

## Budget: the Good, the Bad, and the Ugly, The

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For quite a number of years now, federal budget submissions have left me feeling uncomfortable, and I've been trying to figure out why. It would be inaccurate to say that they lack good suggestions. At least in a number of areas about which I think I know something, I would venture to say there are a lot of good ideas.

Nor is my objection directed so much at things in a budget with which I disagree simply from my own personal or political perspective. Often I disagree with the balance that is struck between progressive and efficient government, for instance, but I can accept the well-intentioned efforts of others who might lean more toward one or the other of these objectives than I would. After all, my candidate doesn't always win either.

I've finally concluded, in my gut, that over the years the budgets have simply become uglier.

What do I mean by ugly? I mean that more and more they contain policy suggestions that, from the starting gate, almost everyone agrees could be better designed, won't work, or should be avoided in favor of higher priorities. Typically these policy suggestions are not well thought out, are not properly targeted at their goals, represent sops to one group or another, do not receive proper review within the agencies that will be assigned to carry them out, or are not well-coordinated with programs that already exist.

When I first became heavily involved in the executive's budget process in the mid-1970s, it was hardly apolitical. Clearly the president's major objectives received priority. But much input concerning those general objectives was sought from the established bureaucracy. It was also a time when the staffs of the Office of Management and Budget and Treasury put forward a number of their own proposals to improve equity, efficiency, or simplicity within expenditure systems or the tax code. Often the old hands in these offices would pull proposals out of the file cabinets from year to year. Sometimes they could only put forward proposals about which a Republican or a Democratic president would not raise major objections. On average, however, they offered decent proposals that represented nothing more than the efforts of civil servants to clean up the programs they knew most about.

The staffs within the other agencies, too, thought the budget process was the time to put forward their ideas. Since many agencies even then viewed themselves as advocates for particular groups—Housing and Urban Development for housing and Commerce for business, for example—their proposals had to be reviewed carefully by OMB and Treasury from a more neutral standpoint. Nonetheless, good ideas would come from these other agencies as well.

Of course, many of the proposals never got through Congress. Special interests were not easily defeated. But roles were defined. The president's budget was expected to put forward some vision of the public interest and contain many proposals that promoted equity, efficiency, and simplicity. Then the debate would proceed as to whether the objectives really would be met. In the past, I usually thought that if all of a particular budget were enacted, including proposals with which I disagreed, on net the government would clearly move a few steps forward; maybe one or two steps backward as well, but progress was clearly in the right direction. It really didn't matter, to some extent, which political party was in control of the White House.

That was because almost all of the time, agencies would provide significant input on the proposals they would be responsible for implementing, and they would have a major role in designing them. The president would still set some large overall objective, but then creativity was sought over how to achieve that objective. Many mistakes were made, and many proposals were bad—especially when viewed with hindsight. But most were not really ugly, not in the sense of ignoring fundamental principles of public finance.

One advantage of the process was that most of the time, one could count on the material coming out of the principal agencies, such as OMB and Treasury, to convey some vision of the public interest. If there was a

debate on a major issue of taxation or welfare or health, one almost always wanted to read the budget documents. The budget proposals practically always started with standards against which one could form a judgment.

But somewhere along the way the notion of standards got lost. The executive branch more and more came to resemble the office of a stereotypical member of Congress where there wasn't time for analysis. Constituents had to be appeased continually, anecdotes or want lists became the basis for much policy, and proposals came flying in from everywhere with little neutral and impartial analysis acting as a protection screen. I'm convinced one source of this change is the extraordinary number of political appointees who now come into the Executive Branch with little background in the fields over which they exercise control. Good information doesn't rise to the top because those controlling information flows don't often know what is good and what is bad.

The White House itself became more politicized in other ways. Why defend good policy if you're going to lose the fight anyway? It's not worth the political cost. Political strategy, on the other hand, became more and more important. Budget policy became a game used to pre-empt Congress from taking other actions. For example, if Congress wanted to enact a tax cut different from what the president wanted, why not simply propose throwing some expenditures into the tax code and use that as a weapon to fight against other alternatives? Whether those provisions really belonged in the tax code no longer really mattered very much.

In the current budget submission, vaccines for targeted diseases and incentives for public school construction are two of the more egregious examples of programs that clearly work better as direct expenditures. (Of course, one could find many more examples in this year's budget and in the budgets of many years past, even before the advent of the Clinton administration.) I'm sure that there is no one from the Secretary of Treasury or the head of OMB to the newest member of the staff who could tell you with a straight face that these provisions belong in the tax code. But what the heck. That's the way the game is played in the budget today.

I'm not trying to find fault here. Most people I've met in public policy wish to do good. They really do care about the public. Many seem to be victims of a process they never set up, and they don't even seem to recognize that there are alternative ways of putting together a budget. But they do need to realize there are consequences to the current way of doing things.

From the researcher to the press to the citizen voter, no one really knows who or what document to trust anymore. The budget now contains so many sops to so many groups that in the big picture they are hard to assess, while in the small picture they make the tax and expenditure systems ever more complex and incomprehensible. If half of what is put forward in a budget is done with a wink and a nod, if there is no source to which the public can turn, then trust must be withheld. And without trust, the relationship of the public to government is inevitably weakened. Finally, the policy enactments following these types of submissions become nothing more than large logrolling efforts producing gains to the public that are highly questionable.

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- [C. Eugene Steuerle](#)

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