

Book review

Philip G. Joyce, 2011. *The Congressional Budget Office: Honest Numbers, Power and Policymaking*. Washington, D.C.: Georgetown University Press.

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The Congressional Budget Office (CBO) was established in 1974, one of a fundamentally important series of measures included in the *Congressional Budget and Impoundment Control Act* to strengthen the role of Congress in the budget process. The Act brought to an end a period of presidential dominance in the budget process, and has arguably turned it too far in the opposite direction. Philip Joyce's new book provides an excellent history of the CBO. Equally important, it relates the CBO's role to the rough and tumble of Congressional decision making, thus making the book a valuable case study of the political economy of the American budget process.

The book – which is well-researched and comprehensive, and can be strongly recommended to students of budgeting and public policy – is organized into several chapters. These begin by describing the origins and history of the CBO, and its organization into various functions and divisions that are responsible for macrobudgeting, microbudgeting and policy analysis. In addition, the book includes two excellent case studies of the distinguished (if controversial) role played by the CBO in relation to the Clinton Health Care Plan of 1993/94 and the Obama Plan sixteen years later. The agency also had an important influence on the Carter energy policy, which demonstrated CBO's capacity to undertake policy analysis, and in the assessment of financial risks associated with government guarantees to the Federal Home Loan Mortgage Corporations (Fannie Mae and Freddie Mac) and the saving and loans crisis of the mid-1980s. The book concludes by drawing lessons from the work carried out by the CBO during its 35-year history.

A critically important (and surprising) decision taken by the Congress – that most partisan of organizations – was to establish the CBO as nonpartisan. As Joyce observes: "There is a necessary connection between CBO objectivity, credibility, and influence If players in the policymaking process did not believe that CBO was an unbiased referee when making the tough calls, the agency would lose credibility, and become viewed as yet another partisan voice. No agency of roughly two hundred people could remain influential in such a context." (page 7) Another key decision, which was partly a matter of luck, was the choice of Alice Rivlin (1975-83) as the first director of the CBO.

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The organization has been fortunate with the choice of subsequent directors, especially Rudy Penner (1983-87) and Robert Reischauer (1989-95), who were skilled and experienced technicians, as well as adroit managers of the political process. Difficulties, well documented by Joyce, arose in some other cases. Holtz-Eakins (2003-05), for example, came from the Bush White House and created initial concerns among Democrats, but defied expectations with his straight-shooting. Crippen (1999-2003) had a rocky beginning in his relationship with CBO staff, but weathered the storm and supported CBO analyses that were critical of the government-sponsored agencies (GSEs) such as Fannie Mae, despite having been a GSE lobbyist. The CBO has also been fortunate in finding allies among key members of Congress, especially during periods when its future was uncertain. And it has skillfully used Presidential support to its advantage. For example, President Obama's insistence that his Healthcare reform plan must reduce the deficit enormously strengthened the CBO's hand because "the only way to convince some members of the Congress that the bill actually reduced the deficit was for CBO to certify that it had" (page 231).

The mandate and resources of the organization has increased greatly compared with the initial concept of the CBO as an office to make technical estimates of the cost of budget initiatives. It now has a staff of around 240, many of whom have top academic credentials. Under its early directors, it developed a public face, and proved skillful in using the media, sometimes facing the ire of Members of Congress as a result. Macroeconomic projections and cost estimates produced by the CBO match the quality of - and are seemingly less biased than - those produced by the executive branch, including the Office of Management and Budget (OMB). Over time, the CBO hugely expanded its capacity for policy analysis, especially in the health sector, and it became the fountain of wisdom on often arcane issues relating to budget procedures and concepts. In this latter area, the CBO's opinion, on an essentially technical issue, namely that federally mandated payments for health insurance should be scored as part of the budget, contributed to the demise of the Clinton Health Care Plan in 1994.

Despite the beneficial influence of the CBO, Joyce reiterates the widely-held view that the federal budget process is a mess. The government does not enact its budget on time: all appropriation bills have been passed prior to the beginning of the fiscal year in only four of the past 35 years. The federal deficit, which had been eradicated in the late 1990s, has soared to historic post world-War II levels. Long-term fiscal problems associated with providing entitlement benefits to an aging population have been largely ignored by both political leaders and their constituents. The budget process remains dominated by spending and tax earmarks. Instead of following international trends toward greater transparency, the budget has become less transparent, for example by using supplemental appropriations to fund disaster relief and opaque reporting of support to financial institutions affected by the global financial crisis.

The CBO is not responsible for these failures, of course, but they underline the limitations of its influence in an increasingly partisan environment of congressionally-

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dominated budgeting. Joyce concludes that the type of information and analysis CBO provides is necessary to effective policymaking. Sadly, it is only necessary, not sufficient. Many of CBO's experiences – from its work on government-sponsored enterprises, to its analysis of the nation's long-term fiscal liabilities – suggest that only external political imperatives result in progress toward solutions. Nevertheless, and somewhat paradoxically, information provided by the CBO on the cost of policies has had a positive influence on the design of these policies. Its importance rests, not only on the production of written reports but on “the existence of a nonpartisan organization that can forge relationships, advise committees and staff, respond to letters, testify before Congress, and generally become part of the ‘nervous system’ of Congress.” (page 232) The future success of the CBO is likely to depend on the desire of CBO leadership to produce quality nonpartisan information in a timely manner, and the desire of Congress to make use of these data to make decisions that are in the long-term interest of the country, rather than their own short-term interests.

Many countries have implemented independent fiscal councils in some form, but (with the possible exception of Korea and Mexico) these are not based on the CBO model. Other countries have very different arrangements for budget-making; and the mandate of their fiscal council is often narrower than the CBO's, and has significantly less resources. In fact, most fiscal councils are quite modest affairs, based more on the Sweden model. This being the case it is interesting to ask whether countries should be more ambitious and consider setting up fiscal councils with a broader mandate and more resources. A skeptic might respond in the negative, since the US has a rotten (in many senses) budget system and bad fiscal outcomes, despite the CBO. It may well be that the CBO has too broad a mandate and spreads its enormous resources too thinly. Nevertheless, other countries may be able to learn from the experience of the U.S., and the U.S. to learn from other countries.

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