosswalks’ were designed to apportion the spending proposals into thirteen equal parts, to be assigned to thirteen appropriations subcommittees to reside over the funds to be appropriated in their policy area (Gosling, 2009; Schick, 2007).

The act also created a procedure for submitting a budget resolution to be adopted by both houses of Congress. Two different resolutions were developed. The first concerns a congressional recommendation with regard to aggregate levels of budget authority, outlays and revenues. As such, it states a congressional intent. This resolution needs to be adopted by both houses before changes can be made to any legislation providing new budget authority and yields a projected surplus or deficit (Schick, 2007). After adoption of the budget resolution Congress has four months to negotiate budget authority and outlay estimates in relevant budgetary committees and subcommittees. These budget committees have the task to formulate a spending bill on their portion of the budget. If the (sub)committees actions result to exceed the limits of the first resolution, a second resolution can be formulated to bring the first resolution in terms with the committees spending bills. This resolution thus gives Congress the opportunity to revise spending, revenue and debt requirements resulting from both the first resolution and aggregate actions of the spending committees. It can also authorize specific committees to change existing laws (including entitlements and statutory provisions) to comply with the terms of the second resolution. This is called the reconciliation instrument (Gosling, 2009).

The act did not alter the formal role of the president. He continues to submit a budget proposal each year and Congress had the option of rejecting or accepting his recommendations (Schick, 2007).

Changes since 1974

The Budget Act of 1974 still forms the basis for our current budgetary process. However, since 1974 a number of amendments have been adopted by Congress to further smoothen the budgetary process. The first amendment is the Balanced Budget and Emergency Deficit Control Act of 1985. This act originally called for Congress to reduce the national deficit by \$36 billion a year in the five years following its adoption. It opted for a balanced budget in the fiscal year of 1991. The act presented a plan to equally cut in defense and domestic discretionary spending, but neglected a number of major entitlements such as Medicaid, Social Security, etc. It also created sequestration, by which automatic cuts would come into effect if deficit targets were not reached. Also the timetable was changed, for Congress to complete action before the start of the new fiscal year; in practice, Congress still has difficulty following its own timetable (Gosling, 2009). A second amendment was adopted in 1987, after a Supreme Court ruling that the president's decision-making could not be made subordinate to Congressional decision-making. Subsequently, the OMB was given exclusive responsibility to determine the necessity of sequestration (Gosling, 2009). Also, the target year was pushed back from 1991 to 1993. The amendments of 1985 and 1987 are also called the Gramm-Rudman-Hollings (GRH) Acts, after the proposers of these amendments (Schick, 2007).

In 1990 the president and Congress were faced with a budget crisis. The deficit targets allowed a deficit of \$64 billion, but projections showed a deficit of \$230 billion – an amount that could no longer be sequestered. Political leaders understood that measures were needed to contain the deficit (Schick, 2007). The Budget Enforcement Act was adopted, re-conceptualizing the deficit-reduction targets of Congress (Gosling, 2009). The Budget Enforcement Act had three basic rules: adjustable deficit/surplus targets, discretionary spending caps and pay-as-you-go rules for revenues and direct spending (Schick, 2007: 26). The deficit caused by discretionary spending was to be treated differently than the part caused by entitlement spending. For the years 1991 to 1993 separate caps were introduced for three categories of discretionary spending – defense, foreign aid and domestic. If these caps were exceeded, these excesses would be subject to sequestration. In 1993 the caps were removed with the Omnibus Budget Reconciliation Act, when discretionary spending was frozen up to 1998 at the level of 1993. Extra spending was only allowed if both the President and Congress considered this spending necessary. Any changes (increases) in entitlements had to be met by offsets in other entitlement programs. Only increases caused by growth in the target group was allowed. This was called the 'pay-as-you-go' basis (PAYGO). The OMB was given the responsibility to monitor the amount of offsets required (Gosling, 2009).

In 1997 the Balanced Budget Act was adopted, extending the Budget Enforcement Act well into 2002. This act is of importance as it was supported by both Democrats and Republicans. Following the deficit reduction, tightened caps were introduced at ten percent less than required to meet the projected rates of inflation. The budget grew towards a surplus in the federal budget (Gosling, 2009). Supporters of a balanced budget opted for changing the Constitution, prohibiting a deficit from ever being created again. Opponents argued that a constitutional rule would not be able to distinguish between a large or a small deficit or between causes of the crisis – structural

problems or cyclical disturbances. They opted for statutory remedies, that could be fine-tuned based on experiences and lessons learned by politicians (Schick, 2007)ⁱⁱ.

However, bipartisan politics and the need to increase spending in defense, homeland security and the war on terror caused the caps to expire (Gosling, 2009). In 2002 the rules established in the Budget Enforcement Act expired and after four years of surpluses (1998 to 2001), the deficit returned. President Obama, at his inauguration in January 2009, announced that it is not his objective to reach a balanced budget in his term. The continuing war on terror and the economic crisis that has plagued the United States over the last couple of years have caused the deficit to increase substantially. In the fiscal year of 2004 the deficit reached a peak at \$ 413 billion (Schick, 2007).

The current budgetary process

Following the 1974 Budget Act and the acts amending this bill over the last decades, the current budgetary process can then be described as follows (Wilson, 1994: 248; Gosling, 2009: 149, 150; Schick, 2007: 54):

Action	Date
The OMB assembles the budget requests from the cabinet departments and agencies	In the months preceding this First Monday in February
President submits budget request	No later than first Monday in February
Congressional Budget Office (CBO) reports to budget committees on fiscal policy and budget priorities	February, 15
House and Senate budget committees discuss the proposed budget	February and March
Congressional committees submit views and estimates to budget committees	Within six weeks of president's budget transmittal
Senate Budget Committee reports concurrent budget resolution to floor	April 1
Congress passes a budget resolution stating the total budget awarded to the cabinet and the president. In this budget, four caps are identified for defense, foreign aid, entitlements and discretionary spending. Any spending above these caps must be compensated by cutting in programs in the same cap	April 15
If budget resolution has not been adopted, appropriations may be considered in the House.	May 15
House and Senate act on regular	June – August

appropriations bills for fiscal year of budget; Congress acts on thirteen appropriations bills for the departments and agencies. The total amount of these bills equals the amount of the budget resolution. OMB and CBO release new revenue and expenditure projections	
Congress Appropriations Committees report last regular appropriations bill	June 10
Congress completes action on reconciliation bill	June 15
Congress completes action on regular appropriations bill	June 30
Conference reports and enactment of regular appropriations	September
President signs or vetoes the appropriations bills	Summer
Fiscal year begins	October 1
CBO issues (advisory) sequester report	10 days after adjournment
OMB issues final sequester order	15 days after adjournment
President issues final sequester order based on report	15 days after adjournment

Types of spending

The US federal government has an obligations-based budget system. Money is appropriated to agencies, giving them the authority to engage in financial commitments to implement their action plan with public funding. The budget as such is also the yardstick against which the implementation of the policy is measured for accountability, by politicians, but also by the media, interest groups and individual citizens (Gosling, 2009). The most common type of budget authority are the ‘appropriations’. An appropriations act is ‘a law passed by Congress that enables agencies to incur obligations and the Treasury to make payments for designated purposes’ (Schick, 2007: 214). Appropriations give agencies the possibility to oblige and later spend funds for specific purposes. Appropriations are often limited to one budgetary year. These are ‘regular appropriations’ or ‘supplemental appropriations’. The latter ones provide additional budget resources when the regular appropriation is insufficient or for activities that were not funded in the first place (Schick, 2007: 215). A regular appropriation consists of an enacting clause designating the fiscal year for which the appropriation is made, an account-by-account appropriation and general provisions (Schick, 2007: 263).

Other forms of appropriations are the ‘sum-certain appropriations’, with a dollar-limit to the funds available for spending, and the ‘sum-sufficient appropriations’ or ‘statutory appropriations’ authorizing an agency to spend the money necessary to reach a certain objective (Gosling, 2009).

Appropriations are authorized by appropriations committees of the houses of Congress. This part of the federal budget process is called ‘discretionary spending’ (Schick, 2007). This type of budget covers about one-third of the federal expenditures (Gosling, 2009).

Wildavsky (2001: 13) claims that about two-thirds of all budgetary spending is not based on appropriations budget, but on treasury budget. This ‘backdoorspending’ passes the appropriations committees and becomes automatic disbursement of funds through the treasury. This type of spending is called ‘direct spending’ and is controlled by authorizing and tax legislation. This legislation establishes the eligibility criteria and the measures under which payment takes place (Schick, 2007). Two forms of treasury budget can be distinguished: tax expenditures and mandatory entitlements.

Tax expenditures are what Wildavsky (2001: 13) defines as concessions that are granted in the form of tax reductions for, for example, home ownership, college tuition or medical expenses. Mandatory entitlements are open-ended entitlements that need to be paid to anyone eligible for certain benefits regardless of the total. These entitlements limit the financial flexibility of the budget, as a part of the budget needs to be spent regardless of the policy choices made. Once entitlements become law, all persons who legally qualify for federal assistance have the right to receive it (Gosling, 2009). Most entitlement spending is put down in permanent or continuous appropriations (Schick, 2007). Wildavsky (2001) considers both the tax expenditures and the entitlements avenues of escape from comprehensiveness in the budget, and as such from a balanced budget.

Political process

This paragraph discusses the above mentioned timetable in more detail by considering the political process underlying the budget. The two parties involved in the budgetary process, the president and Congress, and the role they fulfill in the process are discussed.

The President of the United States

The president of the United States forms the executive power (de Tocqueville and Heffner, 2001). For more information on the constitutional role of the president, reference is made to appendix II of this research paper.

The Constitution does not require the president to prepare a budget proposal. However, the presidential budget has become one of the major policy-making tools he has. The budget process offers him the opportunity to set out his vision; his political power lies in setting priorities for spending the scarce financial resources available. Each year before the first Monday in February he submits a comprehensive plan to Congress, formulating national priorities, identifying policy tradeoffs, and specifying the level of borrowing – if any – needed to finance the spending package (Gosling, 2009). This is called the President’s Budget. The current legal basis for the presidential budget lies in the Budget and Accounting Act of 1921. This act makes him responsible for the national budget, requiring him to submit an annual estimate for spending and

revenue. The Office of Management and Budget (OMB) assists him in this process (Schick, 2007: 84).

The presidential budget proposal is established in a decentralized manner. Agencies formulate a proposal for the following fiscal year, in which they describe their policy plan and request for the financial means to execute this plan. Formulation of these proposals usually takes between eight and ten months and is concentrated during spring and summer. OMB – the presidential advisory agency for financial and economic affairs – reviews the agency request in the fall, after which it gives a recommendation on program and financial means required. Agencies have a brief period to appeal for more funding than recommended by OMB. When all issues are resolved, the budget is finalized, printed and submitted to Congress. The deadline for submitting the presidential budget proposal is the first Monday of February (Schick, 2007).

The federal budget can only be changed marginally. The vast majority of the budget is already ‘spent’ in entitlements or permanent appropriations. The president can only deviate from these compulsory spending under special circumstances. He, therefore, has to choose his topics and identify specific proposals he wants to change in discretionary spending (Wilson, 1994).

The presidential budget is merely a request to Congress; federal agencies cannot spend money or initiate programs based on this budget proposal. The presidential budget is the starting point for congressional deliberation. Often, the president’s budget is declared ‘dead on arrival’ the moment he submits it to Congress (see the following paragraph on Congress). Of course, the president tries to uphold as much of this budget proposal as possible in the budget resolution Congress formulates. The OMB tracks the progress of the president’s budget through Congress. In a formal sense the president can intervene in the process by communicating his priorities and giving directions to agency submissions (Schick, 2007: 96). The focus of his interventions, however, lies after the agencies have submitted their requests and the president can start negotiations with appropriations committees. Schick (2007) argues that a president’s success in influencing the contents of the budget resolution lies in his personality, the composition of Congress, the economic circumstances, his influence on the media and the support he receives from interest groups. Also, instead of revealing his true preferences at the offset, the president submits a budget containing unrealistic proposals, positioning him for the negotiations with Congress at the end of the process. Congress will, in practice, not defer too much from the president’s budget totals; politically speaking it is difficult for Congress to increase the deficit or cut the budget or specific purposes (Schick, 2007).

The president has the final say with regard to the budget as he vetoes or signs the separate appropriation bills. He signs the budget bill passed through Congress, but he also has the right to veto line-items in the bill. This ‘line-item’ veto authority enables him to reject provisions he considers offensive (Schick, 2007: 113). As such he can change details in the budget, without influencing the major issues of the budget.

Congress

Congress's role – as legislature – is to react to the president's budget proposal. Both Houses of Congress do this in a budget resolution in which an alternative plan is presented for the president's budget. This resolution sets forth congressional budget priorities for the next fiscal year. It specifies the budget totals (total revenue, budget authority, outlays, surplus or deficit, public debt) and allocates financial means to about twenty functional categories.

For more information on the constitutional role of Congress, see appendix II.

The budget resolution

The budget resolution includes draft reconciliation instructions, formulated in a reconciliation bill. The reconciliation procedures allow Congress to change existing revenue or direct spending laws (Schick, 2007: 61). The reconciliation bill is only used in years in which Congress wishes to change legislation on revenues and spending. The budget resolution contains reconciliation instructions for specific committees to report on legislation that changes revenues or spending. These instructions include: the committees directed to recommend legislation, the amounts by which existing revenue and directing laws are to be changed and set a deadline by which the committees are recommended legislation implementing the changes (Schick, 2007: 142). The broader the scope of reconciliation, the greater the importance of the resolution in setting the agenda for Congress and revising budget policy (Schick, 2007: 122). When more than one committee in the House or Senate is subject to reconciliation, the legislative changes are included in a omnibus bill.

The budget resolution and reconciliation bill do not have legal effect, as they are not presented to the president for his signature or veto. This is done to underline the independent position of Congress in formulating its own budget proposal. It does, however, establish the framework in which Congress considers revenues and spending (Schick, 2007: 56). For any spending proposal of Congress, a financial cover is required. Any additional spending Congress may approve, has to be covered by tax or fee increases or by reallocation (Gosling, 2009). Delay in the resolution is a barometer for the political conflict on budgetary policy. As the stakes of the annual budget are high – and determine which policy priorities will be established in the following year – the budget heightens political conflicts.

Gosling (2009: 7) states that political conflicts may be based on underlying value differences, differences in instrumental policy preferences, constituency interests, partisanship, role conflicts and institutional rivalries. The policy preferences of politicians mostly reflect their values. Following these values, coalitions of politicians are formed, often following partisanship lines. However, the policy preferences of these politicians may conflict with the interests of their constituents – this is partly caused by the fact that constituents' interests are not uniform. On the basis of constituent interests coalitions may be formed, that may differ from the partisanship or shared value coalitions.

Congressional committees and procedures

Congressional budget action takes place within four sets of committees: budget committees, authorizing committees, appropriations committees and revenue committees (Schick, 2007: 55). Both the House of Representatives and the Senate have these four sets of committees.

The *budget committees* have the task of formulating and reporting on the budget resolution. They also monitor the budget and advise Congress on budget impact of legislation (Schick, 2007: 55). The budget committees fill their year monitoring budget developments and the work of other committees (Schick, 2007: 131).

Within the framework of the budget resolution, these committees, furthermore, allocate new budget authority, outlays, and other aggregates to the other committees. They appropriate funds to the different appropriations committees, following section 302 of the Budget Act. Section 302(a) provides spending caps for the different appropriations committees. Section 302(b), in turn, divides the budget resources available for an appropriations committee between the different subcommittees affiliated with this appropriations committee. This allocation limits the total budget authority and outlays available. The sum allocated to the different subcommittees may not exceed total appropriated to the committee as a whole (Schick, 2007: 236).

Before funds can be appropriated to agencies, these agencies have to be authorized in law – this means pass a law in which the program is set up and its operating is specified. In an authorization law programs can also be changed or abolished. This is done by the *authorizing committees*. Authorizing law functions in two ways: inward to Congress, licensing the appropriations committees to consider appropriations and providing a framework for the committees to work in, and outward to federal agencies, licensing them to operate (Schick, 2007). The legislation is permanent unless the law expressly limits its duration or the provisions are amended by new authorizing legislation. There is no prescribed path to formulate authorizing legislation.

Most congressional committees are *authorizing committees*. Authorizing committees report on authorizing and direct spending legislation and oversee executive agencies. They submit views and estimates to budget committees on matters in their jurisdiction, taking CBO's cost estimates into account. They also recommend changes in laws pursuant to reconciliation instructions (Schick, 2007: 55). An authorization of discretionary spending is no more than a license to consider an appropriation. The actual appropriation is done by the appropriations committees.

The *appropriations committees* in effect reside over all discretionary spending. These are the most powerful committees as they control the portion of the budget that is subject to Congressional change on a yearly basis. Also the power of Congress to control budgetary decisions lies with the appropriations committees. These committees hold the purse strings and can decide which activities to fund in which areas. They report regular and supplemental appropriations bills and review proposed rescissions and deferrals (Schick, 2007: 55). Their recommendations are adopted by the houses of Congress about ninety percent of the times

(Wildavsky, 2001: 91). Chairs of the appropriations subcommittees are called ‘cardinals’, recognizing the power they exercise within their domain (Schick, 2007: 226).

The budget resolution establishes a spending cap for the appropriations committees. These spending caps are, subsequently, subdivided between the different subcommittees. These subcommittees actually consider the appropriations bills. The subcommittees act independently, within the limits of their spending caps (Schick, 2007). The subcommittees also establish account structure for federal agencies and rules for reprogramming. They maintain year-round relations with the agencies, providing guidance to agencies on expenditure of funds (Schick, 2007: 55).

Shortly after the President submits his budget proposal, the appropriations subcommittees conduct hearings in which the agencies defend their request for funds. Following these hearings, the subcommittees draft bills and reports on the appropriations for the following fiscal year. These bills and reports are often established in an incremental manner, reviewing each request with reference to the amount provided for the previous year. The bills and reports are, then, taken up one-by-one by the full appropriations committee. The full committee may revise the bills and reports submitted by the subcommittees, but they rarely make major changes. A complete committee bill then goes to the floor for deliberation and voting. Section 302 of the Budget Act inhibits the adoption of floor amendments that are to change the amounts appropriated by the committees. Disagreements between the versions of the House and Senate committees are settled in conference. The Senate normally accepts or amends the bill adopted by the House. However, sometimes the Senate produces its own bill parallel to the House’s bill; this bill is then inserted as a single amendment to the House bill (Schick, 2007).

The *revenue committees*, finally, report on revenue legislation and legislation on Social Security and other entitlements. They also submit views and estimates to budget committees and recommend changes in laws pursuant to reconciliation instructions. And they report legislation adjusting the statutory limit on the public debt (Schick, 2007: 55). The House Ways and Means Committee and the Senate Finance Committee are two of the oldest and most powerful committees in Congress (Schick, 2007: 56).

Appendix III: American democratic system

The principles: James Madison

The United States democratic system finds its origins in the classic model of liberal democracy. In a liberal democracy the participation of the people is limited to the election of their representatives. These representatives answer to the people (vertical accountability) and to each other (horizontal accountability) (Diamond, 1999: 10). This combination of vertical and horizontal accountability establishes a balance between the ‘sovereign people’, who are recognized to be the legitimate source of state power, and the ‘sovereign state’, mandated by the people to use this state power (Held, 2006: 60). Diamond (1999) argues that this accountability ensures that the executive power of the representatives is limited and the democratic process is guaranteed.

James Madison is widely considered the founder of US democracy. His theory is based on the central notion of “protecting individual freedom through the institution of a public power that is legally circumscribed and accountable ultimately to the governed” (Held, 2006: 70). In the tradition of Montesquieu, he recognized the importance of a separation of powers. In his words, pure democracies were no more than intolerant, unjust and unstable societies, in which political judgments, policies and actions were based on a majority interest. The rights and interests of the minority were neglected or sacrificed (Held, 2006).

Clashes of interests, judgment and rivalry among competing factions are, in the eyes of Madison, inevitable. It is, therefore, of importance to control these clashes, by creating institutions that have both the mandate and the capacity to do so (Held, 2006). This government, in turn, needs to be accountable to all citizens at a regular basis – through elections. However, to prevent the majority from taking all the power in the elections, certain constitutional guarantees need to be laid down. These guarantees are a system of political representation and a large electoral body. The first, a system of political representation, requires regular elections. Elections force the factions to clarify their ideas in order to ‘sell’ them during the electoral campaigns. The elections also ensure that those who are competent and capable of representing the people are selected. The large population is needed to ensure that the people can actually choose from a number of good candidates. The larger the population the larger the number of capable and competent candidates. The separation of powers enables a system of checks and balances between the different powers (Riker, 1965).

United States Constitution

These principles formulated by Madison were laid down in the American Constitution. The framers of the Constitution spoke of the representative democracy as ‘the republic’ (Wilson, 1994). The Constitution laid down a presidential system of government, in which political power is vested in separate branches of government: a president and a congress. The American system is built on an organized distrust against the government and those in power. Madison (in Wilson, 1994: 10) stated: “In framing a government which is to be administered by men over men, the

great difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself”.

The presidential system is, therefore, based on the idea that policies should be tested for their political acceptability at every stage of the policy-making process – so not just during the elections. The framers of the Constitution thus guaranteed that the representatives continuously respected the wishes of their electors.

Madison’s ideas regarding a political system for the United States, written down in the Constitution adopted in 1787, was organized as follows (Wilson, 1994: 16/17):

- three governmental branches: legislative, executive and judicial
- a House of Representatives, composed of members elected from each state (the number of members per state varying) for a two-year term
- a Senate, composed of two members from each state, to be elected by state legislatures for 6-year term
- a president, to be elected for a 4-year term by ‘electors’. These ‘electors’ were chosen by the state legislature, “in such a manner as the state legislature shall direct”
- the national legislature has supreme powers on all matters transcending the interests of one separate state. This power includes a power to veto any state law
- a judiciary, consisting of a Supreme Court and an unlimited number of lower courts created by Congress. The judges were to be nominated by the president and confirmed by the Senate; their terms were unlimited, “during good behavior”.

This political system is based on two main principles: federalism and separation of powers. This separation of powers was meant to ensure the democratic value of the political system and the system of checks and balances. The president has the power to propose legislation; congress, however, has the political power to accept or decline the proposals. An independent judiciary completes the system of checks and balances. This judiciary controls both the president and the congress. To maximize the democratic value of the American political system, the Speaker of the House, a chosen representative of the people, is the third in line for the Presidency, to replace the president and the vice-president (Wilson, 1994).

The institutions

Office of the President

The Constitution identifies the following mandate of the President (Wilson, 1994: 219), to:

- serve as Commander in Chief of the armed forces
- commission officers of the armed forces
- grant reprieves and pardons for federal offenses (except impeachment)
- receive ambassadors
- take care that the laws be faithfully executed

- wield the 'executive power'
- appoint officials to lesser offices

Besides these powers, the president has a number of powers he shares with

- the senate:
 - make treaties
 - appoint ambassadors, judges and high officials
- Congress as a whole:
 - approve legislation

Thus, a president who enters the Office has the right to command the military, create a government, set an agenda, convene the legislature and execute laws. This mandate granted to the president is limited and makes the president no more than a 'chief clerk'. This is exactly what the framers of the Constitution aimed for. They wanted to prevent the president from becoming a despotic, monarchical figure dominating public life and granted the most important powers to the House of Representatives (Riker, 1965). Also the checks and balances system limits the president's official power. The Office of the President was a subordinate branch of government (Wilson, 1994; Singh, 2003; Riker, 1965).

Nowadays, however, the President of the United States is the most powerful man in the world. Wilson (1994) states that since the end of the Cold War and the subsequent changes in international relations, the attitude of the American people towards the president has changes. They increasingly look to their president for moral support and guidance, also regarding national policy issues (Wilson, 1994).

Also the informal resources linked to his official mandate seem to have grown since the days of Madison. Wilson (1994) asserts that the president's authority as Commander in chief has won in importance, especially in wartime. His mandate now encompasses also economy management and foreign policy. Wilson (1994) states that this power was presented by several presidents sending their troops at war without consent of Congress. Wilson, furthermore, claims that since the 1930s Congress exceedingly passes enabling legislation, leaving the specifics on execution of the legislation to the Office of the President (Wilson, 1994: 220). And presidents are now allowed to run for a second term in the office – this only became possible after the presidency of George Washington (Wilson, 1994).

The Office of the President itself, finally, has increased tremendously (Riker, 1965). The White House staff includes up to 500 persons; their appointment does not have to be confirmed by the Senate. The White House includes a staff that deals exclusively with Congress and follows developments of interest to the Presidential legislative agenda. Furthermore, executive agencies that were once objective advisors to all political institutions, have now been incorporated in the White House council staff. These include, for example, the Office of Management and Budget, the Council of Economic Advisers, the Central Intelligence Agency (CIA), the Office of the U.S. Trade Representative, the Council of Environmental Quality, the Office of Science and

Technology Policy, and the Office of Personnel Management (Jones, 1990). The president appoints the heads of these agencies; the candidates, in contrast to his direct staff, need to be confirmed by the Senate.

Finally, the president's cabinet has grown in importance. The appointment of cabinet departments is, according to Wilson (1994), a development that finds its origins a number of years after the adoption of the Constitution. The first cabinets (of State and Treasury) were established in 1789 (Wilson, 1994); the last department created, has been the Department of Homeland Security established in 2003 under the Bush administration. This shows that the American government is still subject to development. This goes for the Office of the President, but has inevitable consequences for the position of Congress in the US political system.

Congress

The framers made Congress the most powerful of all three institutions. Congress's powers are laid down in article 1 of the Constitution (Wilson, 1994: 180):

- to lay and collect taxes, duties, imposts, and excises
- to borrow money
- to regulate commerce with foreign nations and among the states
- to establish rules for naturalization and bankruptcy
- to coin money, set its value, and punish counterfeiting
- to fix the standard of weights and measures
- to establish a post office and post roads
- to issue patents and copyrights to inventors and authors
- to create courts inferior to the Supreme Court
- to define and punish piracies, felonies on the high seas, and crimes against the law of nations
- to declare war
- to raise and support an army and navy and make rules for their governance
- to provide for a militia
- to exercise exclusive legislative powers over the seat of government (i.e., District of Columbia) and over places purchased to be federal facilities
- to "make all laws which shall be necessary and proper for carrying into execution the foregoing powers, and all other powers vested by this Constitution in the government of the United States".

The framers created a bi-cameral institution, to prevent the concentration of power in one mere institution (Singh, 2003). The House of Representatives, of which the members are directly chosen by the people of their state and consists by law of 435 members. Each state has at least one member, the exact number depends on the population in the state – this number is adjusted every ten years. And the Senate, consisting of two members per state (originally) chosen by the legislatures of the states. The Constitution prohibits amendment of this number.

The representatives in Congress are elected by the people of their state. They generally need to win both a primary and a general election; in these elections the representative's personality has a greater impact than the party s/he represents (Singh, 2003). Party discipline, therefore, is limited; because of the primaries the parties themselves can hardly influence who becomes 'their' candidate for the congressional seats (Singh, 2003). This has highly personalized congressional elections. Also, given the fact that Congress does not choose the chief executive, the members of Congress can vote independently on proposed laws and express their personal views and opinions. Their accountability lies with their constituents (McKay, 2001).

A member's background proves to be of importance in certain issues, such as civil rights or poverty. Seniority and partisanship traditionally determine voting behavior. Also ideology and constituency preferences prove to be important in predicting voting behavior (Wilson, 1994: 184).

The members of Congress are well taken care of: they receive substantial salaries, retirement benefits, three-room suite offices, staff of at least eighteen persons and have a travel budget that allows for 33 home trips a year (Wilson, 1994). In return for these benefits, the members of Congress have two important functions (Jones, 1990), namely to represent the American people in all its variety and diversity and to present a forum for taking policy initiatives. Congress shares its power with the president, as the president can veto any act of Congress, and is subject to the power of the Supreme Court (Wilson, 1994: 182).

Chapter two argues that Congress has learned to operate more professionally. Many theorists (among others McKay, 2001; Wilson, 1994; Polsby, 1990; Aberbach, 1998) claim that because of these internal struggles Congress has lost power to the president, since the 1960s. McKay (2001: 156) states that technological changes, such as the introduction of the television, but also sociopolitical movements, such as the abolishment of slavery, changed the position of Congress. Polsby (1990) recognizes a difference in character of the House of Representatives and the Senate. According to him, the Senate has become more national and out-ward looking. Senators no longer solely represent their state's interest but contribute to federal policy initiatives. They have also taken an interest in constituents from other states, thus representing the American people as a whole. Polsby (1990) considers the introduction of the television as a major initiator for this change; senators used the medium to support their presidential ambitions. The old boys inner club started to disappear in the 1950s – this process was further pressed by the presidency of Lyndon Johnson. He centrally led the Senate, thus diminishing the inner club's influence (Polsby, 1990). However, the largest change regarding Senate can be considered the 1913 Constitutional amendment, which requires senators to be elected directly by the people, instead of by state legislatures.

The character of the House of Representatives was less touched by change. Up to recently committees of the House of Representatives were dominated by members who earned their position on the basis of seniority. Representatives fulfill an average of five terms in the House; congressional seats are rather safe, causing the House to change only slightly in composition

(Wilson, 1994). Only recently a new generation of House members have taken over. Polsby finds that these new leaders provide for a new political strategy. Committee chairmen are no longer untouchable and are replaced by younger colleagues. Also, subcommittees have gained more autonomy (Polsby, 1990). Singh (2003) thinks that this development has a positive effect on the democratic character of the House.

Judiciary

The US legal system is not described in the Constitution; the only court mentioned is the Supreme Court. The Constitution describes one mere function of the Chief Justice: preside over an impeachment procedure against the president (Sing, 2003). The number of judges nor its mandate have been described in the Constitution. As stated above, the Constitution grants power to Congress to “create courts inferior to the Supreme Court” (Wilson, 1994: 180).

All courts that now form the US judiciary, therefore, have been created by Congress, to handle cases that need not be brought before the Supreme Court. At a federal level three types of court exist: the US District Courts for trial courts of general jurisdiction, the US Court of Appeals for intermediate appellate courts and the US Supreme Court, the highest appellate court. The constitutional courts – the district courts for example – exercise the judicial powers vested in article III of the Constitution. The legal courts – appeal courts – are established to set up for specialized purposes, such as military law or economic law. The Supreme Court is the highest court in the country. Eight justices and one Chief Justice administer justice (Wilson, 1994).

The judiciary is increasingly confronted with a political dimension in its procedures. Congress sets the number of justices that serve on the court. The appointment of justices for the Supreme Court is a political decision of the president; he can nominate candidates that share his ideology. The Senate confirms the nominees, but hardly ever rejects a candidate (Singh, 2003: 188). Theorists (Singh, 2003; McKay, 2001) argue that appointing a Justice is of great political value for a president. The position of Justice in the Supreme Courts is a position for life; the justices will still be there long after the president has left the Oval Office. Furthermore, a Supreme Court Justice is one of only nine members. His or her say, therefore, gives weight to every decision made. Singh (2003) states that in practice, divisions in court often prove to be divisions along the party lines. By putting someone in the Supreme Court that shares the president’s ideology a president can put a long-term mark on the Supreme Court’s color. Singh argues that this may very well undermine the legitimacy of the courts. McKay (2001) disagrees by stating that the courts’ legitimacy is still found in its function for conflict resolution and the interpretation of the Constitution. The political dimension is no more than a factor the judges have to take into account when deciding over a case. The democratic value of the judiciary, however, is undisputed. This cannot be said for the federal bureaucracy.

Federal bureaucracy

The federal bureaucracy is often called the ‘fourth power’. Where in 1789 bureaucracy consisted of three departments (Treasury, State, War) and an attorney-general, the federal bureaucracy is now the largest employer in the country, offering jobs for over two million people (Singh, 2003).

Wilson (1994) argues that the tremendous increase in federal bureaucracy was mainly caused by two events: the Depression (1930s) and World War II. During this period the attitude of the people towards government changed; people expected government to deal with economic and social problems, requiring governmental agencies to grow (Wilson, 1994).

The bureaucracy is mentioned in the Constitution. To prevent the federal bureaucracy from developing into a tyrannical force, powers were divided between federal, state and local levels. Departments or agencies installed at federal level are simultaneously installed at state or local levels. Public administration, furthermore, works for both the president and Congress.

Wilson (1994: 274) identifies five problems regarding bureaucracy: 'red tape' (complex rules and procedures), conflict between agencies, duplication between federal and lower levels of government and between agencies, imperialism of agencies and the waste of money.

The question, however, is whether bureaucracy in fact acts as autonomously from Congress and the president as is argued. Shipan (2004) shows that agencies do tend to make policy decisions, but they do this within the framework of the mandate given to them by Congress. Thus acting on the configuration of institutions and preferences acknowledged to them. Hammond and Knott (1996) concur with Shipan in that agencies make these policy decisions within a political context. If preferences of Congress or the president change, an agency will have to adjust its policy-making to adhere to these new preferences. Shipan (2004: 468) calls the political context in which the agencies operate a 'regime' and states that agencies will adapt their actions to this regime, even if their own preferences remain the same. Agencies act on the assumption of the future preferences of the other parties. As such, it appears to be a game theory model, in which one party acts on the other party's behavior. Meier (1997) adds that bureaucracy does function rather effective and responsive to the governments needs. He claims that the problems that do exist, lie more in the governance of the bureaucracy than in the bureaucracy itself. Wilson (1994) and Whitford (2007) advance similar views. Wilson (1994) states that most of these problems come from the government's structure itself and not from incompetence or power-hunger among bureaucrats. Whitford (2007) adds that the bureaucratic preferences are best explained by the agency's rules, capacity and budget than by the political context.

So, what then is the control of Congress and the president on the administration's functioning? What role do these two parties play and how does it affect the bureaucracy's functioning? Meier (1997) believes that, because Congress and the presidential office are electoral institutions, their control over the boundaries of their institutions is little; positions change every four years. Their skill is offering platforms for political deliberation and act on urgent societal issues. Bureaucracy, in turn, was not designed to deal with political conflicts, but is organized to manage long-term policy projects. This difference in focus and goals helps explain the clash between the two systems. But also between Congress and the president do these clashes occur. Aberbach (1998) argues that the president has the incentive to control bureaucracy as bureaucracy can make him accomplish his policy agenda; he lacks, however, the capacity to do so. Congress, in turn, has the capacities to control the administration but lacks the incentive. Even Congress itself, however,

struggles with the question of control. Hammond and Knott (1996) note that at least fourteen different Congress committees are involved in managing the bureaucratic system. Aberbach (1998) calls this Congress's micromanagement of the bureaucracy. If we are to answer the question of who controls bureaucracy, the conclusion is that both Congress and the president need to be taken into account. Both electoral institutions influence the political context in which the public administration functions and both assign bureaucracy to make and implement policy. The extent of this influence varies depending on the president or composition of Congress (Aberbach, 1998). Bureaucracy, in turn, will influence the implementation of policy within the autonomy granted by both Congress and the president. The discussion of who controls what is not of relevance in the scope of the current research project and will, therefore, not be included.

Appendix IV: analysis of qualitative factors

Year	President	Budget goal	Instruments: tax-raise, cut-back expenditure, strengthening economic growth	Realization: Revenues Outlays Balance (in \$billion)	Growth outlays (in %)	Growth revenues (in %)	Internal factors: composition of Congress	Internal factors: political developments	External factors
1996	Clinton	(Schick, 2007: 85): - Budget is highest legislative priority - Involvement with budget out of temperamen t and political calculation - Involvement = sending Congress change-oriented budgets, actively wielding his veto pen when Congress proposed bills that ran counter to his budgetary preferences - Focus on	<ul style="list-style-type: none"> • taxes on the wealthiest 1.2% of Americans • new energy tax on all Americans • higher taxes on benefits for Social Security • expansion of the earned income tax credit (EITC) – a refundable tax credit for families with children • adapting of economic conditions and policies: aim is to decline long-term interest rates. 	1,414.9 1,578.6 -163.7	n/a	n/a	House of Representatives: Rep 228 Dem 206 Ind 1 Senate Dem 45 Rep 55 Ind 0	- Disagreement between president and Congress on continuation of Medicaid as open-ended federal entitlement and on capping Medicare benefits as a way of transferring future cost growth to health-care providers and, indirectly, recipients themselves. - Disagreement on tax reduction	- economic expansion for fourth year in a row - adding jobs and pushing the economy toward full employment. - real GDP growth: 2.4 percent, - the unemployment rate 5.8 percent - Inflation: 3.2 percent

		<ul style="list-style-type: none"> - expenditure matters - Actively participates in budget policy, well informed on matters in dispute, familiar with salient details of federal programs - Negotiates with department heads and resolves issues that remained after OMB completes review - Makes decisions on size and direction of government, composition of tax legislation and shape of policy initiatives. 							
Year	President	Budget goal	Instruments: tax-raise, cut-back expenditure, strengthening economic growth	Realization: Revenues Outlays Balance (in \$billion)	Growth outlays (in %)	Growth revenues (in %)	Internal factors: composition of Congress	Internal factors: political developments	External factors

1997	Clinton	See 1996	See 1996	1,476.4 1,645.2 -168.8	+4	+4.2	House of Representatives: Rep 228 Dem 206 Ind 1 Senate Dem 45 Rep 55 Ind 0	- budget negotiations of president with the bipartisan congressional leadership on balancing the budget by 2002. Using the economic and technical assumptions of the Office of Management and Budget, this budget projects a surplus of \$40 billion in 2002.	- Three years into this Administration , the Nation is stronger and moving in the right direction. The economy continues to grow, with the lowest combined rates of unemployment and inflation in nearly three decades. - We have created nearly eight million new jobs— over seven million of them in the private sector, and a million of those in basic industries like construction and auto mobiles. - Exports are at an all-time high. - Economic expansion for five years in a row. - economic growth has
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Year	President	Budget goal	Instruments: tax-raise, cut-back expenditure, strengthening economic growth	Realization: Revenues Outlays Balance (in \$billion)	Growth outlays (in %)	Growth revenues (in %)	Internal factors: composition of Congress	Internal factors: political developments	External factors
									<p>slowed to a sustainable rate without triggering an increase in unemployment</p> <ul style="list-style-type: none"> - Economic growth: 3.5% - Unemployment rates: stable. Payroll employment rose by 1.7 million in 1995 and the unemployment rate averaged 5.6 percent for the year, which was its lowest level since 1990. - Inflation: 2.7% - Interest rates: 5.3%
1998	Clinton	See 1996	See 1996	1,566.8 1,687.4 -120.6	+2.5	+5.8	House of Representatives Rep 223 Dem 211 Ind 1 Senate Dem 45	<ul style="list-style-type: none"> - Bipartisan social security reform plan formulated - The President's determination 	<ul style="list-style-type: none"> - Economy is in excellent health - Fed gov partially shut down 2x: disputes between

							Rep 55 Ind 0	to balance the budget – a determination shared by Congress led to: - Eliminate or scale back unnecessary and lower-priority programs. - May 2, 1997: agreement on further deficit reduction aimed at balancing the fed budget by 2002 - 541,1 billion cap imposed - Shrinking the size of government and improving its performance.	Administration and Congress <u>Projections in budget:</u> Real growth 2.8% Labor Market 2.6 Mil jobs extra Unemployment rates 5.4% Inflation 2.2% GDP price index <u>Actual Data</u> Real growth (GPD Real, chained (1996) dollars): 4.3% Labour market Annual average: 4.5% Inflation (GPD Chained price index): 1.2%
Year	President	Budget goal	Instruments: tax-raise, cut-back expenditure, strengthening economic growth	Realization: Revenues Outlays Balance (in \$billion)	Growth outlays (in %)	Growth revenues (in %)	Internal factors: composition of Congress	Internal factors: political developments	External factors
1999	Clinton	See 1996	See 1996	1,742.2 1,733.2 +9.5	+2.6	+10.1	House of Representatives Rep 223 Dem 211 Ind 1 Senate	- Bipartisan support of the budget - Bipartisan social security reform:	- Healthiest economy over an generation - Consumer Sentiment index highest since 1950

							Dem 45 Rep 55 Ind 0	allocating 60% of budget surpluses to social security and 16% to Medicare (extending solvency by 10 years to 2020).	- On course for balanced budget (2000) <u>International events</u> - High foreign investment due to bad economic climates abroad) <u>Projections in budget:</u> Real growth 3.7% Labor market 3.2 Mil Jobs extra Unemployment Rate 4.7% Inflation 1.9% GDP price index <u>Actual Data</u> Realgrowth (GPD Real, chained (1996) dollars: 4.2% Labour market Annual average: 4.2% Inflation (GPD Chained price index): 1.5%
Year	President	Budget goal	Instruments: tax-raise, cut-back expenditure, strengthening economic growth	Realization: Revenues Outlays Balance (in \$billion)	Growth outlays (in %)	Growth revenues (in %)	Internal factors: composition of Congress	Internal factors: political developments	External factors
2000	Clinton	See 1996	See 1996	1,883.0	+1.8	+7.5	House of	- Gridlock	- Robust growth

				1,765.7 +117.3			Representatives Rep 221 Dem 212 Ind 2 Senate Dem 50 Rep 50 Ind 0	between president and Congress over surplus disposal - Monica Lewinsky scandal	low unemployment low inflation <u>International events</u> - Spread financial turmoil foreign markets (Russian government nearly default on its debts) <u>Projections in budget</u> Real growth 4% Labor market 2.9 mil jobs Unemployment Rate 4.3% Inflation 0.9% GDP price index <u>Actual data</u> Real growth (GPD Real, chained (1996) dollars: 4.1% Labour market Annual average: 4% Inflation (GPD Chained price index): 2.3%
Year	President	Budget goal	Instruments: tax-raise, cut- back expenditure, strengthening	Realization: Revenues Outlays Balance	Growth outlays (in %)	Growth revenues (in %)	Internal factors: composition of Congress	Internal factors: political developments	External factors

			economic growth	(in \$billion)					
2001	Bush	(Schick, 2007: 86): - Engaged in budget issues, principally on the revenue side - Little interest in expenditure matters - Rarely negotiates with department heads or congressional leaders on spending issues - Unbalanced budget focus	<ul style="list-style-type: none"> Economic Growth and Tax Relief Reconciliation Act of 2001 Cut in income tax: <ul style="list-style-type: none"> - a new 10% bracket was created for single filers with taxable income up to \$6,000, joint filers up to \$12,000, and heads of households up to \$10,000. - the 15% bracket's lower threshold was indexed to the new 10% bracket - the 28% bracket would be lowered to 25% by 2006. - the 31% bracket would be lowered to 28% by 2006 	2,019.0 1,835.0 +184	+3.8	+6.7	House of Representatives Rep 221 Dem 212 Ind 2 Senate Dem 50 Rep 50 Ind 0	- 3 rd balanced budget in a row - 9/11: attacks on New York (World Trade Center) and Washington (Pentagon)	- Economy excellent health (4 years in a row +4% GDP growth) - strong growth low inflation <u>international events:</u> More foreign imports of products (due to high consumer demand due to economic boom) <u>projections in budget:</u> Real growth 4.2% Labor market 2.7milj jobs Unemployment Rate 4.3% Inflation 1.6% GDP price index <u>Actual Data</u> Real growth (GPD Real, chained (1996) dollars): 0.3% Labor market Annual average: 4.8% Inflation (GPD Chained price index): 2.4%

			<ul style="list-style-type: none"> - the 36% bracket would be lowered to 33% by 2006 - the 39.6% bracket would be lowered to 35% by 2006 • The capital gains tax on qualified gains of property or stock held for five years was reduced from 10% to 8%. • Promote economic growth, by increasing government expenditure – increase in unemployment insurance • Estate tax reduction • Reduction in gift tax • Increase in government expenditure 						
Year	President	Budget goal	Instruments: tax-raise, cut-back expenditure, strengthening	Realization: Revenues Outlays Balance	Growth outlays (in %)	Growth revenues (in %)	Internal factors: composition of Congress	Internal factors: political developments	External factors

Year	President	Budget goal	Instruments: tax-raise, cut-back expenditure, strengthening economic growth	Realization: Revenues Outlays Balance (in \$billion)	Growth outlays (in %)	Growth revenues (in %)	Internal factors: composition of Congress	Internal factors: political developments	External factors
2002	Bush	See 2001	See 2001	2,048.0 2,128.0 +230	+4.2	+7.8	House of Representatives Rep 229 Dem 204 Ind 1 Senate Dem 48 Rep 51 Ind 1	- War in Iraq - War in Afghanistan - Introduction of war on terror policy	- Economic growth sharp decline - stock market plummet, - increase in unemployment rate, <u>projections in budget</u> Real growth 2.4% Unemployment rate 4.6% Inflation 2.1% GDP price index <u>Actual Data</u> Real growth (GPD Real, chained (1996) dollars): 2.4% Labor market Annual average: 5.8% Inflation (GPD Chained price index): 1.1%
2003	Bush	See 2001	<ul style="list-style-type: none"> Jobs and growth taks relief reconciliation act Increased 	2,048.0 2,128.0 -80	+10.0	-7.0	House of Representatives Rep 229 Dem 204 Ind 1	A Budget to Fight War and Recession: • Places highest priority on war against terrorism	- Growth decelerated sharply, - president signed the Economic

			<p>exemption amount for individual alternative minimum taxes</p> <ul style="list-style-type: none"> • Lowered income taxes for dividends and capital gain • Maximum tax rate decreased • Increased possibility to deduct expenses from income • Decrease in capital gains taxes from 8/10/20% to 5/15% 				<p>Senate Dem 48 Rep 51 Ind 1</p>	<p>overseas and at home;</p> <ul style="list-style-type: none"> • Incorporates the bipartisan approach to economic stimulus that assists unemployed workers and fosters job creation; • Reforms the budget to focus on results instead of dollars spent; and • Funds high-priority initiatives while moderating growth in the rest of government. <p><u>Note of Congress</u> It is widely understood that a balanced budget is a proper benchmark <i>under normal political and economic circumstances</i>. But even balanced budget amendment proposals allow flexibility when emergencies occur, such as wars or economic</p>	<p>growth and tax relief reconciliation Act of 2001,</p> <ul style="list-style-type: none"> - 9-11 attacks, - recession - Deficit growth <p><u>International events</u> Economic recession abroad</p> <p><u>Projections in budget</u> Real growth 3.1% Unemployment rate 4.9% Inflation 1.6% ???</p> <p><u>Actual Data</u> Real growth (GPD Real, chained (1996) dollars) : 3.0% Labor market Annual average: 6.0% Inflation (GPD Chained price index) : 1.8%</p>
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Year	President	Budget goal	Instruments: tax-raise, cut- back expenditure, strengthening economic growth	Realization: Revenues Outlays Balance (in \$billion)	Growth outlays (in %)	Growth revenues (in %)	Internal factors: composition of Congress	Internal factors: political developments	External factors
2004	Bush	See 2001	See 2003	1,922.0 2,229.0 -307	+4.5	-6.6	House of Representatives Rep 232 Dem 202 Ind 1 Senate Dem 44 Rep 55 Ind 1	recessions. In such emergencies,the balanced budget requirement is to be temporarily suspended.	- Rise in unemployment , stock market continues to fall low inflation, economic outlook is uncertain <u>International events</u> World wide slowdown, low export abroad <u>Projections in budget</u> Real growth 2.9% Labor market : -/- 180.000 jobs Unemployment rate 6% Inflation 2.2% CPI <u>Actual Data</u> Real growth (GPD

Year	President	Budget goal	Instruments: tax-raise, cut-back expenditure, strengthening economic growth	Realization: Revenues Outlays Balance (in \$billion)	Growth outlays (in %)	Growth revenues (in %)	Internal factors: composition of Congress	Internal factors: political developments	External factors
2005	Bush	See 2001	See 2003	2,036.0 2,400.0 -326	+7.1	+5.6	House of Representatives Rep 232 Dem 202 Ind 1 Senate Dem 44 Rep 55 Ind 1	The President's 2005 Budget continues to support and advance three overriding national priorities: winning the war on terror, protecting the homeland, and strengthening the economy. The budget resolution: This budget recognizes the fundamental obligations of the Federal Government to promote <i>Strength for America, Growth for the</i>	Real, chained (1996) dollars: 4.2% Labor market Annual average: 5.5% Inflation (GPD Chained price index) : 2.6% - Economic outlook appears brighter small economic growth, low inflation <u>International events</u> Brighter outlook foreign markets <u>Projections in budget</u> Real growth 4.4% Unemployment rate 5.7% Inflation 2.1% CPI <u>Actual Data</u> Real growth (GPD Real, chained (1996) dollars: 3.3% Labor market Annual average:

Year	President	Budget goal	Instruments: tax-raise, cut- back expenditure, strengthening economic growth	Realization: Revenues Outlays Balance (in \$billion)	Growth outlays (in %)	Growth revenues (in %)	Internal factors: composition of Congress	Internal factors: political developments	External factors
								<i>Economy, and Opportunity for the Future</i> by promoting freedom at home and around the world. It does so in a fiscally responsible way that cuts the deficit in half in the next 4 years, with no tax increases.	5.1% Inflation (GPD Chained price index) : 3.0%
2006	Bush	See 2001	See 2003	2,178.0 2,568.0 -390	+6.5	+6.5	House of Representatives Rep 202 Dem 233 Ind 0 Senate Dem 49 Rep 49 Ind 2	Focus on: - Continued Strength. - Continued Growth. - Restrained Spending. - A principal aim of this budget resolution is to begin addressing the unsustainable growth of these programs.	<u>Projections in budget</u> Real growth 3.6% Unemployment rate 5.1% Inflation 2.4% <u>Actual Data</u> Real growth (GPD Real, chained (1996) dollars: 2.9% Labour market Annual average: 4.6% Inflation (GPD Chained price index): 3.2%

Appendix V: regression analysis

Correlation war on terror & economic crisis

Correlations			waronterror	eccrisis
Control Variables				
budgetbalres & balancedbudgetpres	waronterror	Correlation	1,000	,864
		Significance (2-tailed)	.	,003
		df	0	7
	eccrisis	Correlation	,864	1,000
		Significance (2-tailed)	,003	.
		df	7	0

Correlations

Correlations		waronterror	eccrisis
waronterror	Pearson Correlation	1	,823**
	Sig. (2-tailed)		,002
	N	11	11
eccrisis	Pearson Correlation	,823**	1
	Sig. (2-tailed)	,002	
	N	11	11

** . Correlation is significant at the 0.01 level (2-tailed).

Case Processing Summary

		N	Marginal Percentage
budgetbalres	surplus	4	36,4%
	balance	1	9,1%
	deficit	6	54,5%
warbattlebudget	yes	4	36,4%
	no	7	63,6%
socialsecurityreform	yes	5	45,5%
	no	6	54,5%
Valid		11	100,0%
Missing		0	
Total		11	
Subpopulation		3 ^a	

a. The dependent variable has only one value observed in 1 (33,3%) subpopulations.

Model Fitting Information

Model	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood	Chi-Square	df	Sig.
	Intercept Only	9,776		
Final	5,570	4,206	4	,379

Pseudo R-Square

Cox and Snell	,318
Nagelkerke	,378
McFadden	,209

Likelihood Ratio Tests

Effect	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood of Reduced Model	Chi-Square	df	Sig.
Intercept	5,570 ^a	,000	0	.
intevents1	7,802	2,231	2	,328
intevents2	7,493	1,923	2	,382

The chi-square statistic is the difference in -2 log-likelihoods between the final model and a reduced model. The reduced model is formed by omitting an effect from the final model. The null hypothesis is that all parameters of that effect are 0.

a. This reduced model is equivalent to the final model because omitting the effect does not increase the degrees of freedom.

Parameter Estimates

budgetbalres ^a		B	Std. Error	Wald	df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
								Lower Bound	Upper Bound
surplus	Intercept	-,693	,866	,641	1	,423			
	[intevents1=1]	-18,207	5911,227	,000	1	,998	1,238E-8	,000	. ^b
	[intevents1=2]	0 ^c	.	.	0	.	.	.	.
	[intevents2=1]	18,207	5911,227	,000	1	,998	8,075E7	,000	. ^b
	[intevents2=2]	0 ^c	.	.	0	.	.	.	.
balance	Intercept	-18,059	4050,848	,000	1	,996			
	[intevents1=1]	1,099	4050,848	,000	1	1,000	3,000	,000	. ^b
	[intevents1=2]	0 ^c	.	.	0	.	.	.	.
	[intevents2=1]	16,268	,000	.	1	.	1,161E7	1,161E7	1,161E7
	[intevents2=2]	0 ^c	.	.	0	.	.	.	.

a. The reference category is: deficit.

b. Floating point overflow occurred while computing this statistic. Its value is therefore set to system missing.

c. This parameter is set to zero because it is redundant.

Regression analysis for congressional budgetary resolution with economic crisis & war on terror

Case Processing Summary

Valid Active Cases	11
Active Cases with Missing Values	0
Supplementary Cases	0
Total	11
Cases Used in Analysis	11

Model Summary

Multiple R	R Square	Adjusted R Square	Apparent Prediction Error
,627	,393	-,012	,607

Dependent Variable: budgetbalres

Predictors: waronterror eccrisis

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	4,320	4	1,080	,970	,488
Residual	6,680	6	1,113		
Total	11,000	10			

Dependent Variable: budgetbalres

Predictors: waronterror eccrisis

Coefficients

	Standardized Coefficients		df	F	Sig.
	Beta	Bootstrap (1000) Estimate of Std. Error			
waronterror	-,845	,586	2	2,079	,206
eccrisis	,730	,679	2	1,155	,376

Dependent Variable: budgetbalres

Correlations and Tolerance

	Correlations			Importance	Tolerance	
	Zero-Order	Partial	Part		After Transformation	Before Transformation
waronterror	-,340	-,617	-,611	,732	,522	,371
eccrisis	,145	,561	,528	,269	,522	,371

Dependent Variable: budgetbalres

Correlations between social security and war on balanced budget

Correlations

		warbattlebudget	socialsecurityreform
warbattlebudget	Pearson Correlation	1	,828**
	Sig. (2-tailed)		,002
	N	11	11
socialsecurityreform	Pearson Correlation	,828**	1
	Sig. (2-tailed)	,002	
	N	11	11

** . Correlation is significant at the 0.01 level (2-tailed).

Regression for congressional budgetary resolution with social security and war on balanced budget

Case Processing Summary

Valid Active Cases	11
Active Cases with Missing Values	0
Supplementary Cases	0
Total	11
Cases Used in Analysis	11

Model Summary

Multiple R	R Square	Adjusted R Square	Apparent Prediction Error
,426	,182	-,364	,818

Dependent Variable: budgetbalres

Predictors: warbattlebudget socialsecurityreform

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	1,997	4	,499	,333	,847
Residual	9,003	6	1,501		
Total	11,000	10			

Dependent Variable: budgetbalres

Predictors: warbattlebudget socialsecurityreform

Coefficients

	Standardized Coefficients		df	F	Sig.
	Beta	Bootstrap (1000) Estimate of Std. Error			
warbattlebudget	-,747	,467	2	2,560	,157
socialsecurityreform	,687	,494	2	1,935	,225

Dependent Variable: budgetbalres

Correlations and Tolerance

	Correlations			Importance	Tolerance	
	Zero-Order	Partial	Part		After Transformation	Before Transformation
warbattlebudget	-,179	-,420	-,419	,735	,314	,314
socialsecurityreform	,069	,392	,385	,261	,314	,314

Dependent Variable: budgetbalres

Ordinal Regression between congressional budgetary resolution and fiscal instruments

Case Processing Summary

		N	Marginal Percentage
budgetbalres	surplus	4	36,4%
	balance	1	9,1%
	deficit	6	54,5%
government expenses	increase	11	100,0%
stimulate economy	increase	11	100,0%
taxation	increase	4	36,4%
	equal	5	45,5%
	decrease	2	18,2%
Valid		11	100,0%
Missing		0	
Total		11	

Model Fitting Information

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	10,587			
Final	7,289	3,298	2	,192

Link function: Logit.

Goodness-of-Fit

	Chi-Square	df	Sig.
Pearson	1,440	2	,487
Deviance	1,816	2	,403

Link function: Logit.

Pseudo R-Square

Cox and Snell	,259
Nagelkerke	,308
McFadden	,164

Link function: Logit.

Case Processing Summary

		N	Marginal Percentage
balancedbudgetpres	surplus	4	36,4%
	deficit	7	63,6%
government expenses	increase	11	100,0%
stimulate economy	increase	11	100,0%
taxation	increase	4	36,4%
	equal	5	45,5%
	decrease	2	18,2%
Valid		11	100,0%
Missing		0	
Total		11	

Model Fitting Information

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	6,232			
Final	4,087	2,145	2	,342

Link function: Logit.

Goodness-of-Fit

	Chi-Square	df	Sig.
Pearson	,000	0	.
Deviance	,000	0	.

Link function: Logit.

Pseudo R-Square

Cox and Snell	,177
Nagelkerke	,243
McFadden	,149

Link function: Logit.

Parameter Estimates

	Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Threshold [budgetbalancepres = 1]	-19,310	,913	447,457	1	,000	-21,099	-17,521
Location [fiscalinstrument1=3]	0 ^a	.	.	0	.	.	.
[fiscalinstrument2=1]	0 ^a	.	.	0	.	.	.
[fiscalinstrument3=1]	-19,310	1,354	203,390	1	,000	-21,964	-16,656
[fiscalinstrument3=2]	-18,905	,000	.	1	.	-18,905	-18,905
[fiscalinstrument3=3]	0 ^a	.	.	0	.	.	.

Link function: Logit.

a. This parameter is set to zero because it is redundant.

Nominal Regression between congressional budgetary resolution and composition of Congress

Case Processing Summary

		N	Marginal Percentage
budgetbalres	surplus	4	36,4%
	balance	1	9,1%
	deficit	6	54,5%
	Republican	8	72,7%
compositionSenate	equal	3	27,3%
compositionHouse	Republican	11	100,0%
Valid		11	100,0%
Missing		0	
Total		11	
Subpopulation		4 ^a	

a. The dependent variable has only one value observed in 1 (25,0%) subpopulations.

Model Fitting Information

Model	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	11,034			
Final	7,104	3,929	4	,416

Likelihood Ratio Tests

Effect	Model Fitting Criteria	Likelihood Ratio Tests		
	a	-2 Log Likelihood of Reduced Model	Chi-Square	df	Sig.
Intercept	7,104 ^a	,000	0	.
party	9,095	1,990	2	,370
compositionSenate	9,059	1,955	2	,376
compositionHouse	7,104 ^a	,000	0	.

The chi-square statistic is the difference in -2 log-likelihoods between the final model and a reduced model. The reduced model is formed by omitting an effect from the final model. The null hypothesis is that all parameters of that effect are 0.

a. This reduced model is equivalent to the final model because omitting the effect does not increase the degrees of freedom.

Parameter Estimates

budgetbalres ^a		B	Std. Error	Wald	df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
								Lower Bound	Upper Bound
surplus	Intercept	-,575	2,229	,067	1	,796			
	partypresident	,981	1,476	,441	1	,506	2,667	,148	48,151
	[compositionSenate=1]	-1,792	1,571	1,301	1	,254	,167	,008	3,623
	[compositionSenate=4]	0 ^b	.	.	0	.	.	.	.
	[compositionHouse=1]	0 ^b	.	.	0	.	.	.	.
balance	Intercept	-52,763	8337,332	,000	1	,995			
	partypresident	18,158	,000	.	1	.	7,689E7	7,689E7	7,689E7
	[compositionSenate=1]	15,860	8337,332	,000	1	,998	7723455,695	,000	^c
	[compositionSenate=4]	0 ^b	.	.	0	.	.	.	.
	[compositionHouse=1]	0 ^b	.	.	0	.	.	.	.

a. The reference category is: deficit.

b. This parameter is set to zero because it is redundant.

c. Floating point overflow occurred while computing this statistic. Its value is therefore set to system missing.

Nominal Regression

Case Processing Summary

		N	Marginal Percentage
balancedbudgetpres	surplus	4	36,4%
	deficit	7	63,6%
compositionSenate	Republican	8	72,7%
	equal	3	27,3%
compositionHouse	Republican	11	100,0%
Valid		11	100,0%
Missing		0	
Total		11	
Subpopulation		4 ^a	

a. The dependent variable has only one value observed in 1 (25,0%) subpopulations.

Model Fitting Information

Model	Model Fitting Criteria	Likelihood Ratio Tests		
		Chi-Square	df	Sig.
Intercept Only	7,489			
Final	5,670	1,820	2	,403

Pseudo R-Square

Cox and Snell	,152
Nagelkerke	,209
McFadden	,126

Likelihood Ratio Tests

Effect	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood of Reduced Model	Chi-Square	df	Sig.
Intercept	5,670 ^a	,000	0	.
partypresident	5,885	,215	1	,643
compositionSenate	7,437	1,767	1	,184
compositionHouse	5,670 ^a	,000	0	.

The chi-square statistic is the difference in -2 log-likelihoods between the final model and a reduced model. The reduced model is formed by omitting an effect from the final model. The null hypothesis is that all parameters of that effect are 0.

a. This reduced model is equivalent to the final model because omitting the effect does not increase the degrees of freedom.

Parameter Estimates

balancedbudgetpres ^a	B	Std. Error	Wald	df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
							Lower Bound	Upper Bound
surplus Intercept	-,161	2,208	,005	1	,942			
partyresident	,653	1,429	,209	1	,647	1,922	,117	31,640
[compositionSenate=1]	-1,944	1,548	1,578	1	,209	,143	,007	2,972
[compositionSenate=4]	0 ^b	.	.	0	.	.	.	.
[compositionHouse=1]	0 ^b	.	.	0	.	.	.	.

a. The reference category is: deficit.

b. This parameter is set to zero because it is redundant.

Weighted analysis on congressional resolution

Power Summary

Deleted Constant Variables^a

Power	Variables
-2,000	compositionHouse
-1,500	compositionHouse
-1,000	compositionHouse
-,500	compositionHouse
,000	compositionHouse
,500	compositionHouse
1,000	compositionHouse
1,500	compositionHouse
2,000	compositionHouse

Deleted from the equation because variables are constants after weighting.

a. Dependent variable: budgetbalanceresl, source variable: incrementalbudgetres

Log-Likelihood Values^b

Power	-2,000	-13,276
	-1,500	-12,116
	-1,000	-11,012
	-,500	-9,980
	,000	-9,035
	,500	-8,189
	1,000	-7,439
	1,500	-6,776
	2,000	-6,187 ^a

a. The corresponding power is selected for further analysis because it maximizes the log-likelihood function.

b. Dependent variable: budgetbalanceresl, source variable: incrementalbudgetres

Best Model Statistics

Model Description

Dependent Variable		budgetbalanceresl
Independent Variables	1	fiscalinstrument3
	2	compositionSenate
	3	extevents1
	4	intevents1
	5	intevents2
Weight	Source	incrementalbudgetres
	Power Value	2,000

Model: MOD_6.

Model Summary

Multiple R	,958
R Square	,917
Adjusted R Square	,814
Std. Error of the Estimate	,156
Log-likelihood Function Value	-6,187

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	1,085	5	,217	8,892	,027
Residual	,098	4	,024		
Total	1,183	9			

Coefficients

	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta	Std. Error		
(Constant)	29,343	18,488			1,587	,188
fiscalinstrument3	,917	,447	,545	,265	2,052	,109
compositionSenate	,343	,380	,661	,732	,903	,417
extevents1	-10,000	6,249	-3,491	2,182	-1,600	,185
intevents1	-2,161	1,147	-1,302	,692	-1,883	,133
intevents2	-8,917	5,501	-3,267	2,015	-1,621	,180

Excluded Variables

	Beta In	Partial Correlation	Minimum Tolerance	t	Sig.
extevents2	1,000	1,000	,000	,000	.

Appendix VI: questionnaire interviews

1. What is the role of the president in the budgetary process?
2. What is the role of Congress?
3. What is the relation between both institutions?
4. What are the consequences of political conflict between these two institutions for the federal budget?
5. Who has the deciding vote?
6. What was the federal budget policy of President Clinton?
7. What was the federal budget policy of President Bush?
8. Why did President Clinton reach a balanced budget, and why didn't President Bush?
9. To what extent did Congress support the policies of both presidents?
10. What explains why President Clinton gained the support of Congress in the late 1990s, even though he faced a hostile Congress?
11. What factors in the US political system can be identified to influence the budget balance?
12. What external factors influence the federal budget policy, and, therefore, the budget balance?
13. Results from the quantitative research show that – at a (semi)macroeconomic level – the president and Congress agreed on outlays and revenues. Can you think of explanations that might clarify these similar numbers and low levels of political conflict?
14. What are pro's and con's of a balanced budget?
15. What – in the end – decides the budget balance?
16. What do you think is of determining influence – political factors or economic factors?
17. What caused the budgetary deficit of the first years of this century?
18. What influenced the revenues between 1996 and 2006? Was it fiscal policy?
19. What fiscal policy is required to reach a balanced budget?
20. What do you think of the statement “The US political system decreases the possibility of a balanced budget”?
21. What do you think of the statement “External circumstances (economic and political) is the predominant factor in explaining what kind of balance is reached on the US federal budget”?
22. To what extent do local interests influence congressional behavior of individual members of Congress?
23. To what extent does this behavior influence the budget balance, in the end?

Appendix VII: interview results

Interview dr. Thomas Gijswijt (respondent 1)

Researcher University of Nijmegen
Department of Northern American Studies

Question 1: what is the role of the president and Congress in the budgetary process?

Laten we eerst een stapje terug doen in de geschiedenis: vroeger had de president geen rol in het begrotingsproces. Pas sinds de New Deal van President Roosevelt heeft de president een rol. President Roosevelt gebruikte zijn rol actief om begrotingsvoorstellen te doen en een eigen begrotingsplan te maken. Sinds de jaren 30 heeft de president die rol behouden.

In de huidige tijd heeft de president een belangrijke rol. Hij stelt een begroting samen, neemt daartoe het initiatief. Uiteindelijk blijft het echter het Congress dat over de begroting besluit.

In de beginfase van het presidentschap heeft de president veel speelruimte om de grote lijnen uit te zetten. In deze honeymoon periode valt het Congress de president minder aan, gaat eerder mee met zijn plannen. Reagan, bijvoorbeeld, initieerde een radicaal begrotingsplan in de beginfase van zijn presidentschap; Obama heeft dit ook gedaan, via de noodplannen in de strijd tegen de economische crisis. Daarin zaten al een hoop budgetbeslissingen die normaal het Congress neemt.

De president bepaalt in feite via zijn presidential budget proposal in grote lijnen waar het geld heen gaat; Congress is in response-rol teruggedrongen.

Question 2: but what about the statement 'the presidential budget proposal is 'dead on arrival'?

Congress verandert wel het een en ander aan het presidentieel begrotingsvoorstel, maar het zwaartepunt van de ideeën, de belangrijkste ideeën, komen van de president. Die zitten al in het plan en worden er niet uitgehaald.

Question 3: did President Clinton use his honeymoon period to introduce his balanced budget proposals?

Clinton heeft inderdaad in zijn honeymoon zijn budget ideeën door het Congress gedrukt. Zijn eigen democratische partij was helemaal geen voorstander van een balanced budget; maar hij vond het persoonlijk echt belangrijk en was bereid in de beginfase van zijn presidentschap politiek kapitaal hierop in te zetten.

Ook het inzetten op bipartisan voorstellen is iets wat in de beginfase van een presidentschap meer kans op succes heeft. Maar ook als de politieke noodzaak ervoor duidelijk is, is zoiets mogelijk. Als de partij van een president geen meerderheid heeft in het Congress, wordt het lastig voor een president. De oppositie kan dan het budget gebruiken om politieke punten te scoren. Voor Clinton was dat zo. Hij voerde een hevige strijd met Gingrich en de Republikeinen. Het ging

daarbij echt om prioriteiten zetten. Als je er nu echter op terug kijkt, zie je dat Clinton gewonnen heeft.

Question 4: in the theory on budgetary decision-making, the popular approval rates of a president are said to be a decisive influence in determining whether Congress supports the president. What do you think of this statement?

Het publiek wordt ook gestuurd – hun ideeën worden gevormd mede op basis van het politieke debat. Hier zit de kracht van de president, daar wordt meer naar geluisterd dan naar de leider van de Republikeinen in het Congress. Gingrich probeerde die rol te stelen, maar dat lukte hem niet.

Het publiek reageert op het politiek debat; de president kan zo de publieke opinie wel sturen. De winst van Clinton op Gingrich heeft niks met approval ratings te maken, maar met het feit dat hij in staat was het publiek ervan te overtuigen dat de Republikeinse strategie om een balanced budget te bereiken fout was en slecht uit zou pakken.

De president is zich wel bewust van de polls; als hij niet in staat blijkt het publiek aan zijn kant te krijgen, zal hij eerder geneigd zijn tot het sluiten van compromissen.

Question 5: but if he does take the polls into consideration when formulating his political strategy, why can't you state that approval ratings determine a president's position with regard to Congress?

Hij probeert polls actief te beïnvloeden. Als hij daar niet in slaagt, zal hij besluiten dat het politiek te moeilijk is om een bepaald idee door te drukken. Het publiek debat beïnvloeden is de president's grootste machtswapen.

Question 6: to what extent do externalities influence a president's policy?

De politieke context is cruciaal. Bush had zijn beleidsagenda er niet doorheen kunnen krijgen zonder de aanslagen van 9/11. Hetzelfde geldt voor de economie; economisch moeilijke omstandigheden maken besluitvorming een politiek wapen van oppositie. Zij kunnen een president erop aanvallen dat hij niet in staat is de economische situatie te verbeteren of bepaalde beslissingen of hervormingen te realiseren, dan wel op te komen voor de positie van zwakkere groepen bijvoorbeeld. Puur omdat er geen geld voor is. Het zet de grenzen waarbinnen het politiek spel zich afspeelt.

Question 7: the results of my research project, however, show that it is also a political decision whether for example a balanced budget is aimed for.

Het is inderdaad een politieke keuze van de president hoe belangrijk hij iets vindt. Het bereiken van een balanced budget bereikt de middenmoot van het electoraal publiek, en kan voor een president dus zeker politieke winst opleveren. Maar het is duidelijk dat zelfs presidenten die vanuit een ideologische achtergrond voorstanders van een balanced budget moeten zijn – de Republikeinen, hier niet voor zullen kiezen als zij hier de politieke noodzaak niet van inzien. Bush is daar een voorbeeld van: hij wilde geen moeilijke politieke keuzes maken. Hij gaf geld uit omdat het kon, omdat het buitenland bereid was Amerika geld te lenen en hij in de eerste jaren

van zijn presidentschap te maken had met economisch gunstige omstandigheden. Hij heeft populaire dingen gedaan als de uitbreiding van Medicaid en geld aan defensie uitgegeven – geld dat hij in feite niet had. Voor hem was het een duidelijke keuze er geen aandacht aan te besteden. Daarmee heeft hij wel de bewegingsruimte van huidige president beperkt – Obama was aan het begin van zijn termijn genoodzaakt flink te bezuinigen, dankzij het tekort dat onder Bush is ontstaan.

Clinton deed tegenovergestelde: hij dacht mijn fiscaal beleid biedt mij later – als het vruchten afwerpt – meer ruimte om geld uit te geven aan programma's die ik belangrijk vindt. Dat kan alleen als wij de condities creëren waardoor de economie het goed doet. Dat was voor hem de reden om in te zetten op economische voorspoed en het tegengaan van het tekort op de begroting.

Question 8: Could you say that external circumstances determine the government's policy?

Ja, maar het blijft wel een keuze. Clinton heeft indertijd zelf bepaald dat hij een balanced budget wilde realiseren, tegen het advies van zijn directe adviseurs in. De economische gevolgen lijken hem gelijk te hebben gegeven.

De republikein Bush heeft het tegenover gestelde gedaan, met de zeer populaire tax-cuts richting zijn eigen clientèle. Als de president het gevoel heeft dat hij ermee weg kan komen, zal hij een balanced budget aan zijn laars lappen.

And what about Obama? He announced that he would not opt for a balanced budget at the beginning of his presidency

Bij Obama was het duidelijk dat hij niet anders kon; in tijden van economische crisis gelden de normale regels niet. Als hij die maatregelen niet had genomen, was de wereldeconomie in elkaar geklapt. Nu een aantal jaar later, nu de directe dreiging weg lijkt te zijn, moet hij aantonen dat hij een plan heeft om de boel onder controle te krijgen. Hij heeft nu te maken met de noodzaak om op de langere termijn te laten zien dat hij deficit onder controle kan krijgen. Op langere termijn is een begrotingstekort niet te verkopen: het is niet te betalen, leidt tot inflatie, een zwakke dollar.

De begroting en the balanced budget is een duidelijk politiek thema. Er zijn zelfs kandidaten – zoals Ross Perot, die hun politieke carrière gebaseerd hebben op het bestrijden van het begrotingstekort. Maar in de jaren van Bush was het niet een belangrijk thema, omdat de economie in de beginjaren van zijn presidentschap goed liep en hij de verkiezingen in 2004 won obv dreiging van buiten en zijn strijd tegen het terrorisme.

Question 9: can you say Bush misused the economy?

Zijn beleid van tax-cuts, gecombineerd met financiële crisis heeft ervoor gezorgd dat het niet gelukt is de economische recessie te voorkomen. Dat hadden we wel al kunnen weten omdat Reagan hetzelfde heeft gedaan. Kennelijk is het een populair iets om te doen waar de geldgevers aan de Republikeinse partij blij mee zijn. Er zijn sommige Republikeinen die zelfs erop aansturen de overheid failliet te laten gaan, om te kunnen zorgen dat de federale overheid minder centrale bevoegdheden krijgt. Maar ik kan niet aantonen dat dat Bush' intentie is geweest.

Hij had de ballen verstand van economie. Hij heeft de grootste belastingverlaging uit de US geschiedenis doorgevoerd. Het tekort dat nu ervaren wordt door Amerika, en dat over twintig jaar er nog zal zijn, is terug te voeren op deze belastingverlaging van Bush.

Question 10: why didn't Congress stop him then? They opposed Bush's tax-cut.

Dit is de typische macht van een president die nog niet al te lang zit en nog kan zeggen je moet bang voor me zijn, want over vier jaar heb je me nodig. Hij heeft de Democraten bang gemaakt – als je tegen mijn belastingplan stemt, stempel ik de Democraten af als belastingverhogers. Het gaat om politiek kapitaal, om de winst bij de verkiezingen.

Daarnaast was hij een populaire president. Door zijn reactie op de aanslagen van 9/11 waren veel Amerikanen tevreden over hem – hij was op dat moment een sterke president. Een sterke president heeft het makkelijker om het Congress te overtuigen dan een zwakkere president. De invloed van een president in het Congress hangt af van de perceptie hoe sterk zijn positie is. Daarom heeft een president in zijn tweede termijn minder machtig – met name aan het einde – want – zo wordt er gedacht – over een paar maanden hebben we toch geen last meer van hem.

Question 11: and what about the local versus the federal interests? Do local interests influence the federal budget?

Het is lastig om op federaal niveau geld te besparen, juist vanwege die lokale belangen. Ieder congreslid heeft wel een 'petproject'. Het sociaal systeem is de grootste kostenpost op de Amerikaanse begroting, defensieuitgaven komen op nummer 2. In de defensiecommissie zit iedere senator of iedere 'congressman/woman' die defensiebelangen heeft in zijn of haar eigen staat, om die belangen te beschermen. Het feit dat lokale belangen verdedigd worden, maakt het moeilijk om dingen weg te bezuinigen.

Mensen in het Congress zorgen dat ze in de juiste commissies zitten om de belangen van hun staat te verdedigen. Dit geldt bijvoorbeeld ook voor de landbouwcommissie, daar vind je congresleden uit Iowa, of Wyoming, grote landbouwstaten. Via dit soort comités proberen congresleden de lokale belangen te verdedigen.

What about pork barrel?

Pork barrel is maar een klein onderdeel van het budget. Het is zeker een politiek thema, maar maakt niet heel veel uit. Veel belangrijker zijn de grotere belangen die mensen in het Congress verdelen via de commissies. Bepaalde senatoren zitten standaard in bepaalde commissies. Zij zullen aan het begin van hun term bij het leiderschap duidelijk maken in welke commissies ze graag willen zitten om de lokale belangen zo goed mogelijk te verdedigen.

De stijging in de uitgaven op de begroting is een direct gevolg van deze lokale belangen. Politici – door geld uit te geven – kunnen hun machtspositie versterken. Het is alleen als het leiderschap van de partij in Congress het gevoel krijgt dat het de kansen van de partij in de volgende verkiezingen in gevaar brengt, dat thema's als balanced budget of bezuinigingen op de agenda

komen. Er zijn eerder incentives om geld verder uit te geven; het feit dat de Constitutie daar niks over zegt, versterkt dit alleen maar.

Interview Bas Godijn (respondent 2)

Policy advisor Western Hemisphere / United States

Dutch Ministry of Finance, Department for External Financial Relations

Question 1: what is your opinion of the US federal budget process?

Het is een interessant onderwerp op dit moment, want het is vrij actueel en het is typisch voor hoe andere dingen in de Amerikaanse politiek lopen. En misschien wel algemeen in de politiek. Het wordt gebruikt en gegijzeld voor andere politieke doeleinden. Dat zie je nu bijvoorbeeld heel erg met de discussie over de debt relief; dit wordt gebruikt om dingen af te dwingen in het debat over de begroting. Meer nog dan bijvoorbeeld in NL is het de inzet van veel onderhandelen. In Nederland is er iets meer het beeld dat de begroting op orde moet zijn; in Amerika zeggen ze waarschijnlijk ook dat de begroting op orde moet zijn. Maar het beeld van wat het is om de begroting op orde te hebben verschilt ten opzichte van Nederland. In Amerika is er minder urgentie in het terugdringen van het tekort en de verschillen tussen de partijen zijn groter. Waar Republikeinen heel erg zitten op lage belasting en kleine overheid, zijn Democraten voor meer belasting en toch nog een rol voor de overheid met programma's als Medicare.

Question 2: what are your thoughts with regard to the relations between the president and Congress?

De president komt als eerste met een begrotingsvoorstel; Congress komt met amendementen. Dit leidt in een heel proces tot een uiteindelijke begroting.

Question 3: the results of this research project show that the president's budget and the congressional budget resolution are quite similar at a (semi)macroeconomic level. Can you explain this?

Mijn gevoel zou zijn dat er toch wel een bepaalde analytische of wetenschappelijke logica is die zegt dat er grenzen zijn aan hoe hoog je je schuld kunt laten oplopen. En dat bepaalt dat je op enig moment die schuld moet stabiliseren, waar een gebalanceerd budget voor nodig is. Schuld wordt uitgedrukt in een percentage van het BBP; grof gezegd, bij 90% schuld van je BBP gaat de schuld invloed hebben op je economische groei en dus op je economie. In Amerika is de schuld nu 65% maar dit loopt heel hard op, het cumuleert. Die 90% komt heel snel in beeld. Ik denk dat dit soort factoren wel duidelijk maken dat het nodig is om het budget in balans te brengen. Dit wordt ondersteund door uitspraken van rating agencies, die zeggen dat als er niet snel overeenkomst komt over debt relief in Amerika, de kredietwaardigheid van Amerika naar beneden gaat. Dan kan er geen geld meer geleend worden, wat de economie grote schade aan zal doen. Dat schetst wel een beetje het kader waarbinnen de onderhandelingen vervolgens plaats zullen vinden. Je had eerst een commissie van zowel republikeinen als democraten die bezuinigingen op de middellange termijn hebben uitgewerkt; zij komen tot exact dezelfde tekort reductie van 4000 miljard over x jaar, maar de invulling daarvan is heel anders. Ik denk dat hetzelfde geldt voor de verhouding tussen president en het Congress, zeker nu er geen

democratische meerderheid meer is in het Congress. De economische omstandigheden bepalen het kader waarbinnen zowel de president als het Congress een budget formuleren; die omstandigheden zijn voor iedereen gelijk en dus zal de macro uitkomst van de begroting hetzelfde zijn; de invulling van die begroting, echter kan natuurlijk wel verschillen. Als er in het Congress sprake is van een meerderheid van de tegenstander van de president, zullen die verschillen er sowieso zijn en ik denk dat dat maakt dat het steeds verder uit elkaar ligt. Je zou het ook nog kunnen vergelijken met de situatie die we in Europa hebben, waar de staten – zoals in Europa de landen – toch een bepaalde mate van onafhankelijkheid hebben. Hun belangen worden vertegenwoordigd in het Congress en iedereen komt daar ook op voor zijn eigen regio en daarmee voor zijn eigen belangen. Daarmee liggen de ideeën voor wat een kloppende of goede begroting is, ver uit elkaar.

Question 4: Do you think that the local interests influence the expenditure on the budget? do you think local interests cause an upward pressure on the budget?

Ik denk niet dat het een grote invloed heeft, maar het zou mee kunnen spelen. Apart van de meer ideologische denkbeelden over het sociaal stelsel, die Republikeinen en Democraten scheiden, zullen de lokale belangen de competitie op individueel niveau bepalen. Er is invloed op welke sectoren in een bepaalde staat van belang zijn. De invloed die daarom wordt uitgeoefend door vertegenwoordigers van zo'n regio zal zich richten op die sectoren. Als die lobby heel sterk is, denk ik wel dat het kan zijn dat uitgaven op die bepaalde sector in stand blijven dan wel zullen toenemen. Afnemen zullen ze dan in ieder geval niet. Als dit voor alle sectoren het geval is, kan ik me voorstellen dat de uitgaven op de begroting toe zullen nemen.

Question 5: You said debt influences economic growth. Is it also true that there is a direct link between the revenues and economic growth?

In principe is het zo dat economische groei een factor is die zowel je inkomsten als je uitgaven beïnvloedt. Je heft belasting over bepaalde zaken; deels BTW ook. Als het economisch beter gaat, heb je meer ontvangsten en besteden mensen meer. Als het economisch beter gaat, is er minder werkloosheid en stijgen inkomsten en dalen je uitgaven. Er komt meer belasting binnen en je hoeft minder uitkeringen te betalen. Als er meer inkomsten binnen komen, kan het zo zijn dat die direct gerelateerd zijn aan de uitgaven – je kunt direct meer uitgeven op bepaalde terreinen. In Nederland worden de uitgaven wel stabiel gelaten, maar in de VS is die relatie meer direct.

Question 6: Does the US budget system complicate reaching a balanced budget?

Ja, in zijn algemeenheid denk ik dat het Amerikaans politiek systeem grote invloed heeft op dat het moeilijk is het budget in balans te brengen. Het hele systeem is erop gericht dat het moeilijk is om zaken te veranderen. Moeilijker dan gemiddeld. Of je dat zou oplossen door constitutionele verplichting? Ik denk dat het in Amerika wel wat zou oplossen, maar het is geen voorwaarde. Het zou een oplossing kunnen zijn, maar het is geen noodzakelijkheid om het te doen.

Alle veranderingen doorvoeren is heel lastig; het hele systeem is erop gericht alles hetzelfde te houden. Dit heeft denk ik te maken met de verhouding tussen Congress en president en de

verdeling van macht, waarbij ze elkaar altijd kunnen gijzelen. Er is altijd sprake van uitruil en omdat er zoveel belangen spelen is het lastig snel grote stappen te maken. Uiteindelijk zijn het toch redelijk ingrijpende veranderingen; belastingen verhogen is redelijk impopulair. Het is politiek voor de president lastig, maar ook voor verschillende Congressleden. Als er geen acute noodzaak of sense of urgency is, is het politiek lastig om dit door te voeren. Het is lastig om aan je publiek uit te leggen, als je herkozen moet worden over twee jaar, dat je dingen doet die pas op een termijn van 10 jaar belangrijk zijn. In begrotingen zie je ook een cyclus die zich verhoudt tot een cyclus van de verkiezingen, waarin in het eerste jaar een vaak wat strenge begroting wordt gevoerd, waarin minder wordt uitgegeven dan in latere jaren, omdat je in de aanloop naar je verkiezing het handig is een belasting te verlagen of aan een project wat meer geld uit te geven omdat dit de kans om herkozen te worden vergroot. Aangezien in Amerika verschillende partijen zijn met verschillende belangen, is het lastig dit soort zaken door te voeren.

Question 7: Do you think approval rates are of influence here?

Ik denk persoonlijk dat approval rates wel meegenomen zullen worden door een president, maar niet essentieel zijn in het bepalen van het fiscaal beleid. Het draagvlak dat je hebt om iets door te voeren – dat kun je uitdrukken in populariteit, maar ook hoe noodzakelijk het is, als iedereen snapt dat het nodig is. Je kunt hier een vergelijking maken met het beleid dat Bush heeft doorgevoerd; hij kon dit vrij makkelijk doen, omdat iedereen vond dat het nodig was. Ik denk dat het ook wel samen viel met de periode waarin hij wat populairder was. Ik denk dat als je of het draagvlak hebt of duidelijk kan maken wat het belang is, dan is het makkelijker om iets door te voeren.

Question 8: Bush introduced a major tax-cut. Congress opposed this tax-cut, but the president realized it anyway. How do think this is possible?

De republikeinen hadden toen de meerderheid in het Congres. Ik weet niet hoe binnen de partij druk wordt uitgeoefend door de president; dat hij zegt, ik wil dit dus het gebeurt en alle republikeinse Congressleden moeten met mij meestemmen. Een sterke president zal binnen een partij kunnen afdwingen dat iedereen de partijlijn volgt. Dat kun je achterkamertjes politiek noemen. Iedereen heeft een afweging voor zijn politieke carrière, dat speelt natuurlijk mee in de besluitvorming.

Question 9: Theory on public choice states that a balanced budget will only be reached in times of economic prosperity. Do you agree with this statement?

Sowieso, als je terugkijkt op het verleden, kun je bijna niet anders concluderen. Het is überhaupt bijna nooit gelukt om een overschot op de begroting te creëren. Dat laat wel zien dat in tijden van economische neergang het helemaal lastig is. Volgens economische theorie, is het zo dat je op het moment dat je als overheid meer uitgeeft als het economisch slecht gaat, je de recessie kunt tegengaan. Je kunt de economie ondersteunen met overheidsuitgaven; dat is wat nu ook gebeurt. Je kunt voor een belangrijk deel zorgen dat je bezuinigingen temporeert; dat is het ondersteunen van de economie.

Om een belasting te verhogen, zul je toch een situatie van economische voorspoed moeten hebben om tot een budgetbalans te kunnen komen. In de theorie kun je zeggen dat je ook in tijden van economische neergang een balanced budget moet kunnen bereiken, maar in de praktijk zul je geen balanced budget kunnen bereiken in tijden dat de economie krimpt. Mensen hebben het dan al slecht, en dan ga je ook nog de belasting verhogen. Dat krijg je er politiek gewoon niet door.

So you need both political support and economic prosperity to reach a balanced budget?

Ja. Het meebewegen van de inkomsten en uitgaven met de economische groei speelt daarbij ook een rol – de automatische stabilisatoren. Op het moment dat je een overschot wil creëren, moet je eerst goed maken wat je duurder uit bent door de economisch slechte situatie, daarnaast moet je nog het tekort wat je al had goed maken. Ik denk dat het in de praktijk heel lastig zal zijn een balanced budget te bereiken bij economisch slechte omstandigheden. In theorie moet het kunnen echter; als je maar genoeg belastingen verhoogt en uitgaven vermindert.

De beginsituatie is er al een dat er een tekort bestaat; je begint niet bij 0. Veranderingen doorvoeren is dus extra lastig; je moet eerst het tekort teniet doen en dan ook nog een balanced budget vasthouden. Dat kan echt alleen bij economische voorspoed. De situatie van dit jaar wordt bepaald door de situatie van vorig jaar.

Question 10: Is there a relation between social security costs and unemployment?

Ja er is een directe relatie; er is een relatie tussen de hoeveelheid inkomsten en uitgaven die de overheid heeft en de economische omstandigheden en groei. Als de werkloosheid groeit, dan is er onmiskenbaar een groei in de kosten voor de sociale voorzieningen, daar is een rechtstreekse relatie tussen.

Question 11: Do you have any suggestions on how to improve the budget process?

Het vastleggen in de wet van het maximum van het tekort, creëert een stok achter de deur om een begroting door te voeren. Nu blijf je gevangen in de politieke opportunistische afwegingen bij het maken van de begroting. Dat zou kunnen helpen. Een gevoel van noodzaak om hervormingen door te voeren is noodzakelijk, maar hoe je zorgt dat dat er altijd is, is moeilijk. Nu ontstaat het omdat rating agencies wat druk opleggen, door het gevoel van de markt te vertegenwoordigen. Maar in een situatie waarin het nog niet slecht gaat en het tekort nog niet hoog is, hoe je dan echt de begroting in balans houdt, is lastig. Behalve het dus in de wet vastleggen.

Question 12: What factors explain the outcome on the US federal budget?

Ik denk dat externe factoren in een sterke mate doorvertaald worden naar de inkomsten en uitgaven van de begroting en in belangrijke mate het beleid betpalen. Als je kijkt naar 9/11 en het beleid dat in de jaren daarna is gevoerd, kun je vaststellen dat de gevolgen van 9/11 duidelijk zichtbaar zijn in het beleid. Die gebeurtenis heeft belangrijke invloed gehad op de uitgaven kant van de begroting. De uitgaven op defense stegen spectaculair bijvoorbeeld.

Daarnaast zie je dat in de periode die jij onderzoekt, de economische omstandigheden van groot belang zijn geweest. Clinton heeft optimaal gebruik gemaakt van de economische voorspoed

terwijl Bush echt last gehad heeft van de slechte omstandigheden. Naast de fikse uitgaven voor defense verklaart dat het grote tekort op de begroting dat hij heeft gecreëerd.

Question 13: What about a president's fiscal policy? Do you think his decision-making exerts any influence on the budget outcome?

Ja de president drukt wel een stempel op de begroting. Hij dient een begroting in; als die in balans is, dan zal het Congress genoodzaakt zijn die balans ook in stand te houden. Als je kijkt naar wat hij indient versus wat uiteindelijk de begroting wordt, dan zie je wel de begroting van de president duidelijk terugkomen. Ik denk dus ook dat als je kijkt wie de meeste macht heeft, hij of het Congress, dat de president dan wint. Hij dient een begroting in, waar het Congress alleen nog maar op kan amenderen.

Maar ik denk dat de externe factoren doorslaggevend zijn; zij beïnvloeden zowel de opgestelde begroting – die de president bij het Congress indient – als de uiteindelijke begroting, omdat de externe factoren zowel door de president als door het Congress in acht genomen worden. De politiek heeft grote invloed, maar de uitkomst wordt echt bepaald door de externe omstandigheden. Die zijn dus twee keer van belang.

Interview Peter Potman (respondent 3)

Deputy head Department for the Western Hemisphere
Dutch Ministry of Foreign Affairs

Question 1: Could you elaborate on the US political system? What is the role of the president? What is the role of Congress? And what is the relation between both institutions?

Het is interessant vanuit een Nederlands perspectief omdat het heel anders is dan in Nederland. De Amerikanen hebben een zuivere ‘trias politica’, met een legislatieve macht, een executieve macht en een rechterlijke macht. Ze zijn alle drie even machtig gemaakt. De Founding Fathers hebben dat natuurlijk gedaan om te voorkomen dat ze in een dictatuur of een absolute monarchie zouden belanden; dat in die tijd heel erg in de mode was. Daar hadden ze zich in die tijd aan ontworsteld, ook kijkend naar de Nederlandse republiek – die liep op dat moment op zijn laatste benen, maar diende ter inspiratie van de Founding Fathers. Die waren hier goed mee bekend; in die periode was Nederland natuurlijk ook nog een machtig land. En ze hebben een driehoek gemaakt met gelijk machten. Machten met gelijk gewicht. Dat betekent dat de president een paar dingen mag doen; het Congress gaat over het budget. De rechterlijke macht moet primair toetsen aan de Grondwet en zorgen dat wetten worden nageleefd.

Het probleem met dit systeem is dat je heel veel stagnatie krijgt. Dat is niet altijd zo; als de economische omstandigheden goed zijn, valt het mee, zeker als je naar de begroting kijkt. Dan kan iedereen het wel eens worden over een begroting. Maar als de economie het slecht doet, zoals nu, krijg je een groot probleem. De president wil natuurlijk bepaalde programma’s uitvoeren; daar heeft hij geld voor nodig. Daarvoor moet hij bij het Congress aankloppen, dat is lastig.

Het grootste probleem zit er naar mijn gevoel in binnen het Congress zelf. Dat moet je met Brussel vergelijken, met de EU begroting. Over de federale begroting hebben de Congress leden niet zo’n eigendomsgevoel. Dat is vooral de begroting van het land. Zij zijn altijd vertegenwoordiger van een kleinere eenheid, staat of district. Zeker in het Huis, waar al die vertegenwoordigers een district van ongeveer een half miljoen mensen vertegenwoordigen; á la de omvang van Den Haag, dat is niet heel groot. De issues daar zijn heel concreet. Heel veel counties en districten in de Verenigde Staten – het is een onmogelijk land; het is veel te groot, te ruig, met grote lege gebieden. Veel van die regio’s zijn niet levensvatbaar. Hoe zorg je dan dat het toch goed komt? Daartoe zijn verdelingsmechanismen. De begroting van de VS is in belangrijke mate het verdelingsmechanisme. In Nederland kun je de solidariteit nog centraal regelen, dat kan in de VS heel moeilijk. Het is meer zoals Europa, waar ook arme regio’s bestaan die subsidie krijgen voor infrastructurele en sociale projecten, etc.

Question 2: How do the districts exert their influence in Congress?

Nou kijk, de afgevaardigde zelf heeft niet zoveel macht, maar hij vertegenwoordigt zijn district. Als je kijkt naar de federale begroting, komt elk Congress lid alleen maar halen. Hij komt niet brengen, want hij is niet verantwoordelijk voor de begroting. Hij is verantwoordelijk voor zijn district; op de mensen die op hem stemmen. Dat is de grote makke van het systeem. De

congressleden zien de begroting als een ruif; en ze zijn er dus ook niet bij gebaat om de begroting kleiner te maken. Dat betekent dat er een ingebouwde inflatie in zit – een opwaartse spiraal. Wil je een akkoord krijgen, dan moet je een meerderheid hebben – een forse meerderheid. En je moet dus altijd mensen afkopen. Die koop je af door ze een stukje van de begroting te geven. Dat heet de pork barrel politics. Je krijgt de begrotingen waar allerlei rare voorstellen in zitten ; het voorbeeld van de bridge to nowhere in Alaska is het bekendste voorbeeld.

Dus dat is een fundamenteel probleem van die begroting. De president komt met een begrotingsvoorstel; die heeft natuurlijk wel belang bij macro-economische stabiliteit, want hij moet iedereen te vriend houden. En hij kan niks, als hij geen goedkeuring krijgt. Hij doet dus een voorstel, want de begroting is niet van hem, de begroting is van het Congress. Vervolgens maakt het Huis een begroting en in de Senaat een begroting; dat zijn compleet verschillende processen – die mensen overleggen volgens mij compleet niet. Ze komen ongeveer op hetzelfde bedrag uit. Dan gaan ze in conference vervolgens onderhandelen. Het enige wat de president kan doen, is de begroting veto-en als hij het er niet mee eens is.

Dat vraagt om moeilijkheden. Die moeilijkheden hebben ze de afgelopen jaren ook voortdurend. Er is al heel lang geen begroting aangenomen, omdat ze er gewoon niet uitkomen. Er moet bezuinigd worden, maar niemand wil dat en als er bezuinigd moet worden, dan bij de buurman en niet bij jou. Dus er is geen begroting. Dan werken ze met een continuing resolution. Dan nemen ze uit armoede, op de valreep, het besluit dat uitgaven door mogen gaan volgens het patroon dat de vorige keer is afgesproken. Daarmee leg je het beleid lam. Het kan niet aangepast worden.

Dat is een heel groot probleem. Waarom zeg ik in economisch goede tijden heb je er geen last van. Omdat dan je begroting groeit. Dat zou mooi zijn als dan ook de inkomsten toenemen, maar daar zijn de Amerikanen niet toe in staat om dezelfde redenen. En dat betekent dat de schulden toenemen. De schuld is ondertussen zo toegenomen dat het echt link begint te worden.

Je vraagt wat zijn de gevolgen van politiek conflict tussen de beide constituties. Dat is natuurlijk aan de hand. Het is niet eens zo zeer tussen de president en het Congress, maar meer in het Congress onderling, waar men dus niet in staat is om een verantwoordelijke begroting te maken. En dat is natuurlijk het verschil met de EU, waarbij je hetzelfde mechanisme hebt. Alleen de uiteindelijke EU-begroting wordt door de lidstaten gecontroleerd en die willen er niet te veel geld in stoppen. In dat systeem zit een natuurlijke grens en begrenzer die in het Amerikaans systeem niet zit.

Question 3: the president submits his own budget proposal. To what extent does this influence the budget that is approved by Congress?

Volgens mij werkt het zo dat het presidentieel voorstel richting geeft. Als je from scratch moet beginnen in het Congress, krijg je het helemaal niet voor elkaar. Uiteindelijk wordt dat gedaan door de budget committee, dus dat is ook maar een klein clubje van het Congress. Dat is ook een van de zaken die ik nooit begrepen heb. Je kunt van alles aannemen in de appropriations

committee, maar dat heeft dan geen betekenis omdat de budget committee de kaders stelt. Die bepalen de verdeling. De president moet altijd op zijn knieën vragen om geld.

Question 4: do you think it matters if a president has high approval rates?

Dat helpt wel een beetje, maar zoals je de afgelopen jaren ziet heeft het uiteindelijk niet echt effect. Het enige verstandige dat de president kan zeggen is dat er bezuinigd moet worden en dat de belastingen omhoog gaan. Dat bezuinigen roepen de Republikeinen ook, maar die willen zo veel bezuinigen dat de programma's van de president in de knoop komen. Ik denk eerlijk gezegd ook dat ze dat zo hard roepen omdat ze weten dat de president het niet aan kan en zij er dus goed uit zien. Als ze de daad bij het woord zouden voegen, zouden ze ook grote politieke problemen krijgen. Alle Congress leden roepen natuurlijk altijd om het hardst dat ze tegen 'pork' zijn, al die projecten voor eigen parochie, maar dat gaat altijd over 'pork' bij de buurman. Eigen projecten moeten natuurlijk wel doorgaan, want die zijn in het landsbelang.

Een van de gevolgen van de stagnatie en het conflict tussen de politieke instituties is dat het er voor zorgt dat je bijna nooit op tijd een begroting krijgt. De begrotingsvoorstellen gaan stiekem als 'riders' in andere wetten; een van de trucen die de afgelopen jaren is gebruikt, is om aan de defensie begroting (want die moet er natuurlijk wel komen) 'riders' te hangen – voorstellen die niks met defensie te maken hebben. Dat mag in het Amerikaans systeem. Je krijgt daardoor allerlei rare wetsvoorstellen, oneigenlijke voorstellen in de begroting. Omdat het Congress ook al lang niet meer in staat is wetsvoorstellen aan te nemen. Of als ze wel een wet hebben, die de president niet wil, kan de president de wet veto-en. Dat is dan de truc – omdat de president niet snel de defensie begroting zal veto-en, zorg je dat je een wet vastknoopt aan de defensiebegroting en dan komt hij erdoor. Dat is een van de trucen die worden uitgehaald.

Wie heeft doorslaggevende stem: nou niemand. Dat is ook gelijk het grote probleem van het systeem. De Founding Fathers hebben een systeem bedacht dat eigenlijk stagnatie in de hand zou werken. Dat is ook de bedoeling. Ze wilden helemaal niet dat er een sterke anarchistische president zou zijn die heel veel macht naar zich toe zou trekken, of dat de federale overheid enorme bedragen zou gaan uitgeven. Het idee was dat je een klein federaal overheidje zou hebben en een president die ervoor moet zorgen dat als er oorlog is deze een beetje redelijk afloopt en zich voor de rest en zo min mogelijk mee bemoeit. De afgelopen 200 jaar zie je die ontwikkeling dat de federale overheid steeds machtiger is geworden en zo groot is gegroeid als hij nu is. Dat is niet de bedoeling. Je ziet altijd weer Amerikanen – ook in het politieke debat – die eigenlijk terug willen.

Question 5: if you consider the years 1996 to 2000, the period of balanced budget, but also the period of political conflict – how would you explain how the balanced budget was realized?

Economische groei. Het systeem werkt in positiviteit. Want dan heeft iedereen er genoeg belang bij om tot een budget te komen, want er zitten allemaal leuke dingen in voor de mensen.

It is the external factors that determine the outcome of the budget?

Ja. Daarin moet je ook niet denken dat de meerderheid in het Congress toen dacht – laten we Clinton tackelen over zijn begroting. Uiteindelijk – kijk naar de sluiting van de federale overheid die toen is afgedwongen, die heeft de Republikeinen in een slecht daglicht gezet. Omdat zij werden gezien als het kwade genius. Dus als je met een begroting die klopt, waar heel veel geld in zit wat gewoon overdrachten zijn – afgezien van defensie, zijn de sociale programma's in het budget heel groot – rotzooi uit gaat halen, heb je een politiek probleem.

Question 6: and what are the factors that determine the outcome of the budget during the Bush era? The external factors?

Je kunt zeggen 9/11 was een omslagpunt. Maar 9/11 als zodanig heeft natuurlijk de begroting niet om zeep geholpen. Er zijn twee dingen die de begroting om zeep hebben geholpen en dat was de oorlog in Irak en in Afghanistan. Die politiek gezien wel het gevolg waren van 9/11, maar een heel bewuste keuze is geweest van de regering. Die zijn de oorlog begonnen en dat heeft onnoemlijk veel geld gekost. Daarnaast, de Bush tax-cuts. Dan krijg je minder geld binnen. Verder is er ook een endogene variabele, namelijk de groei van de kosten van de gezondheidszorg die in Medicaid en Medicare zitten. De kosten van je non-discretionary spending gaan omhoog. De aanslag op het budget door de oorlog. De bewuste keuze om de belasting niet te verhogen. De regering riep iedereen op 'ga op zondag naar de shopping mall, want dan help je je land'. Dus, laat de economie groeien en dan kunnen we dat allemaal betalen. Dat is niet gebeurd; de inkomsten bleven achter, de uitgaven stegen exponentieel. Dan krijg je een gat en dat is afgedekt door meer geld te lenen. Die bel is gebarsten in de crisis; daarom is de economische crisis in de VS ook zo enorm. Ze zitten nu dus met een bizar politiek spel; de Republikeinen roepen om het hardst dat het tekort naar beneden moet. Belasting verhoging is geen optie. Dan kun je twee dingen doen: minder uitgeven, maar dat doet pijn. Men probeert de schuld weg te moffelen onder 'Obama heeft een fout beleid'. Dat is totale flauwekul. Of de Amerikanen gaan de komende jaren opeens weer heel hard groeien; daar hopen ze een beetje op. En dan groeien ze vanzelf uit de crisis; dan komt er weer zoveel geld binnen, dan ga je een beetje bezuinigen en dan komt het wel goed. Of je gaat de belasting omhoog doen, maar dat durft nooit iemand voor te stellen daar. Of de schuld gaat verder omhoog. Dat raakt nu de grens. En het enige dat je dan nog kan doen, is monetair financieren – dan gaat de schuld ook verder omhoog – maar dat is dus door inflatie de effecten van die tekorten terugdringen. Dat zijn allemaal slechte opties.

Dan komen we terug bij wat zijn de gevolgen van politiek conflict tussen beide instituties. Nou ... dit. Ze komen er niet uit. Ze komen er niet uit 2016. Komend jaar krijg je verkiezingen; dan gaat er natuurlijk niemand nare dingen zeggen. Dan krijg je de tweede termijn van Obama; dan suddert het allemaal een beetje door. En ook voor dit jaar is het de vraag of er een begroting komt, of dat ze het gewoon met een continuing resolution gaan doen.

Question 7: in summary, from 1996 – 2000 the economic growth was the determining factor. Between 2000 to 2006, the Bush policy is the determining factor in explaining the budget outcome.

Ja. Je kan de crisis de schuld geven, maar ook de crisis is de schuld van bewust handelen geweest. Waarbij mensen misschien niet helemaal de consequenties hebben kunnen overzien. Maar dat is het beleid. Als je weigert de belasting te verhogen, terwijl je wel meer geld gaat uitgeven ... het moet ergens vandaan komen. Dus in die zin geloof ik niet in echte exogene variabelen. Gut, we waren lekker op dreef en ineens kwam er een crisis. Zelfs niet in het economische verhaal.

Nederland kan zeggen: wij dansen op de conjunctuur van de wereldhandel – er is een vrij directe relatie door de distributiepositie en de toeleveranties. Wij kunnen de globale economische ontwikkeling niet bepalen, daar zijn wij gewoon te klein voor. In Amerika is dat een ander verhaal. Er zijn experts die zeggen dat je toch vrij snel met de juiste maatregelen de boel wel weer op het goede spoor kunt krijgen. Maar doordat die instituties elkaar in een wurggreep houden en de polarisatie in Washington maximaal is, gaat dat niet gebeuren. Not any time soon.

ⁱ Even though the integration of notions of the private sector in public sector management has become mainstream, the idea that government should be governed as if it were a private company is still quite disputable. A large number of theorists (e.g., Osborn and Gaebler, 1992; Lee, Johnson and Joyce, 2004) argue that the differences between the public and private sector are too fundamental. Lee, Johnson and Joyce (2004) identify a number of important differences between public and private budgeting. These differences concern the objectives both sectors have and the services provided. With regard to the objectives set, the first difference they distinguish is the amount of resources available. Income in the private sector is rather fixed and at a relatively low level; if a private organization wishes to expand its income, it needs to increase production. In the public sector, however, resources are less scarce and are, oftentimes, not even exhausted. Only in economically tense times, governments need to borrow money. Governments have the power to determine what part of society's total resources are allocated for public purposes. A second difference they distinguished is the profit motive. In private budget, the objective will most often be to maximize profits. The amount of profit determines an organization's successfulness. Organizations will neglect profit only if it benefits long-term objectives, such as allocations for Research & Development. Rubin (1990) adds a number of differences to the ones identified by Lee, Johnson and Jones (2004). One of these differences is the extent to which budgets are open to the environment. She argues that private budgets are only open to the economy, where public budgets are also influenced by citizens, interest groups, the press and politicians. Furthermore, Rubin considers the link between taxpayers and governmental officials to be crucial in public budget; this obliges government to be publicly accountable for the money allocated. The legal constraints on public budget are a consequence of this accountability. Private organizations' accountability is limited to their group of shareholders. With regard to the services provided, Lee, Johnson and Joyce (2004) consider the difference to be that the public sector provides public goods that benefit society at large and are non-excludable. Also, the price of public goods is often subsidized as to make these goods available to the whole of the population. The private sector only sells products to those who can pay and are often provided in insufficient quantity for the need of society.

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Long before the economic decline of the 1980s a call was heard for amending the Constitution, introducing a Balanced Budget article. This amendment would oblige the President to submit a balanced budget each year, in which expenditures equal revenues (Mitchel, 1993). The United States Constitution does not encourage the American Congress to pass a balanced budget, giving Congress a carte blanche for its spending (Joint Economic Committee, 1995). Even though the Constitution explicitly describes economic policy – for example, monetary policy, tax policy, private property rights – federal expenditures are in no way limited by law (Mitchel, 1993). To introduce a Balanced Budget amendment in the Constitution bipartisan support is needed: a two-third vote in both Congress and the Senate and ratification in two-third of the states. Since the 1970s there has been strong majority support for this amendments. The advantages of the balanced budget were calculated by the Joint Economic Committee of Congress. The Committee's conclusion was that balancing the budget with spending and tax cuts would improve the American economy (Joint Economic Committee, 1995).