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IMPROVING CONGRESSIONAL BUDGET CONTROL

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HEARINGS

BEFORE THE

JOINT STUDY COMMITTEE ON BUDGET CONTROL

NINETY-THIRD CONGRESS

FIRST SESSION

JANUARY 18
MARCH 6, 7, 8, 9, 13, 14, 15, 1973

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CONGRESSIONAL CONTROL OVER BUDGETARY OUTLAY AND RECEIPT TOTALS

THURSDAY, JANUARY 18, 1973

CONGRESS OF THE UNITED STATES,
JOINT STUDY COMMITTEE ON BUDGET CONTROL,
Washington, D.C.

EXECUTIVE SESSION

The Joint Committee met at 10 a.m., pursuant to notice, in room E–F 100, the Capitol, Representatives Al Ullman and Jamie L. Whitten (cochairmen) presiding.

Present: Representatives Ullman, Whitten, Mahon, Burke, Griffiths, Sikes, Cederberg, and Rhodes.

Present: Senators Fulbright, Fannin, Pastore, Young, Hruska, Hartke, and Roth.

Representative ULLMAN. Ladies and gentlemen, in accordance with the instructions given to Jamie and myself at the last meeting, we have invited Mr. Charles L. Schultze, senior fellow at Brookings, who of course was the former Director of the Bureau of the Budget, to appear before our committee, and who has appeared before your committee, George and Jamie, many times. He has an intimate knowledge of the whole budgetary context, more than anyone I know, and he is specializing in the field now at Brookings.

Charley, we have brought you up here to pick your brains and we need all of the help we can get.

We have a tough challenge and a real assignment as you well know. At this point, I would like to introduce my distinguished colleague and Co-Chairman, Jamie Whitten, for a few words.

Mr. WHITTEN. As Co-Chairman, I just want to welcome you also Charley and express my appreciation for your appearance here today. We all thought that this leadoff working session of the committee should involve a briefing on how the budget is formulated, the various relationships between Congress and the administration in the budget process, and the different types of funding devices that must be considered in developing any mechanism of budgetary control. Because of your recognized ability and the extensive practical experience you have had in budgeting administration, I know we will all profit from your presentation.

Mr. ULLMAN. With no further ado I will introduce Charley Schultze—except for this one proviso—as you know this is a working session of the committee and remarks here are strictly speaking off the record; however, Mr. Schultze has kindly consented to have his remarks included in our published testimony. As a result Charley's

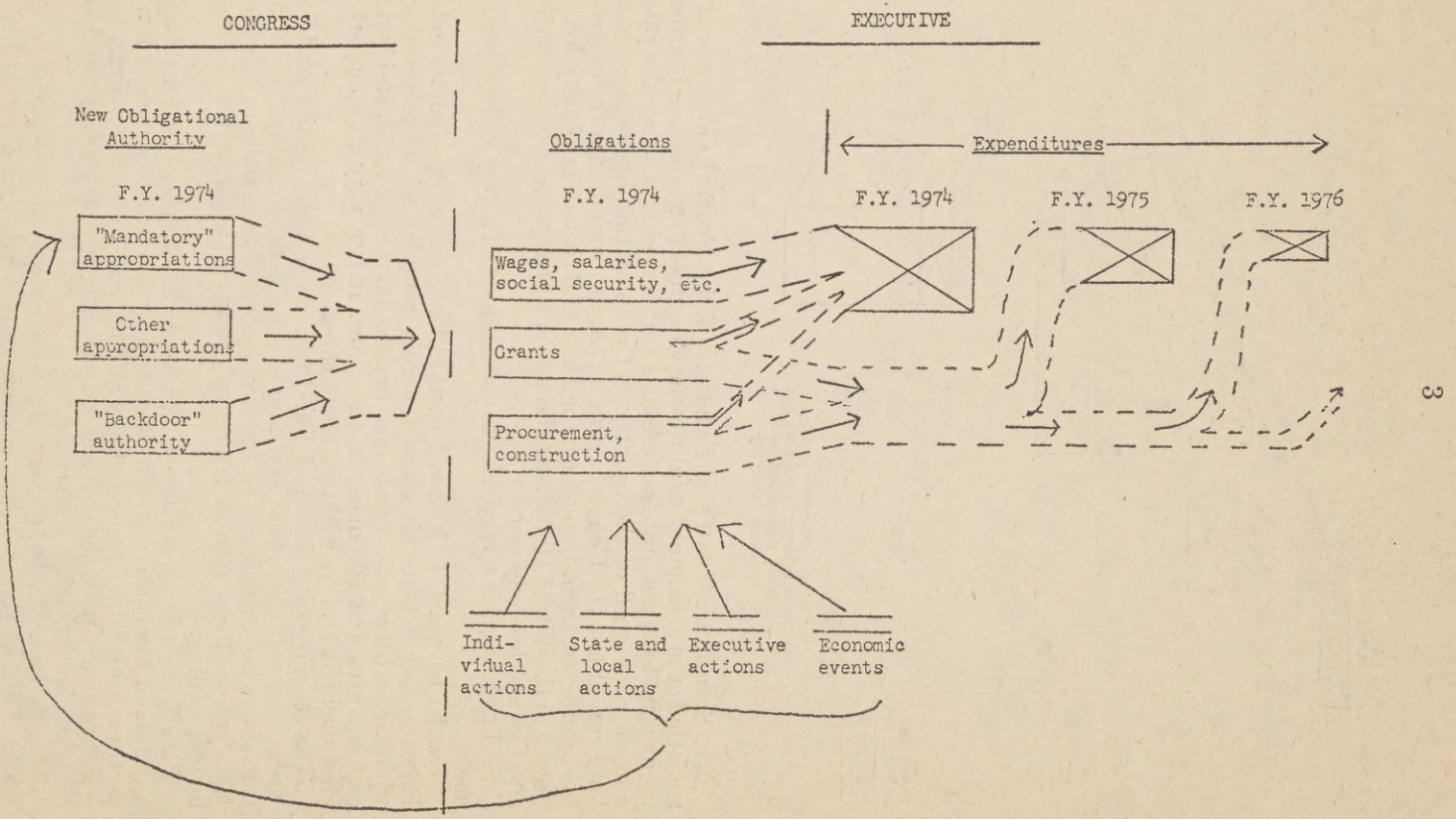
remarks will appear for the record as a continuing presentation without interruption, although we here today will be interrupting him at essential points to seek additional information as he goes along.

STATEMENT OF CHARLES L. SCHULTZE, FORMER DIRECTOR OF THE BUREAU OF THE BUDGET

Mr. SCHULTZE. I have no prepared testimony. I do have some notes on several points, and I passed around some rather amateurishly drawn charts, and they are amateurishly drawn because I drew them myself. These might help us a little bit in getting through some of the technical problems.

[Two charts follow:]

Diagram #1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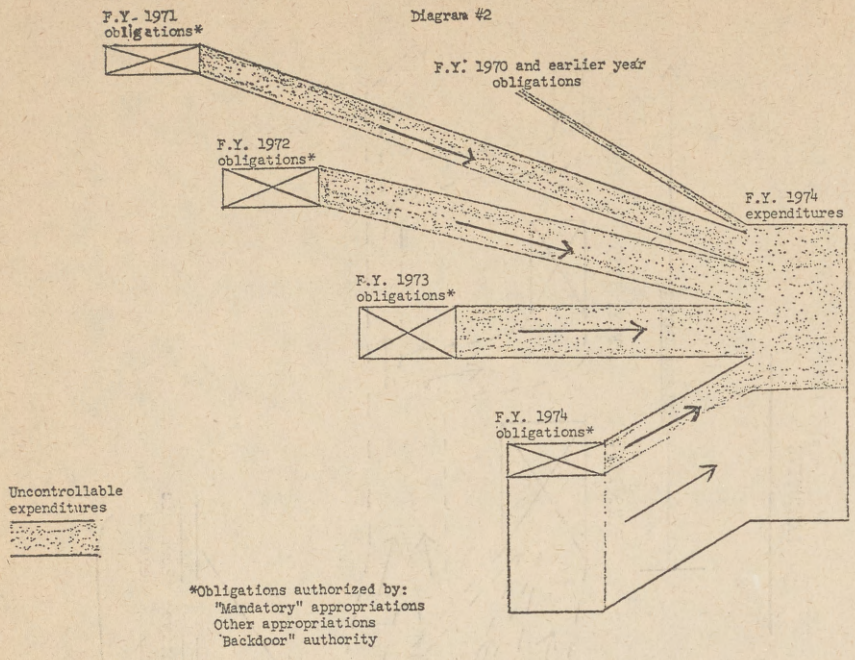

Mr. SCHULTZE. The fiscal situation of the Federal Government is such that it is absolutely vital for the Congress to get its hands around its own budget, not just because it is very important in a substantive sense for the good of the country in the short run, but because in the long run unless the Congress gets its hands around its own budget in the aggregate, then, Republican or Democrat, it will gradually lose its power to the White House and the power of the purse will become less and less and less important.

So I think this is a very critical committee and a very critical assignment.

But let me start. If I may, I would like to make three points today. First, to talk a little bit about the very complex set of relationships which exist between congressional actions, on the one hand, and budget expenditures and revenues, on the other. It is a very complex set of relationships, and we will talk about those.

The second point I would like to cover is some of the problems which you will encounter in trying to set a budget ceiling. I will first talk about the complexity of the problems and then some of the problems you will run into in trying to get up a mechanism to set up a budget ceiling.

Finally, a little bit gratuitously, I would like to offer just for thought a couple of alternative possibilities of how one sets up a mechanism to do this. And I offer those humbly and only as a couple of ideas.

Let me start with the complexity problem. It is dry as dust and it is complex, but I think it is essential.

Let us look at the process by which expenditures actually get made. A lot of this, I know, is duck soup to you, but I would like to put it all together.

First, the program as authorized by law allows the Federal Government to do certain things, for instance, the new higher education bill. Second, funds to carry out that program are made available by the Congress and they are made available in three different ways. First, the funds can be made available directly in the authorizing act. That is the so-called back-door authority.

In social security, for example, the social security bill automatically makes the money available.

Next is contract authority which makes it possible for the executive to make contracts without going through the appropriations process. In the end the Appropriations Committee has to authorize money to pay the contracts off, but basically they are locked in and there is nothing much they can do about it.

Third, permanent appropriations like interest on the debt does not run through the Appropriations Committee.

Another type of authority to spend is through debt receipts, which roughly is the way the Commodity Credit Corporation is financed. There are a whole host of devices by which the Congress may directly authorize spending without going through the appropriations process.

Next is what I call mandatory appropriations. In other words there are many laws which technically require appropriations, but the nature of the law is such the Appropriations Committee really doesn't have any option. You pass a veterans' pension bill. It entitles veterans to certain pensions. Now each year the administration comes up and asks for an appropriation to pay that off, but basically speaking, if you don't change the law, that appropriation action is simply legally making the money available and they have to make it available and it really doesn't do anything by itself.

So there are mandatory appropriations for items like pensions, public assistance, and black lung disease benefits.

There are a number of such situations whereby the law itself makes it incumbent upon the Appropriations Committee to provide the money and there is really no discretion.

Finally, the third route is the normal appropriation process where the level of appropriations controls the funds available. If you look at that diagram No. 1 that I passed out, on the very left-hand side, those are the three forms by which Congress makes the money available. Those are mandatory appropriations, regular appropriations, and various forms of "back-door" authority.

Once the funds are authorized and made available, then the Government can enter into obligations or contracts. For example, once the funds are made available, the executive can hire people, which in a sense represents a contract with the person, and you are going to pay him. The Government in that case, makes an obligation and the obligation almost immediately results in expenditures.

Second, once the funds are made available, the Government can let contracts for procurement or construction, but the actual spending under that contract may not occur for 1, 2, 3, 4, or 6 years later. If you let a contract to buy an F–14 fighter plane, the actual expenditures under that contract won't occur, most of them, in the year you let the contract, but will be spread out over a number of years in the future. The same thing is true with respect to construction.

Next with funds made available, the Government can negotiate grant projects with State and local governments, and commit itself to

pay a State and local government as it carries out the terms of the grant. And again, the Congress may make the money available in year one and the obligation may be entered into and the commitment of the State and local government in year 1, but the actual expenditures may not occur until the year 2 or 3 or even 4.

For example, under Hill-Burton hospitals the funds are made available and the obligations and commitments are entered into, let us say, this fiscal year, but only as the architectural contracts are finally done and the final approval is granted and the construction is underway and the bills come in do the expenditures go out.

If you look at that chart No. 1 again you can see that the Congress makes this new obligational authority available, and the Government enters into obligations to pay it out. In the cases of wages and salaries and Social Security and veterans' pension the money is immediately paid out, and in fiscal 1974 if you make an obligation you spend it the same year.

But if you look down at the next block, say, the grant programs, the Government obligates the money in fiscal 1974 and some of it actually gets spent that year. The checks are actually paid out to the State and local governments that year and some spending continues in 1975, some in 1976 and in a few cases it will stretch on into 1977 and 1978. The same thing is true for procurement and construction. Some of that money which is obligated this year will be paid out in future years.

If you look at the bottom of that sheet, where all of those arrows are, what that means is that in many cases how much is spent depends on actions absolutely outside the control of anybody—in the executive branch or the Congress.

For example, you make veterans' pensions available, and the amount of money that is actually going to be spent will depend on how many veterans claim their pensions. You make unemployment compensation available, and the amount of that that actually gets paid out depends on economic events outside the control of the Congress.

You make public assistance programs available, and the amount of money which actually gets obligated and then spent depends on what State and local governments do with respect to their eligibility provisions, how much they check on eligibility and it depends on economic circumstances, how many people essentially enter into the welfare situation, and so on.

So in addition then to the Congress making money available, the administration then obligating it, the checks then flowing out, you have all of these outside events influencing it; in many cases you are locked in, not by what you do, but by what happens outside of the halls of Congress or the halls of the bureaucracy.

Now the result of all of this is that expenditures in any given year are only in part the result of congressional actions on appropriations in that year. A large part of the expenditures in defense, for example, result from appropriations made and obligations incurred in prior years. In part expenditures stem from statutory benefits, where the appropriations simply recognize the facts of life and you can't really change it. That is, for example, VA pensions and public assistance. Part of that spending results from changes in laws, which bypass the appropriations.

I don't use "bypass" in any invidious sense. It simply describes the situation. Social Security and contract authority and black lung disease legislation are also some examples.

Much less than half of spending in any given year stems from action by the Appropriations Committee in that year, in the sense of actions where the Congress isn't legally or morally bound by past commitments.

Now what does all of this imply? From the point of view of dealing with this in an overall sense, it implies three things: On the one hand, expenditures in a given year are partly locked in before the year begins. Whatever actions you take on appropriations and other forms of spending authority won't affect a large part of expenditures in that year, unless the Government welches on prior contracts or legal benefit entitlements.

The second implication is if you want to cut total spending by, say, 3 percent in a given year, you may well have to cut a lot more than that in some programs, say 5 or 10 percent, since others are locked in and untouchable. If you look at the second diagram, at fiscal 1974 expenditures, some of those, the white part down at the bottom, do occur from actions taken and obligations entered into that year. You can cut those, and you can cut back on spending. But a large part of those expenditures flow from moneys made available and contracts and commitments entered into by the Congress through law or by the executive through contracts in 1973, in 1972, 1971 and even earlier years.

The third implication is if you want to control expenditures by congressional action, you have to look more than 1 year ahead. If you take actions in substantive legislation or in appropriations, in fiscal 1974, you may not affect spending much in fiscal 1974 itself, but you will have a major impact in 1975 or 1978, or all through that period. If you do something about the B–1 bomber, you are not going to affect expenditures this year, but you will be affecting expenditures over the next 5 or 6 years.

If you start a new dam, you will have peanuts of expenditures the first fiscal year, but you will have a stream of expenditures for the next 3 to 10 years.

Another corollary of this fact is that by concentrating solely on dealing with the current year's expenditures, you very often get priorities all mixed up. I have seen this happen in the executive branch. You have an instruction that you have to cut spending by $3 billion this year. Everybody scrambles like mad, not to find out what you ought to cut, so much as to identify those items that you can cut this year.

You might find an item that is very wasteful and ripe for cutting, but if you cut it, it won't affect expenditures for another year and a half. So why bother? You look for things that affect you this year. Hence, what I am trying to stress is that to do anything about setting budget priorities it is vital to take into account not just what happens this year, but what the implications are for future years.

Let me add one final point. Everybody looks at the way expenditures are authorized and obligated, and then flow out from the Treasury gradually. One other element in the expenditure total that is relevant,

is what I will call, using a euphemism, financial devices—financial devices to make the budget look smaller on the outside than it is on the inside. There is nothing illegitimate about it, but it gives the Executive substantial leeway to modify the total without really doing anything.

For example, the Government has a large portfolio of financial assets it has acquired by various routes like foreclosure on Government-guaranteed mortgages. By selling off some of those portfolios the Government reduces expenditures, because the way the accounting is kept, if you sell off a mortgage, it doesn't come into the Treasury as a receipt. It nets out against expenditures and reduces the total.

So you can have a loan program going on at the same old magnitude, but if the Government decides it can sell off some of the mortgages, you will see a drop in spending.

Second, where the Government gets royalties or lease payments, it doesn't take them into the Treasury as revenues. It nets them out against expenditures. If you look at the 1973 budget, you will find literally that the aggregate expenditures of the Interior Department are a minus $2 billion. The reason is that actually expenditures of the Interior Department are $2 billion, but there is $4 billion worth of hoped for royalties and sales of off-shore oil leases which are taken in and counted not as a receipt, but as a negative expenditure.

Finally, at the beginning and end of the year the Executive has a good bit of leeway to shove numbers out across that June 30 date, so if you want to change expenditures by $1 or $2 billion in a given year, there is enough leeway—say the Defense Department or other departments take moneys which would have been paid out in the last 2 weeks of the year and shove them over into the next year or vice versa.

In the fiscal 1973 budget, as best I can count, as it was originally submitted a year ago, if I look at this business of selling off financial assets, royalties, stockpile sales, and timing switches, there is about $12 billion there. In other words, that budget was reduced in terms of its accounting total by $11 to $12 billion by such devices.

Again I hasten to say I am not being partisan, because I can remember doing some of the same things myself. The only complaint is that I sometimes envy the fact that these fellows are much more clever than I was.

To summarize this part of what I want to say, spending in any one year is the consequence of a whole series of different kinds of spending authority, only part of which is voted in that year, and a large part of which stems from decisions on spending authority made in prior years and much of which the Appropriations Committee has nothing to do with.

As a consequence, in designing any mechanism to control expenditures, it seems to me that you need the following kind of things:

First, you need control over spending authority—I mean the Congress in some aggregate sense—needs to control spending authority outside the appropriation process, including those kinds of legislation like VA or black lung disease benefits, which technically require appropriations, but in fact mandate and commit the Appropriations Committee to finance. Once you pass a statutory entitlement there really isn't much the Appropriations Committee can do about it. They can with administrative expenses, but with the entitlement there isn't much they can do about it.

Second, it seems to me that you need a sophisticated staff analysis which relates spending to congressional actions. If you look at that diagram I handed out, you can see how complicated that set of relationships is. For example, you need to know how much of this year's spending depends on this year's appropriations, how much of this year's spending depends on nonappropriation actions. What is the spending effect this year of particular actions which various committees take and how much of their spending effect takes place in later years?

How reasonable are the administration's estimates of the uncontrollable spending? How much gimmickry or financial devices are involved in this budget total?

The third point is this: It seems to me you need judgment and staff work which will project the future spending consequences of current actions. What you do this year frequently becomes next year's uncontrollable spending. In my own view it would be very useful to require the administration to submit relatively detailed projections of the spending consequences of their current proposals over the next 3 to 5 years. I am not asking them to submit anything about decisions they are going to take in the future, but what are the 3 to 5 years' consequences of what they are proposing this year? Similarly, it would be well to have the kind of staff work which would attach to every major congressional action, not just as consequences this year, but a similar 3- to 5-year stream of consequences.

We don't do it with a lot of accuracy perhaps, but with several people we do it every year at Brookings. With a staff which could spend full time on doing some of this, and I think it is terribly valuable, a much better job could be done by the Congress.

Again to bore you by ticking off a summary: you need to control nonappropriation actions; you need a staff analysis relating expenditures to authorizing actions, which is a complicated phenomenon; and you need longer range projections both of the administration's proposals and of your own actions.

Let me turn, if I may, to the second set of problems. I said the first is the complexities of relating spending to congressional action. The second one is the problem you run into in trying to set an expenditure ceiling. I am dealing principally with expenditures and not revenues at this stage, so let me talk about expenditures.

In my view the central problem is relating the parts to the total. In one sense it is really easy to set a total expenditure ceiling. It is easy technically, perhaps not politically, but you can set one at the beginning of the year or wait until the end of the year and set an expenditure ceiling.

But if the various congressional actions on spending—in appropriations, in "back door" authority, in laws which mandate appropriations—if all of those various congressional actions add up to significantly more than this independently arrived at ceiling, then I think you have a very dangerous situation.

Suppose you have a mechanism to set a ceiling but only that, and the individual congressional actions come up to significantly more than that ceiling. In the first place, an expenditure ceiling taken by itself provides a cheap economy vote. You can vote for a ceiling

without really having to vote for any hard item on what is going to be cut within the ceiling.

In effect, Congress then avoids its real responsibility of deciding just where the individual items are going to be cut to get down to the ceiling.

Secondly, Congress then abrogates its judgments over those priorities to the President and puts a stamp of approval on it by voting the ceiling and telling him to cut.

Thirdly, it encourages irresponsible votes on "back door" authority and on appropriations. Why not vote for big individual items since it doesn't mean anythng, and then vote for economy by voting for a low ceiling?

Fourth, if you go this route gradually you will erode the meaning of appropriations and legislative action. They will become more and more meaningless, if you have ceilings on the one hand and pieces which add up to more than the ceiling, because the President is going to decide where the money goes. Why not get a good vote on an appropriation item? Gradually power of the purse will move right down Pennsylvania Avenue. There is no question of it. It is not that you do it the first year, but over time, I think you will literally erode away the concept of responsible appropriations and "back door" authority because it won't mean anything.

Therefore, to come back to my key point: A process has to be devised which makes the individual spending actions of the Congress consistent with a reasonable total and, conversely, makes sure that the total which Congress authorizes and votes is consistent with the individual actions.

In the executive branch, whether you like the results or not, at least that is done. The parts add up to the total, and the whole process of getting to a budget involves considerations of the total and considerations of parts and they are consistent. You may not like it, but they are consistent.

There are two parts to that process. There are two keys to doing it. One is what I will call an "iterative" process. Your consideration of the parts affects your judgment about the total, and your consideration of what kind of total you want for economic reasons affects your judgment about the parts. How much can you allow on each part? If you look at the process in the executive branch, it is a matter of continuous revision. There are some rough initial targets for each agency, but then the whole process of putting the budget together is a continual revision of that.

The initial targets are revised and the total is revised and they affect each other and you are continually revising all the way through.

So you have all sorts of negotiations and appeals and political clout being used here and there, but in this iterative process you piece the parts together until they come up to a total.

The second characteristic in the executive branch, in addition to that one; it heads up through the Budget Director and the President to one authority with all of the appeals and the negotiations and the calling in of your mayor from so and so to make a phone call to the President. With all of that business it ends up with one man and one major staff assistant making a decision, which is easier.

The central problem, therefore, is to get the parts related to the total. You do it in the executive branch as it all heads up through one man. How can you do that in a congressional situation where you obviously don't have and can't have the same kind of structure? It is hard to apply to the Congress.

Who sets those initial targets, if anybody? As actions are taken on each appropriation or on other spending authority, who reconsiders and revises and tries to keep this within the total or modifies the total to suit the parts? This is the problem.

I think I am fairly good at setting up the problem. I am not so good at suggesting a solution. But let me try.

I don't suggest this as an easy solution, but it is the kind of thing you have to think about.

As I say my whole thrust is this business of relating parts and totals. If I am wrong about that, nothing of this follows. But if I am right about it, these are the kind of things you have to think about.

I am going to refer to what I call a budget committee, but I am not going to describe it. It is not my business and I don't know enough about who should make it up, but let me assume there is a Budget Committee in each body. From now on I will call it a Budget Committee and I don't know enough to say how it should be set up.

The Congress first gets the President's budget. The staff of the Budget Committee makes an analysis. That analysis has the following elements in it. What does the President's budget request? What does it request for each of the 13 appropriation bills? What is in it for each appropriation bill? What does it have for social security increases, or the GI bill of rights?

So what you then have is a translation of the President's budget into its implications for each congressional committee which affects spending.

Next the Budget Committee proposes in the form of a resolution a target for overall expenditures and revenues for that fiscal year. It goes to the floor and it becomes a congressional action setting the ceiling.

Second, the Budget Committee, on the basis of its analysis, specifies for expenditures and for revenues, the difference between its recommendation and the President's recommendation. Let me take an example. Suppose in a given year, after looking at the economic situation, the fiscal situation, this Budget Committee suggests an expenditure ceiling which is $3 billion higher than the President's. It could be $3 billion lower, but let me for the moment, say it is $3 billion higher.

In effect then, Congress has $3 billion worth of leeway in terms of the sum of all of its individual actions relative to the President's budget. As each committee action which affects spending, through appropriations or any other action, is reported to the floor, the Budget Committee issues an accompanying report which tells the extent to which that action exceeds or falls short of what is implicit in the President's budget.

Again let me go back, and suppose that the ceiling allowed a $3 billion leeway. You would be coming along with a social security action which might add $2 billion, and say you had an increase in veterans entitlements which added $½ billion and right on down the line, and you would see what each action did in terms of that total.

As the session proceeded there would be a cumulative count. Here is where it gets tough. Near the end of the session let us assume that the total actions taken by all of the committees and passed by each House exceeded the President's budget by $5 billion. The ceiling that you started with exceeded it only by $3 billion. You have $2 billion either to cut out of individual items or to raise the ceiling.

Reports have been made on each bill as the session goes along. Then the Budget Committee would present a final budget bill which proposed specific amendments to prior actions necessary either to adjust the parts to the ceiling or adjust the ceiling to the parts or some combination of both. In the above example, you would have to cut $2 billion if you want to stay at the same ceiling.

You might postpone social security effective dates for 3 months and you might cut another half billion dollars from HEW or Defense. Or you might decide the economic situation had changed and you might want to change the ceiling, but the final bill would reconcile the two—the parts and the ceiling.

Next that final budget reconciliation bill could be amended on the floor, but any amendment would have to carry the following characteristics. If anyone wanted to amend it, for example, saying, "I don't like your postponing that social security action for 3 months," that would add half a billion dollars to the budget.

However, that amendment to be in order would have to be accompanied by a companion amendment cutting an equal amount elsewhere, or providing for an increase in the ceiling.

What this procedure really does is simply say you have to make your choices explicit. Congress goes through and sets a ceiling, which it can modify later, but it sets a ceiling. You keep a record as all of the individual actions go forward, how each affects the ceiling, and at the end of the process the sum of the parts and the ceiling are not likely to be in consonance. The Budget Committee would propose a way of making them consistent through a reconciliation bill, with a combination of specific amendments to prior actions or an amendment to the ceiling, or a combination.

When that reconciliation bill got to the floor, Congress is perfectly free to amend it, but for an amendment to be in order it would have to be a consistent amendment, either proposing cuts elsewhere or it must explicitly raise the ceiling, which puts the heat on anybody who wants to add something, to say, "Well, I am willing to increase the total or I am going to face up to the necessity that we cut elsewhere."

What this alternative proposal would do is provide an information system so everybody knows how individual actions affect the ceiling as the year progresses. It would provide a mechanism to recommend how the sum of individual actions could be reconciled to the total. And, finally, it forces anyone who wants a different set of priorities to be explicit about it. If you want to add more, then you either cut somewhere else, or face up to the necessity of increasing the total.

This process of reconciling parts and whole deals with the executive on grounds of equality, in which the Congress, like the Executive, ends up wtih a budget which explicitly sets out priorities for individual items consistent with an explicitly chosen total. This sets up a congressional budget which is consistent.

Eventually, along with all of this, it seems to me critical that this Budget Committee, through its own judgment and its staff, provide the continuing flow of longer run projections so that you know what the sum total of your action is doing, and not just for this year, which a lot of your actions don't impact anyway, but in 1975 and 1976 and 1977. Because, as I say, 85 percent of the budget is locked in and the reason it is locked in is because of what someone did 1, 2, or 3 years ago.

One of the secrets is to know what you are doing when it really counts, which very often is not this year, anyway.

When I suggested that particular proposal, it wasn't so much to say that is necessarily a viable way to do it, but to indicate the problems that you do face in trying to reconcile parts to the total. There are a lot of alternative ways to do it.

I have addressed myself to expenditures and not to the revenue side. Initially, in deciding on a ceiling whatever mechanism you set up to do it, whatever the name of the committee or the makeup of the committee or the joint group, whatever it is, we have to take into account first the level of expenditures and, second, the relation of that level of expenditures to revenues. This means that presumably what the committee would recommend would be first an expenditure ceiling, and, second, not binding but as a recommendation, an aggregate amount of tax action consistent with that ceiling on expenditures.

By that I mean, for example, one might look at the economic situation and say this year we believe it would be desirable to end up, for employment reasons, with the Government spending $2 billion more than the President recommends, without raising any additional taxes. In another year on examination of the budget we might find that we are going to aim for an expenditure ceiling of so and so, and think uncontrollable expenditures are rising so rapidly we might not make this, and therefore might recommend to the Ways and Means Committee that they consider a contingency tax plan which would raise $3 billion.

In other words, in setting the initial expenditure ceiling one would have not a binding but a guidance statement which goes to what this implies for the revenue side of the budget.

I assumed, when I went through this, that if you set the expenditure ceiling, what you really do is set it with respect either to saying no change in taxes, or with respect to an explicit statement as to what this implies for changes in taxes. Obviously, that will vary from year to year depending on the economic situation and depending on what has actually happened to expenditures.

Suppose you started with a given expenditure number and found that as the year proceeded you would be substantially exceeding that number and it turned out that you make a judgment, that you are not going to be able to make enough end-of-the-year reconciliations and cuts to stay with it. You may have that Budget Committee, somewhere about the middle of the year, issue a report saying that it now appears as if there may be some need for a tax change.

In other words, this may be something that you do at the beginning of the year and it may have to be done as you proceed, because in some cases you don't know until you get part way down the year.

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What I am saying is that when you make your recommendations with respect to expenditures, you simply make explicit the relationship of that to taxes. I happen to think in certain periods of time you may want to run a deficit. All I am suggesting is that when you set the ceiling you set it with explicit recognition of taxes, and you may agree with the President.

It seems to me one of the major problems is that what affects spending is partly appropriations and partly a whole batch of other actions. If the human mind were capable of dealing with everything all at once, you could wrap all of those up into one bill, fine. But I don't really feel the human mind is capable of doing that.

Now, I hate to get in a position of pushing one suggestion, I don't mean that, but it seems to me one of the things to keep in mind is how can you leave the existing committee structure without radical change, in order to get anything accepted and have a mechanism so that somehow you would adjust those individual actions to an explicitly chosen total.

Now I come very close to what some have in mind in the suggestion of an omnibus appropriations bill. I think even though the individual actions would go ahead. Because I don't think you can wait and lump social security and black lung disease appropriations all into one thing at the end of the year. But I think maybe what you can do is that even though individual bills go through and get passed, you put everybody on notice that they are really in suspense, and at the end of the year you are going to need a reconciliation bill and that consists of adjusting those piecemeal actions to the total.

Then you can deal with a limited number anywhere from 5 to 15 modifications which will do that.

Now the one thing you have to remember is that it is impossible to look at any given $1 billion spending item and say, "Does that billion break the ceiling?" That billion is only one item in and of itself; you can't look at it and say that it breaks the ceiling. Maybe the Defense Subcommittee has cut the appropriation and you have room. Maybe they have added an appropriation and a billion somewhere else which doesn't break the ceiling. When you add the two together you break the total. So I am suggesting that you need somehow, some way, to have reconsideration.

The really radical step I am suggesting is that this Budget Committee would have the authority to propose amendments at the end of the year which would affect any bill which directly affected spending. It couldn't amend a purchase authorization bill which had no backdoor authority in it. You might authorize but if it has no backdoor authority the Budget Committee has no rights over that. But a bill which has back door authority in it, a social security bill, a bill which increases veterans' pensions, an appropriation bill, anything which directly requires or directly authorizes spending you would affect. That is admittedly radical.

Let me try by illustrating this year what I think you are going to be faced with, which illustrates what you have to go through. I am going to be making the numbers up and they may be roughly in the right ballpark. I think the President is going to send up a budget which will show for the fiscal year 1974 what is called the full employment balance. The expenditures will be roughly equal to what revenues would be calculated under assumptions made.

Also in that same ballpark it is probably going to mean $270 billion expenditures and $270 billion in revenues. But in order to get those expenditures at $270 billion he is probably going to have $3 or $4 billion increase in the Defense Budget for a lot of different reasons, and there is going to be a huge increase in social security automatically coming through, and in order to hold to $270 billion he is going to have actions which add up to $8 or $9 billion worth of cuts in domestic programs.

Now it seems to me if you are getting at a ceiling I think you have to recognize that without having had long-range projections so you know where you are going from prior years, you can't do it all at once. You may very well end up the first year by saying maybe from an economic standpoint the President is roughly right, we ought to have expenditures in balance with revenues.

On the other hand—I am just suggesting we look at what is going to happen—there isn't much hope for cutting in the first year more than $3 or $4 billion out of Defense. Then we would be left with approving the President's cut of $5 or $6 billion in other areas and/or suggesting a tax increase.

Now, quite frankly, in this first year we think we need more leeway and in the first year we are going to set a ceiling which is $3 or $4 billion above the President without raising taxes, and we are going to have to cut some to get through, not quite as much as he has there, and we don't think more is do-able. That is an example of how you might arrive at a $273 billion or $274 billion budget.

I think just setting an expenditure ceiling and not making your procedure clear is dangerous. What I have been trying to look for is something which will allow the Congress to vote on individual items but have full knowledge of what that is doing to the total. That is the essential problem, I agree with you. Ultimately you have to turn the water off or water down and not put your hand at the end of the spigot, which you are doing with a simple expenditure ceiling.

What I am saying is you need to make a decision on two things: How much water do you want flowing from the spigot and what do you have to do to get the right amount of water coming out. It is not easy for somebody to decide that. For example, I am a moderately willing spender myself, but nevertheless it is easy for someone to jump up and down and say, "I want absolutely full funding of the pollution control bill," and that alone is not going to wreck the economy. But full funding of pollution control and full funding of higher education, etc.? And as for the President, we don't like his domestic cuts and yet we really can't cut a lot out of the defense budget. Each one of those may be perfectly reasonable by itself. I think the higher education bill ought to be funded. But that isn't the point. It is how you tell the Congress, "you have got to make up your mind on both the total and you have to fit your individual actions into it."

You have to watch NOA, but you have to know what it does to your totals. Fifty percent of obligational authority is outside the appropriations committees. Even if you had an Appropriation Committee which presented one bill, for example, and would have the chance to vote for it all at once, it won't do the job. A lot of spending doesn't come from there, anyway. You have to put the two things together.

I have a couple of more points to make, one of which I have not fully thought through, but I just raise the point. That is, if you devise any

procedure which attempts to reconcile individual items to what you want in total, I find it hard to believe you can devise such a procedure which won't have some major sort of reconciliation bill coming along near the end of the year. What does this do to the timing of appropriations? It is late enough now.

It seems to me that as part of this problem we have to look at the whole relationship of the authorization process to the appropriation process.

There are a number of things that maybe could be done, but I find it very difficult to believe one can get hold of this if there aren't some procedural changes to make sure that that final reconciliation bill is on the floor not much later than August.

The Executive can live with a couple of months of continuing resolution if it is policed, but you can't really live with all of this going through to November each year.

Next, I would urge your attention in this area to the hearings and report of a committee chaired by Jack Brooks on the calendar-year budget.

I don't want to go into that now, but that committee went in with five out of the seven members having sponsored a calendar year idea, and when they listened to all of the testimony, they reversed themselves and voted against it.

I think you have to think about timing procedures. One suggestion I have always liked, and it is easy to like if you are not in Congress, is that after a certain date any appropriation bill is in order, even if an authorizing bill has not been passed (and you don't have to make it June 30, you can slop over some).

Secondly, I think it is worthwhile considering making all authorizing bills, subject to some special exceptions, take effect only a year later. In other words, normally in this session you authorize for programs to begin in effect the next year, which means all the money committees are not under that terrible gun of having to wait until all of the authorizing legislation is there.

In a few cases you will need special exceptions. There is no reason in the world, it seems to me, that this really couldn't be done in most cases, because necessary programs are not such that one couldn't take care of emergencies this way.

Again I am a little reluctant to be specific. But the timing problem has to be addressed. You will just be filled up to November and December and then you are in trouble.

Where it is regularly authorized, as NASA and AEC are authorized, and I don't mean something that you have never done before, but these are the regular authorizing bills each year, an appropriation bill might be in order if an authorization is delayed. I don't mean a new program, but I do mean regularly recurring programs. It seems to me, by a certain date you have to have them through. That could really be handled if you would authorize a year in advance.

I want to make two points about revenues.

One, as a general proposition I don't think the Treasury Department estimates of revenues tend to be that bad within the context of human ability to forecast the economy.

Second, the Congress is fortunate in having, I think, in the Joint Internal Revenue Committee a very good staff, very capable of doing

this. They do issue reports, sometimes second-guessing the Treasury, and clearly this is a better job. Both revenues and these uncontrollable expenditures are involved.

So my own view is that estimating revenues is always going to be a terribly difficult problem because you have to forecast the economy and a number of other things. But, it is probably not done badly in the context of human fallibility. I don't think there is a general bias or you get generally lousy estimates out of the Treasury.

In particular I think you already have the capability of giving them a very good review and coming up with the best estimates human knowledge is capable of giving, in terms of just estimating what are our tax laws going to yield us this year. You will make mistakes all of the time, but given the limits of human knowledge, I am not sure I have a better way of doing it.

Returning to the spending ceiling, it seems to me what you are really doing, you are voting money, and the spending flows from that, and the total spending ought to be based on two things: On the one hand it is an estimate of what the spending consequences in your individual NOA actions are going to be; and, secondly, it is an economic target.

It seems to me that the whole point of this is not for the Congress to pass and have the President approve a spending total inconsistent with its individual actions. Therefore, I think if you have a mechanism which lets you know, and you have to take action on the spending consequences of each bill, that is enough.

Because what you are really saying is, "Here is what we are aiming for, and this number up here is just an estimate," and what we want to do is make sure our individual actions produce consequences consistent with that overall ceiling. If you have your actions consistent with the ceiling, I don't think it is quite so important whether the President approves it or not.

There is one other point that I have not stressed, and I would like to end, if I could, with stressing it.

Two to three years ago you could do a projection and roughly predict where you are now on expenditures. Also some very large percentage of your actions don't affect spending this year but in other years.

Ultimately, it seems to me, to go along with whatever you do, you need an information system which at least lets the Congress know. You start a nuclear carrier, $100 million for the reactor, but you are basically committed for a $2 billion enterprise. It is possible and feasible with a modest-sized staff to keep up with things like this, to feed the Congress not only with the kind of information we have talked about, but also with what is equally critical in 1975—how is a particular action going to look in the total picture then.

HEARINGS OF JOINT STUDY COMMITTEE ON BUDGET CONTROL

TUESDAY, MARCH 6, 1973

U.S. CONGRESS,
JOINT STUDY COMMITTEE ON BUDGET CONTROL,
Washington, D.C.

The Joint Committee met, pursuant to notice, at 10 a.m., in room 1114, the Dirksen Building, Hon. Jamie L. Whitten and Hon. Al Ullman presiding.

Present: Representatives Whitten (presiding), Ullman (presiding), Rhodes, Cederberg, Sikes, Schneebeli, Griffiths, James Broyhill, Rostenkowski, Mahon, and Davis and Senators Bennett, Proxmire, Long, Young, Roth, Fulbright, and Pastore.

Chairman ULLMAN. The committee will please be in order.

The Joint Study Committee on Budget Control was established last year in the Debt Ceiling Bill. This committee is charged with the responsibility of examining the fiscal procedures of the Congress and with bringing back to the Congress recommendations for procedures that will establish some budgetary control on the fiscal activities of the Congress.

This is an assignment that is terribly important in view of the problems of the Nation and one that this committee is taking very seriously.

The committee was organized at the beginning of the 93rd Congress, and, after deliberations, has issued an interim report that makes tentative recommendations for the establishment of a separate budget committee in the House and in the Senate. It recommends procedures that would require this budget committee to bring to the Congress early in each session a budget that encompasses revenue objectives and expenditure limitations that would be operative on the legislative authorizations as well as the appropriations. Procedures would be established whereby the Congress could stay within the limits set forth by the committee.

In other words, what we hope the interim report will lead to is to give the Congress an opportunity to establish a congressional budget, and to set up procedures in the Congress to fit the parts into the whole in such a way that we could stay within the budget limitations.

My colleague, Congressman Whitten of Mississippi, is the Cochairman of this committee and we share this important responsibility. I would like at this time to call upon him to make a few appropriate remarks.

Mr. WHITTEN. First, may I say it is a pleasure to serve on this Joint Committee and I think if you look at the list of the membership you will agree it reflects a most experienced group and represents

one of the most able groups as we have had on any one committee since I have been here.

It is a pleasure for me to serve with my colleague from Oregon who initiated this resolution. I believe there is general agreement that it is highly imperative this committee come up with a sound workable budget control plan.

We have a Nation where the three important branches of Government must recognize the authority and limitations of the other or else we all fall.

To add to the statement made by my Cochairman, Mr. Ullman of Oregon, I think in our preliminary report we have done something that is important to all of us. We have managed to bring together how we got this way and what the problems are.

We have a rather fine statement, I think, as to present conditions and various ways in which the Congress commits itself to obligagations and expenditures by the Government in various separate actions without any means to exercise effective overall control. Today we are beginning the public hearings to hear from my colleagues, Dr. Burns and others as to their suggestions. I know they will be helpful to us in formulating a plan to get a handle on the tasks of balancing revenues and expenditures.

If we don't, this contest between the other branches of the Government and the Congress will continue and, in my own personal opinion, that is not good. For our Government to work there must be respect by each of the three branches, not only of the powers and authority, but of the limitations of the other branches.

I look forward to this opportunity to hear our friends and have them give us the benefit of their advice and counsel.

Thank you.

Chairman ULLMAN. Thank you, Congresman Whittten.

I would like to acknowledge the presence of some of the members of the committee.

We are extremely pleased that Senator Russell Long and Senator Fulbright, both chairmen of very important committees in the Senate are here. Senator Bennett also from Senate Finance Committee and Senator Young, from the Senate Appropriations Committee, and then at large Members from the Senate, Senator Proxmire and Senator Roth, are all present here at these important initial hearings. In addition to my Cochairman and myself, we have Congressmen Sikes, Cederberg, Rhodes from the House Appropriations Committee and Congresswoman Griffiths, Congressmen Schneebeli and Rostenkowski, all from the Ways and Means Committee. Congressmen James Broyhill and Glenn Davis at large from the House.

We are very privileged to have as our lead-off witness in these hearings the very distinguished Chairman of the Board of Governors of the Federal Reserve Board, and a man who has the confidence of most of the Members of the Congress, with a distinguished record of public service.

Dr. Burns, we are extremely pleased to have you here, and we would like you to share your views with us on the challenge that faces this important committee.

STATEMENT OF DR. ARTHUR BURNS, CHAIRMAN, BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Dr. BURNS. Thank you, Mr. Chairman.

In a year when Congress is demonstrating a determination to reform its procedures, your committee faces a challenge worthy of its talents. You have the opportunity to enable Congress to turn its power of the purse into a truly effective instrument for stabilizing our economy. The fiscal policies of this Government—its total outlays, the priorities they reflect, and their relationship to revenues—bear significantly on the lives of the people you represent. Income levels, the cost of living, the balance of international payments, and even the quality of life in this country are directly and substantially affected by the Federal budget. If you can develop procedures that will enable Members of Congress to vote on an overall fiscal policy that adequately reflects congressional priorities, you will revitalize representative government in this country. I am pleased to have been asked to discuss these issues with you.

Thoughtful people everywhere are aware of the need for more effective congressional review of the budget. A recent indication of this fact is Senator Mansfield's statement on February 8, disclosing that "all the new Senators of the class of 1973" had written to him and to Senator Scott urging that reform of the congressional budgetary process be given "top priority." In this letter 13 new Senators, from both political parties, fresh from election victories in States from Maine to Idaho, unanimously and "wholeheartedly" agreed that "Congress has the obligation to set priorities under which expenditures are to be authorized by this Nation, and present procedures of the Congress do not in fact achieve that aim." They concluded with this perceptive comment: "The first step toward establishing priorities has to be setting a ceiling on appropriations and expenditures. This must be done first, rather than last. Unless we do this, we are not really budgeting at all."

Yet along with this awareness of the need for better budgetary procedures, there is concern and even cynicism about the prospects for achieving them. We hear speculation that the President does not really believe Congress will heed his call for a ceiling on expenditures but expects, instead, the Congress to overspend and thus become responsible for a tax increase that would then be inevitable. Congress, by its own actions, has lent some support to this pessimistic view. The early response of the House and Senate to the President's efforts to hold outlays for fiscal 1973 to $250 billion has been to pass bills requiring release of some of the impounded funds. And the Ervin bill restricting the authority to impound funds seems likely to pass the Senate soon. Thus, people are understandably concerned that Congress, in exercising its unquestioned right to determine priorities among national needs, may produce budget deficits that no one wants—not the President, not the Congress, and not the people you represent.

The problem is too acute to allow its solution to be frustrated by acrimonious debate about who is to blame. Representative Mahon recognized this in a challenging discussion of our budget problems in Nation's Business last April. Let me quote a few key sentences from

his paper: "Who is to blame for this distressing record? The President? The Congress? The American people? I think nearly all of us are. Large segments of the population tend to demand more and more Government services, and at the same time there is a demand for lower taxes."

I believe the American people understand that Government spending, taxes, inflation, and interest rates are all interrelated. If they seem to favor more spending and lower taxes at the same time, it may well be because congressional procedures lead to votes on taxes and spending as though they were unrelated issues. Members are asked, in effect, to cast a number of separate votes for or against cleaner air, for or against better schools, and for or against a host of other good things Government can help to provide. A vote does not occur on the question of whether expenditures for a particular category are desired strongly enough to raise taxes, or to cut back on another category. Until votes can be cast on such questions, we cannot be sure what answers people generally would give.

At present, the decisionmaking process that results in a unified budget being presented by the administration has no counterpart in Congress. Instead, the decisions that determine the ultimate shape of the budget are made by acting (or at times taking no action) on a large number of separate measures—160 for fiscal 1973, as recently reported by your committee. Only after the results of these separate votes are determined can we put the pieces together and discover what kind of budget has emerged. In this process, Members of Congress have no opportunity to express the wishes of their constituents on choices such as what total expenditures should be, or whether more should be spent for housing or for education or health care. Choices of this type are of greater importance to the electorate as a whole than the single proposals on which congressional votes actually occur.

Some of the choices that the 93d Congress will have to make can be readily anticipated. The economy is expanding vigorously. We can look forward to a good increase in physical output and further reductions in unemployment in 1973. Thus, there is no need at this stage of the expansion for further fiscal stimulus and the administration has therefore recommended that the budget be brought into balance at full employment. Along with the new prosperity, however, we have some old problems. Persistent inflation—albeit at a somewhat diminished pace—is one of them, and the chronic deficit in our international balance of payments is another.

The recent devaluation of the dollar, combined with the Smithsonian realignment, have now placed us on the road back toward equilibrium in our balance of payments. We cannot, however, take that improvement for granted. Indeed, confidence in our economy will be strengthened if we set a firm and definite goal for the balance of payments—namely, to end the deficit within a period of 2 to 3 years. And while devaluation will help in restoring payments equilibrium, it will also add to upward pressures on our prices at a time when both domestic and international considerations require a determined effort to restore price stability. The level of Federal spending, and the way it is financed, will have an important bearing on our ability to solve these persistent problems of inflation and international imbalance.

Yet sizable deficits in the Federal budget continue to plague us. The administration estimates that outlays, if held to $250 billion, will

exceed revenues by $25 billion for fiscal 1973. And while the administration has recommended that the budget be brought into a position of full-employment balance for fiscal 1974, outlays are still scheduled to rise another $19 billion and the unified budget deficit is expected to be about $13 billion.

In addition to its implications for employment, price stability, and our international payments position, the budget is bound to leave its mark on interest rates. With credit demands strengthening because of the marked advance in economic activity, interest rates have been moving up. Treasury financing requirements, stemming from large budget deficits, have added to the pressures on credit markets. So far the advance in interest rates has been mainly confined to short-term credit. But our chances of continuing to avoid significant increases in long-term rates will depend heavily on whether Treasury demands for credit can be held at moderate levels.

It is clear to me that your committee fully realizes the pressing need to reestablish order in our Federal finances. The question is not whether it must be done, but how. A solution requires a firm ceiling on expenditures or a tax increase, or some combination of the two. There are several reasons, I believe, for choosing a curb on spending in preference to a tax increase.

First, Government expenditures—counting outlays by State and local governments as well as Federal—have been rising much faster than our national production, so that an increasingly large fraction of the wealth that our citizens produce is being devoted to the support of Government. In 1929, total Government spending amounted to about 10 percent of the dollar value of our national output. Since then the figure has risen to 20 percent in 1940, 30 percent in 1965, and 35 percent in 1972. It is time to call a halt.

Second, the expansion in Government outlays has not produced the kind of benefits the public has a right to expect. As Government assumes wider responsibilities, it becomes increasingly apparent that we must have a better system of controls to screen out low-priority programs and to insure that high-priority programs operate efficiently. The best way to get effective controls of that kind is for Congress to decide that one-third of our national output is quite enough for the tax collector.

Third, I have the impression that the American people feel that they are already carrying a sufficiently heavy tax burden, and will strongly resist any increase. If that impression is correct, raising taxes may not be a realistic alternative to a ceiling on spending.

In its Interim Report of February 7, your committee has sketched out a tentative plan to achieve better control over expenditures, as a part of an overall plan for reviewing tax and expenditure policies. You have already accomplished much in the short time your committee has been in existence, and I find your report most encouraging.

Under this tentative plan, Congress would establish two overall spending ceilings early in the session. One would govern total outlays for the ensuing fiscal year, which stem in part from obligational authority previously enacted. The other would limit new obligational authority, which will form the basis for expenditures not only in the ensuing fiscal year but in later years as well. Each of these comprehensive ceilings would be accompanied by subceilings for major

categories of expenditures, so as to reflect congressional priorities and to assist in achieving compliance with the overall ceilings.

Your report notes that earlier experiments with rubbery ceilings have failed, and that procedures must therefore be developed to assure reasonable compliance with the ceilings. Representative Findley's proposal, House Resolution 17, which would amend the rules of the House to require a two-thirds vote for passage of any bill that would exceed the previously determined ceiling for the particular category of expenditure, has much to commend it in my view, provided it is expanded to assure participation by the Senate in establishing the ceilings—as your report contemplates.

Representative Reuss has suggested a somewhat different procedure—namely, that the overall ceilings and subceilings established early in the session be treated as tentative, so that appropriations bills and other measures providing new obligational authority could be passed as now by majority vote even though they breached the ceilings. Thus, the tentative ceilings would help to guide action on individual spending measures, but adjustments would be made late in the session, in the form of a final budget statute. This proposal seeks to achieve flexibility and an opportunity for late-session review, as proposed by your report, without destroying the effectiveness of the ceilings established early in the session.

I recognize that it may be too much to expect the House and Senate to agree early in the session, on the basis of limited information, on ceilings for major categories of expenditures that could be overridden only by a two-thirds vote. It may therefore be necessary to rely, as Representative Reuss has suggested, on action late in the session to set the overall ceilings and subceilings in their final form.

For the reasons I have mentioned, I would hope that where the tentative overall ceilings are exceeded, the late-session adjustment would usually take the form of reduced spending authority rather than a tax increase. But there may be circumstances where Congress should consider accepting a higher deficit than originally contemplated, or financing expenditure overruns by raising taxes. The essential point, to my mind, is that Congress should take one of these courses deliberately, in full awareness of its consequences.

Moreover, if reliance is placed on a final budget statute for the needed adjustments, special rules would seem to be required in order to assure that such a measure is in fact brought to the floor and acted on. Rules such as those which speed consideration of resolutions relating to reorganization plans would seem to be useful in this connection.

As an alternative approach, you may wish to consider a procedure by which Congress would adopt a joint resolution establishing overall spending ceilings as early in the session as possible, but in no event later than June 30. The resolution would set firm overall ceilings on outlays and new obligational authority for the coming year, and direct the Executive to submit within 45 days a detailed budgetary plan for complying with these ceilings. The plan would take effect within 45 days after its submission unless either House meanwhile passed a resolution disapproving the plan. With reasonable cooperation between the Executive and the Congress, which would of course include consultation with the House and Senate budget committees proposed in your report, such a procedure would assure that the ceilings were effective and that they also adequately reflected congressional priorities. Again, rules

would be needed, analogous to those for reorganization plans, to give each House the opportunity to vote on a resolution of disapproval if it so wished.

In developing better budgeting procedures, it may be that the Federal Government could usefully adopt some of the techniques of the States, where budgets are subject to a relatively firm discipline. I have tried to learn something about State procedures through conversations with State officials and others familiar with the subject.

It appears that State legislatures are normally subject to a very powerful constraint—namely, elected officials of all parties recognize a balanced budget as a prerequisite to reelection. Some States permit deficits for capital expansion but a deficit on current account, even where permitted by law, poses political risks that officials are reluctant to take. The general acceptance of the need for a balanced budget enables the leadership to keep the legislature in session until it is achieved. I am not advocating that the United States Congress repair to the banner of a balanced budget at all times. But we do need a new sense of discipline—one that recognizes that a constantly stimulative fiscal policy is more apt to produce inflation than new jobs.

One important means by which the States achieve fiscal restraint is by granting considerably larger power to the Governors than the Congress has granted to the President. The item veto is authorized in a number of States, and because of the shorter legislative sessions the pocket veto is a more powerful weapon. In some States the legislature is not permitted to increase spending above the level requested in the budget unless it also provides for a new source of revenue. And nearly all Governors impound funds frequently. However, it appears that impounding generally involves measures such as reducing the number of State employees or stretching out construction rather than terminating programs.

Experience at the State level thus suggests that where overall outlays are subject to careful scrutiny, impounding—when it occurs—takes a form that is consistent with spending priorities established by the legislature. If the President and the Congress will work together to hold total outlays at a level reasonably related to revenues, there should be no occasion for resort to impounding on a broad scale.

Congress has made it clear that it does not wish to emulate the States by strengthening the powers of the executive branch to trim total outlays to acceptable levels. And Congress is better equipped than are the State legislatures to play a strong role in fiscal policy. But Congress can preserve and strengthen its powers only by exercising them. Procedures that produce deficits that the Congress itself does not desire invite corrective actions by the Executive.

In the long run there would seem to be no political advantage to either the Executive or the Congress in battling over budgetary prerogatives, particularly if the result is bad budgets. Let peace be declared; let Congress play a greater role in reviewing the budget, and perhaps even become involved in the preparation of the budget. Eight States have established means for doing this, generally through a board most of whose members are legislators. While the mechanisms established in these States would have to be modified for application at the Federal level, perhaps some means could be found that would be mutually satisfactory to Congress and the President.

Involving the Congress in budget preparation should help to accomplish speedier action on budget proposals. Both the President's budget message and your committee's interim report recognizes the need to reduce or eliminate the delays that have required increasing use of continuing resolutions and have frustrated efforts to make the budget a really useful management tool. For programs that operate under statutory authority that is renewed annually, enactment of the authorization bills a year in advance, as recommended in your report, would eliminate a major cause of delay in considering the related appropriations bills. Cooperation and consultation between the Executive and Congress in formulating the budget should also help to expedite its enactment.

Your report recognizes the need to provide Congress with better information about the effects of existing and proposed legislation, not only in the current year, but up to 3 to 5 years ahead. This would extend to the Federal Government procedures already established in some States, and should prove highly beneficial, particularly if it is buttressed by your proposal for House and Senate committees on the budget, assisted by nonpartisan, professional staffs. Indeed, the President has already taken useful steps in this direction. Thus, in his most recent budget message, he presents estimates, for individual agencies and in functional detail, of the outlays for fiscal year 1975 as well as for fiscal 1973 and 1974.

Finally, I feel that any discussion of better budget procedures would be incomplete without some mention of zero-base budgeting. Traditionally, officials in charge of an established program have not been required to make a case for their entire appropriation request each year. Instead, they have had to justify only the increase they seek above last year's level. Substantial savings could undoubtedly be realized if both the administration and the Congress treated each appropriation request as if it were for a new program. Such a procedure will undoubtedly be difficult to achieve, not only because it will add heavily to the burdens of budgetmaking, but also because it will be resisted by those who fear loss of benefits they now enjoy. But this reform is so clearly necessary that I believe we will eventually come to it, and I commend to your attention Senator Brock's bill, S. 40, which provides for zero-base budgeting for all major expenditure programs at least once in every 3 years.

The thoughts I have expressed today are my own, not necessarily those of the Board of Governors of the Federal Reserve System. And, needless to say, I disclaim any special expertise in regard to congressional procedures. But procedural questions at times have great substantive significance, and this is one of those occasions. I accepted your invitation because as a concerned citizen, with some knowledge of economics, I have believed for some time—and recent events have reinforced the belief—that better congressional control of the budget is absolutely essential to maintain the vitality of our economic and political system.

Chairman ULLMAN. Dr. Burns, as usual you have been forthright, innovative, constructive and have given us much food for thought.

Over on the House side, I will announce for the benefit of the Members, we have a 5-minute rule in the questioning. If there is no objection, we will try to adhere to that on a voluntary basis.

Congressman Whitten, would you like to question Dr. Burns?

Chairman WHITTEN. I would like to join in your commendation for a very thoughtful and constructive statement. I would like to emphasize the major factor which our large outlays for defense and foreign aid play in our economy. The $70 billion or more we spend annually on defense is inflationary and does not add to our economic strength. The money does not bring any goods to offset the money which in turn contributes to inflation.

With regard to foreign aid, whatever its merits may be or have been, we give them our tax money to buy our goods. That also contributes to our inflationary trend.

Our expenditures for both defense and foreign aid have been financed by borrowing, increasing our national debt.

I would also like to suggest on the item veto issue, that any such actions should be subject to an overriding vote by Congress. I do not think the Executive should have the inherent right to veto, to impound without a right of Congress to disapprove.

I participated in the legislative budget experience during the period 1947 to 1949. I do not know that I learned in that experience what will work. I learned a few things that won't work. We must find ways to overcome the problems that resulted in failure of that effort. A major one was attempting to set and defend a ceiling early in the session before you had any hearings or opportunity for detailed review and analysis.

Do you have any comment?

Dr. BURNS. I certainly agree with the basic observation that military expenditures do little or nothing to add to our Nation's economic srength. They add to our burden without increasing our economic potential.

Now, as to your suggestion about an item veto; namely, giving the President the item veto, but with the Congress retaining the power to override that item veto, I find that an interesting possibility.

Senator FULBRIGHT. How about a majority instead of two-thirds?

Dr. BURNS. I would like to think about that a little more. Offhand, I do not know that I would have any strenuous objection.

Mr. CEDERBERG. Will the gentleman yield?

Since it was passed by a majority in the first place, the item veto would not be a very effective tool then, would it? If you had a veto overriden by a majority?

Dr. BURNS. You would pass an entire bill and then you would be voting on a single item in that bill. The vote on the entire bill is not necessarily indicative of what the vote would be upon the individual item.

Senator PASTORE. I feel a fair compromise would be three-fifths of those present. It would have to be a little bit more than majority. A little less than two-thirds.

Dr. BURNS. I might say the question of constitutionality, whether it would take a constitutional amendment or merely a statute, is involved in this.

Senator LONG. I might also add that, usually items in any bill represent compromises between conflicting views, so that if an item veto were ever exercised with respect to individual activities there is no assurance that these items when isolated would receive even a majority vote.

Senator FULBRIGHT. In my State they have a majority and have rarely had it overriden.

In this present regime, there has not been a single challenge to the Governor's veto although it only takes a majority to override the veto and he has vetoed some bills.

Senator ROTH. As a possible compromise, without considering the constitutional question, couldn't you replace the 12 or 14 appropriation bills, with a greater number of bills of a more narrow scope. For example, instead of having one bill for agriculture, environment, consumer protection, why not have three bills. It would give each Member a more effective voice in each of the areas. Although it would not go as far as an item veto.

Senator PASTORE. First of all, I want to say, Dr. Burns, this is a very excellent statement and I congratulate you for it.

I think that you make a valid point, that this procedure of a fragmented consideration of a budget of $288 billion in 15 separate parts does produce, I think, in the long run, a crazy-quilt that is hard to deal with.

Just how you do this and how you meet this situation and solve it, of course, is the dilemma that confronts us here during these hearings, but this is the thing that more or less concerns us.

This process that we have adopted of authorizing by one committee and appropriating by another. There is always an aptitude and willingness to authorize almost anything that is brought up. Then when you get to the process of appropriating the money, that is where the difficult job is and we have cut even the President's budget over the past years, as you well know. And the Appropriations Committee has done that.

What do you think in the long run, and this may be a little far fetched for the moment, but I think it should be given consideration, that the authorizing committee be empowered to appropriate and not only the responsibility of getting into what is popular and what seems to be a nice thing to do, but also producing the money and advocating the money to pay for those popular programs?

Dr. BURNS. I find it very difficult to comment on this procedural question. I do not know enough. I do think this, that having an authorization bill passed, going through all of the agony involved in doing that, and then moving to an appropriation bill, I have often felt this to be a rather cumbersome procedure. Some short-cut should be devised. But whether that power should be given to the legislative committees or to the Appropriations Committee or to the new Budget Committee that is being considered, I am not prepared to say at this time.

Chairman WHITTEN. I would like to say that in our preliminary report we show that the practice is growing rapidly of the legislative committees, as the Senator has mentioned, writing into the act the right to obligate and the right to spend and bypassing the Appropriations Committee.

I believe our report shows that only 44 percent of the expenditures in the 1974 budget is associated with the items to be reviewed in the appropriations process. So that is one of the problems we have faced.

Dr. BURNS. That to me was one of the most revealing facts disclosed by your report.

Senator PASTORE. To put it in dollars, the estimate is $288 billion and the amount we have control of is $173 billion.

Mr. ULLMAN. Senator Long.

Senator LONG. Dr. Burns, you could be my banker any day in the week and I say this despite the fact I am fortunate enough to have some good bankers to do business with where I come from. They are very fine men.

But I am not sure that you could be my social planner. You speak here on page 7 of the Government spending as though it were bad per se, comparing 1929 with the Government spending in 1940.

Those budgets had virtually nothing in them for health, nothing for education, practically nothing for the poor. It would seem to me that we ought to recognize, for example, that we are providing for the protection of people in their old age who have to be cared for in one way or another. To simply refer to this increase in spending as though it is necessarily bad seems to me not always to be correct.

I do not mean to imply that you disagree with the things we have done. I believe you and I are together about that family assistance plan. I was not for paying people for doing nothing. But on the other hand we should pay them for doing something.

I think your sentiments were in my direction in that case. Don't you recognize that these big expenditures in general have come in areas where they had to be increased? For example, this big 125-percent increase in social programs? The President refers to them as human resources programs. They have not been reduced very much even by the President, despite the screams of anguish we have heard.

Do you support pretty much what the President has recommended in those areas?

Dr. BURNS. Let me comment on your statement as best I can, Senator. I may have chosen my language poorly. I didn't mean to imply that the increase in governmental activity has been an unhappy experience for this country. I did not mean to imply that we should return to 1929. That is the last thing I wanted to do.

I am with you entirely. I merely indicated that, in my judgment, the proportion of our national production that now takes the form of governmental expenditure has been rising steadily; it is now almost 36 percent. In my judgment, it is time to call a halt.

So I do approve, and I have said so often, of most of the reforms of the New Deal, and most of the social legislation that we have had since then in the country.

I do think, however, that a number of our Great Society programs were enacted in excessive haste. The purpose was good. But we should have proceeded with pilot programs and we certainly should be evaluating what we do.

Now, one of the unfortunate things is that you Senators and Congressmen are so busy. You have so much to do that I wonder how you accomplish all that you do accomplish.

But you have little time left for evaluating governmental programs. You need sizable staff to evaluate the programs that are already in existence. Not enough is done in the Budget Bureau and I do not think the Congress does it sufficiently at the present time.

Therefore, a large part of the taxpayer's money is not being used wisely. I can mention program after program that in my judgment is not yielding the results that the Congress anticipated.

Senator LONG. I agree with what you are saying, but even with the spending that we are doing, I believe that most people believe that we should do more in the health area.

I have a bill in this area which is about as modest as any of those being suggested. I am suggesting only that we take care of people with a catastrophic illness. Senator Kennedy has a bill which would cost between 10 and 20 times what mine would cost.

In my judgment, as far as the consumer is concerned, his would be a cheap proposal compared to the Nixon bill. Under the Nixon proposal the insurance companies would get in on the act and make a profit. So one way or the other, whether we do it by the taxing power or whether we do it by requiring private employers to insure their workers, the cost will still be there as far as the consumer is concerned. Isn't that correct?

Dr. BURNS. That is correct, yes.

Senator LONG. The point I have in mind is that people want the services. They want to be protected in old age. They want to be the beneficiary of good health services.

Senator BENNETT. The preliminary recommendation of the committee envisions setting up budget committees in both Houses, members of which will include representatives of the appropriation and tax writing Committees.

Suppose we give the Budget Committee in each House, or possibly consider a Joint Budget Committee, and give them an item veto before the bill finally goes to the President. Force them to review each bill and give them an opportunity to recommend a change to the Congress which would bring the bill back in line, with the idea that by a two-thirds majority they could be overriden before the bill goes to the President.

That would put another layer of review and strengthen the power of the Congress to control itself.

Dr. BURNS. Well, that is a very interesting suggestion. Actually, that is the way in which our businesses are run. A corporation has a board of directors, but certain powers are allotted to an executive committee. Or take the way we run the Federal Reserve System; certain powers are allotted to a small group concerned with foreign operations. The reason is that policy decisions have to be made at times very quickly and it is difficult to assemble all of the individuals in time.

If the Congress were willing to entrust the kind of power that you suggested to a committee of its own and then if the Congress were further willing, in order to protect itself, to require a two-thirds vote to override that committee, that might make for greater efficiency. But I am not sure the Congress is psychologically prepared at this time to entrust that much power to one of its committees. But if it were—from the viewpoint of sheer efficiency, using private business, universities, et cetera, as a guide, though they are not always the best models—I think that could be an improvement.

I think your suggestion deserves careful evaluation but the first thing would be to test the sentiment of the Congress. Would the Congress be at all in a mood to do that? That is a question I am not able to answer.

Senator BENNETT. I say a two-thirds vote, maybe if that becomes the important consideration, the percentage could be adjusted some-

where between 50 percent and two-thirds, but it should represent a larger proportion of the Congress than a majority.

Mrs. GRIFFITHS. I would like to congratulate you too, Dr. Burns, on your statement. In the past week the Ways and Means Committee has reviewed the suggested bill for a Federal Financing Bank. Personally, I think it makes some sense. And, if this is the proper year when we are worrying about the powers we have already delegated or that have been assumed, wouldn't it be a good idea if this committee reviewed the borrowing power of all these agencies and made a statement on that, too, as to how much should be borrowed at any particular time?

Dr. BURNS. I would think that the Budget Committee proposed by your interim report might very well undertake that task because these are contingent expenditures. I would think that since the purpose is to deal with fiscal policy as a whole, you would want to deal with these borrowing privileges too.

Mrs. GRIFFITHS. I would think so too. Before we lose the power, before we start fussing over who has the power, if we have, we might assume that power right now and make some suggestions. We could even write it, if necessary, into statute, because it would make a more orderly process if borrowing were all reviewed by one body and if you did not flood the market at any one time. You push up the interest rates against yourself, really, if you do too much borrowing at one time.

If you could put it on an orderly basis, it seems to me it would help.

Dr. BURNS. Yes, it certainly would.

Mrs. GRIFFITHS. One of the things that bothered me before the Joint Economic Committee, but nobody else seems to be very excited, is the fact that this year for the first time in the history of this country, the major item in the budget is income maintenance programs—one billion more than the Defense Department budget. And the money coming into the Federal Government, 30 percent of it, is from payroll taxes. Don't you think that at some point we might say a little something about that?

You know, we have got poor supporting the poor in this country. It seems to me that we ought to make some suggestion on that. Would you say so or not?

Dr. BURNS. Well, I certainly would like to study your suggestion, Mrs. Griffiths.

Mrs. GRIFFITHS. I think in truth all of us ought to be looking at that budget with some shock. We are not really aware of the tremendous growth of all income maintenance programs, including welfare in this country, and we are not doing enough about it to attempt to control it or make it a better program that works more easily and saves on the cost of administering it.

Thank you very much.

Chairman ULLMAN. Mr. Rhodes.

Mr. RHODES. Dr. Burns, thank you for a wonderful statement. You have been very helpful to the committee.

On page 10, in your alternative approach, you say the Congress might consider adopting a joint resolution, establishing overall spending ceilings as early as possible, but in no event later than June 30.

What mental process do you envision we would go through in establishing that ceiling? Would it be a ceiling that would be optimum

for the economy, or would it be weighted with regard to sums required to run the Government? Just what sort of ceiling did you have in mind?

Dr. BURNS. I think a fair amount of time would be necessary to establish a meaningful ceiling. You have wrestled with that question. It is not something we can do in a day or in a week or even a month.

You would want to look at individual categories of expenditure, and have at least some provisional view of what the magnitude of major items of expenditure would be.

Then, once you have got a total you would relate that total to revenues. Next you would relate the discrepancy, if any, between the revenues and total expenditures, to the condition of our national economy, trying to answer the question as you best can, whether the economy needs stimulation or restraint at any given time and if the degree of stimulation or restraint should be large, moderate, or small.

So I think all of these considerations would be necessary in setting a ceiling. And that is why I wrote in my statement that this overall spending ceiling would be established as early in the session as possible, but in no event later than June 30.

I would have preferred to say the end of March rather than the end of June, but you do need time to consider all the questions.

You can't just pull a figure out of the air and you can't simply take the President's figure in his January budget message. You have to arrive at your own figure, using your independent judgment, looking at the parts in relation to the aggregate that you are seeking to establish.

Mr. RHODES. I gather that once you get this ceiling, that it would be your thought to have the President, within 45 days, break down the total package—which I assume is expenditures and not new obligations—into various components, presumably corresponding roughly with the subcommittees of the Appropriations Committee?

Dr. BURNS. What it means really is that you would be asking the President to present a revised budget in the light of your ceiling.

Mr. RHODES. Of course, there is one difficulty. There is not any way that one Congress can make another Congress act at all and certainly not within a certain period of time.

Don't you think we need a backup position here to say that if Congress does not act within a certain period of time, that nevertheless there will be a ceiling imposed? Perhaps that would be the ceiling which appeared in the President's budget as it was submitted in January?

In other words, if the Congress does not act, that would be the ceiling?

Dr. BURNS. I would like to think about that. What ways the Congress has for disciplining itself, I really do not know, but I would think that a sensible and generally acceptable procedure could be worked out.

Senator ROTH. I wonder if you think it desirable for the President to have a voice in setting the overall level of any spending ceiling?

In other words, after the Congress decides upon its budget, should it then be submitted to the President for his approval? Do you feel this would achieve greater cooperation between the two branches, or do you think Congress itself could set the overall limitations?

Dr. BURNS. I would think that under our form of Government, the President would have to take a part. The President takes a part in all legislation. When you legislate the budget, I would expect that the President would take a part in that process.

Senator ROTH. My second question deals with a change in the ceiling level. You seem to feel it would be difficult perhaps to get Congress to adopt a two-third rule in order to override its own ceiling. But if we wait until the end, do you think there is any chance that the Congress, right before election for example, will do anything except raise the ceiling and go along with deficit spending?

It is going to be a pretty difficult political decision to raise taxes at that time unless we have some hard disciplinary measure that automatically takes over.

Dr. BURNS. Well, it could be a difficulty.

On the other hand, no matter what procedure you work out, the Congress at any time could set aside that procedure, and pass new legislation. If an election is going to stimulate the Congress to new spending, no matter what plan you agree to now or tomorrow, the Congress might still ignore it.

I think what you need is a certain attitude, and a certain spirit. If I judge the sentiment of the Congress and of the country correctly at the present time, I think that there is a strong desire to reform procedures and to get a little more discipline into our fiscal process.

Senator ROTH. One final question.

Do you think it would be desirable for this Joint Committee to attempt to agree now on a spending limitation for fiscal year 1974 and press for prompt action, even though we have not agreed on the formal procedures that we hope Congress will adopt in future years? Do you think there is any urgent need for immediate action on the spending ceiling?

Dr. BURNS. Yes. I think there is an urgent need, but you are in a far better position to judge than I whether Congress is ready to proceed in the manner that you suggest.

Senator PROXMIRE. I would like to pursue that and also pursue the question Mr. Rhodes asked and I would also join in the general commendation. This is an excellent statement, most enlightening.

I feel, Dr. Burns, that you have overlooked the great importance for an early decision by Congress on the ceiling. I know there are all kinds of difficulties involved here and we will have to act on the basis of inadequate knowledge and inadequate information.

But, the President has already proposed his ceiling. Furthermore, in his economic report, he asked that Congress pass an early ceiling and he is dead right. The reason he asked for that is he wanted us to act to the ceiling before Congress takes action on any spending for 1974.

The Appropriations Subcommittees are already meeting.

Some of them have had some of their hearings. We are going to start, hopefully in the House at least, to mark up some of these bills very soon.

It seems to me if we wait until the end of this fiscal year, you are going to have continuing resolutions, the same problems we have now. With the President necessarily taking action which will compromise Congress' ability to act in the future.

It would seem to me that the middle of March is about as late as you can wait for Congress to act on the ceiling. If we postpone it longer than that, we are going to be in a position where we are going to have something of the same problem we had last fall. So, I would hope that we would be able to act this year within the next couple of weeks, and I would certainly hope that as a matter of procedure, that Congress set at least a tentative ceiling by the 15th of March, not the 30th of June.

What is your reaction to that?

Dr. BURNS. I have the greatest sympathy with your objective and I would be a very happy man if it could be realized.

I can visualize the Joint Congressional Committee on Revenues and Expenditures meeting every day for a few hours and hammering out an overall total for Federal expenditures that could be defended by the members of that group and that would be generally acceptable to the Congress. I could visualize that but whether you can accomplish that or not——

Senator PROXMIRE. What I am proposing is that the ceiling be proposed. Congress act on it. Congress increase it, decrease it, whatever they wish. I am talking about the Senate in session, the House in session, so forth, would act on the recommendation.

It seems to me that it would be wrong for any committee to usurp the right of Congress. If this committee tried to do it, we would not get away with it. The whole procedure should be early, should be tentative, can be changed in the future but should be our guideline.

The President's ceiling on outlays is a ceiling which he is free of course to modify and change. As conditions in the world change. Not only military conditions, but any number of other conditions may change.

The great inflationary pressures that have developed since he conceived that ceiling might suggest to him that he might want to lower it. He is not frozen in concrete. We are not. But an early, at least tentative, decision which would in turn help guide the various subcommittees of the Appropriations Committee, the appropriate and important appropriations action of the Finance and Ways and Means Committees take—this is very necessary much earlier than the end of the fiscal year and the very beginning of the fiscal year.

Dr. BURNS. I like your thoughts, Senator. I hope that this can be accomplished.

Senator FULBRIGHT. Mr. Burns, I join my colleagues in commending you. I think this was a very interesting and very useful statement. I am particularly glad to know that you are encouraged by what already has been done by this committee.

It seems to me that the great question is not so much what you refer to about the amount spent by the Government. In many countries that do very well, relatively more is spent by the Government on important needs. They don't spend it by making war. They don't waste it. I thought Chairman Whitten's statement at the beginning was right at the core of our troubles.

The quarrel with the President is not really the ceiling, his effort to hold spending down; it is how the money is spent within the ceiling.

You mentioned creating a situation in which choices must be faced. In other words, the relation between different programs should be

brought into focus and a choice made. This seems to be the very core of the problem, and we need to create such a situation. That kind of decisionmaking does not exist now. We vote upon these things separately and I have the impression that many of us never consider that there is a connection between them.

I often even think if a Senator is forced to choose between foreign aid and the Farmers Home Administration programs or Radio Free Europe and public television, we would get a different result. Instead they vote on all of these individually and at different times, so we end up getting them all and it breaks the ceiling.

I did want to say one thing in defense of my committee with regard to John Pastore's statement that in the case of foreign aid there has been no authorization for it this year. Yet, the Appropriations Committee went ahead and appropriated money through a continuing resolution and they ignored the fact there was no authorization.

In this case, the authorizing committee refused to authorize. They were unable to obtain agreement with the House. You do get those cases, too, where the Appropriations Committee goes beyond any authorization whatsoever, which used to be considered bad form in Congress.

But I wonder if you could elaborate a little bit about how to create a situation in which we do have to make these choices between programs and bring that into focus at the time we vote.

This Budget Committee has been suggested and seems a good possibility. I do not know whether Congress would give any such authority. Would you explore it? Can we give the Budget Committee such power? I think that is a very interesting idea. I am only inviting you to explore it a little further.

Dr. BURNS. The Budget Committee would present a proposal. That proposal would take the form of a total, and it would include also subtotals for major categories of expenditure.

Senator FULBRIGHT. What do you mean by totals and subtotals? I do not have that clearly in my mind.

Mr. BURNS. You give me more credit than I deserve, Senator. I did not define in my own mind precisely what I meant by major categories of expenditure. I started out thinking of your 13 appropriation bills and the various legislative bills, and that is the rough concept that I have in mind. This, I think, is one of the very questions that your present Joint Committee will want to define with some specificity. Once such a plan is worked out, the members of that committee will be weighing alternatives. They will be comparing expenditure in one direction relative to the benefits to be derived if the expenditure were increased in another direction. And then the entire Congress would have an opportunity to accept or reject the best thinking of the Budget Committee.

Senator FULBRIGHT. What has plagued us for the last 10 years has been the very deeply held views splitting the Congress over the question about military expenditures. This has been the very great amount as you know, I think the Library of Congress estimates about $1,500 billion put into military affairs since World War II. That is a pretty big amount to come out of any budget without leaving very serious difficulties. I thought Mr. Whitten put it very well indeed that that has disrupted everybody's judgment, including our budget.

It has disrupted our business judgment because we thought so strongly about these ideological problems.

I think it is a very encouraging thing to have you come and say we are on the right track, and I take it you do, by proceeding with this Budget Committee; that we ought to be able to find procedures by which we are forced, given the opportunity, to make those choices. If it were put that way we would arrive at a good decision.

I appreciate your statement very much.

Senator YOUNG. Dr. Burns, I, too, want to commend you for a good statement. I cannot help but feel that better fiscal policies, better spending policies and procedures in Congress will help. Nonetheless I cannot help but feel that until we change public opinion, we are not going to get very far.

Most people look at their local funds as their own and they guard them very carefully. I served on township boards and school boards and in the State legislature and the State budget board. We had no State debt there, nor do we now. But our people, like most, do not look at Federal funds as their own at all. I do not think Governors do. I get innumerable telegrams and calls from Governors, but it is all for spending more money, for revenue sharing, and things like that.

Occasionally, they will be for balancing the budget through cutting defense or spending on foreign aid.

I wonder if you have any ideas how we can change public opinion so they will look at Federal funds the same as they do their county and school funds and State funds? I think that is the real problem we have, because the proper thing for any Member of Congress to do is to spend more, more for more programs. He could be elected forever doing that.

Dr. BURNS. This is fundamentally an educational job. I think economic education in this country has been inadequate. I think it has been neglected. I think the members of my own profession could do vastly better than they have been doing. I think that if Members of the Congress addressed themselves more frequently to questions in the area that you have delineated and if they articulated the kind of thoughts that have been voiced here to their constituents, that would help.

I must say, also, that our business people have not played the part in the educational process that they should and I may be mistaken, but I believe that years ago our businessmen used to speak up rather courageously. At the present time, they rarely voice views on public questions. They will lobby for this or that bill which is of interest to their industry or that firm, but they do not make pronouncements about the public welfare, the general welfare, with the frequency that they can or should. They are leaders in their communities but I do not think they are exercising leadership sufficiently. I think we have all been deficient in performing the educational job that needs to be done in our country on fiscal problems and economic problems.

Mr. SCHNEEBELI. I do thank you for a very responsible statement.

There seems to be general agreement in what you say, that States do a much better job on budgetary control than the Federal Government.

Certainly this committee can profit by finding out how the States do this.

As I see it, all the committees of the Congress, both in the House and Senate, are at the present time holding hearings on legislative authorizations, new authorizations, increasing authorizations. In addition to that they are going far beyond what is proposed in the 1974 budget.

Do you think that is responsible in the light of the fact that this committee has not even had time to set a ceiling or make any report to these committees. Wouldn't you think it would be better if these committees hold their hearings but without any actions until some action has been taken by this Joint Committee?

Dr. BURNS. I find that very difficult to answer.

If I were a Member of Congress, I must say in all honesty at this point I would be, in spite of my admiration for the report this committee has submitted, a little uncertain when the committee would conclude its deliberations or where it would come out. Therefore, until new procedures are worked out, I think that as a Member of the Congress, I would want to proceed in the old ways because they are the only ways I know.

Mr. CEDERBERG. I am not suggesting that the committees not hold their hearings and proceed in the old ways. I am suggesting that they withhold reporting out those bills which are far in excess of any spending that we have had, or are even thinking about now, until this committee has at least had an opportunity to make some kind of recommendations.

It seems self-defeating for us to sit here and come out with these recommendations only to have the legislative committees go way beyond what we would probably come up with.

Dr. BURNS. If this Joint Committee were in a position to assure the Congress that it would have a definite report by some early date, I would go along with your suggestion wholeheartedly. Otherwise, I find myself hesitating.

Mr. CEDERBERG. There is one other situation that I think many people may not understand, and that is that within the Appropriations Committee we only handle a very small portion of the budget, as Senator Pastore mentioned. There is a great deal of difference between the new obligational authorities that come out of the Appropriations Committee and the spending that will take place in a given fiscal year.

Unless we take into consideration all of the legislative actions, a ceiling is a self-defeating mechanism.

Dr. BURNS. I think that is true. Frequently in the literature on this subject, reference is made to a single appropriations bill. Congress had such a bill, I believe, in 1950, but that appropriations bill did not deal with expenditures contemplated under legislative bills or under contract authority. It confined itself to appropriations bills in the narrow sense.

Mr. CEDERBERG. I don't think we have to go back that far. We can take last year's legislative action. The Appropriations Committee reduced the budget. Somewhere in the area of $5 billion, but it only showed up in a spending reduction of about $1.9 billion.

When we consider all the other legislative actions that were taken, over which our committee had no control, it resulted in a $261 billion budget rather than the $250 billion the President is requesting now.

This is what makes it hard to understand, and difficult for some of us on the Appropriations Committee to work with.

You seem to indicate that the States give their executives more power than is allotted to the Executive in the Federal partnership.

Since the States do a better job in this regard, do you think we should give the President more authority so that we can come up with the same type of budgetary effectiveness that the States have?

Do you think the President does not have enough authority in this area?

Dr. BURNS. Well, when I think of budgets and budgets alone I might come out that way. But when I think of this great country and the importance of not centralizing power too much in any one place, I would hesitate in extending the powers of the President.

I sometimes feel, perhaps, too much power has been given to the President.

Mr. SCHNEEBELI. But the State executive has more power generally in his budgetary controls than the Federal Executive, and State governments do a much better job in budgetary control.

Doesn't it then follow we should give our Executive a little more power in order to achieve the same results?

Dr. BURNS. It follows that we ought to think about that as one possibility among others. I would hope that a good answer can be found in other ways.

Mr. SCHNEEBELI. You also make a statement that Congress is better equipped than are the State legislatures to play a strong role in fiscal policy.

To what degree do you mean this?

Dr. BURNS. By that I mean that Members of the Congress have by and large a greater knowledge about economic and fiscal problems than I believe members of our State legislatures have. Speaking in terms of averages, that is my impression. I may be wrong, but that is my observation.

Mr. SCHNEEBELI. They are on the job longer, generally.

Dr. BURNS. They are on the job longer. This is their full-time job and they deal with these questions on a national level and in the process are better educated in a wide range of problems.

Mr. CEDERBERG. I want to join my colleagues in paying tribute to you for being here today and presenting your statement.

Before I do ask a question, I want to refer to Senator Fulbright's comment regarding foreign aid.

In defense of the Appropriations Committee for having taken over the responsibility, it is my understanding that there was never any difference of opinion between the figures in the foreign aid budget between the two Houses. The question was a matter of a technical problem and the continuing resolution has gone along with figures that were considered by both the House Foreign Affairs Committee and the Foreign Relations Committee of the Senate. We didn't want to take that responsibility, but it was thrust upon us.

I thought in defense of the committee I ought to make that statement.

Dr. Burns, on page 2 of your statement you echo my sentiments to a degree and I want to read it. It says, "Yet along with this awareness of the need for better budgetary procedures, there is concern and even cynicism about the prospects for achieving them."

Then you make another statement. "Congress by its own action has lent some support to this pessimistic view."

Dr. BURNS. It does and I don't think this fact is adequately appreciated by people around the country. There is criticism frequently voiced of the actions of the Appropriations Committees on the assumption that they control all of the spending that is authorized by the Congress. As you pointed out, and as your report demonstrates factually, that is very far from being true.

Mr. CEDERBERG. I believe we have a figure of something like 44 or 45 percent of the spending really originating in actions of the Appropriations Committees.

Mr. JAMES BROYHILL. I join my colleagues on complimenting you on your statement, Dr. Burns.

We are assessing the wisdom of establishing a ceiling. The question, of course, is how this can be done? It seems to me the question is how can this be done in the time available. It is going to take a great deal of time to hammer out the two budget figures.

Under the present system it takes many, many months, complicated by many things. It seems to me that if we are going to implement this plan, we are going to have to start earlier than January 1.

Do you agree with that?

Dr. BURNS. I think that would be very helpful. I also think that if some procedure could be devised whereby the appropriate committees of the Congress could work with the Budget Bureau——

Mr. JAMES BROYHILL. I was going to come to that.

I noticed in your statement that you advocate the Congress become involved in the preparation of the budget and I wondered if you were advocating that the Congress actually work alongside the people in the Office of Management and Budget.

This, of course, would be a new procedure—as far as I know, there is not much knowledge of what goes on in the Office of Management and Budget and how they prepared the various budgets at the present time.

Dr. BURNS. I am not sure of that, but it seems to me that consultation, active consultation, could be a very fruitful enterprise for all concerned, for both the Executive and the Congress. Many acrimonious debates that develop later on could be prevented if something along these lines were done.

That runs counter to our present traditions, but life is changing very rapidly in every direction and we ought to be a little inventive and a little flexible in our thinking on this problem, too.

Mr. JAMES BROYHILL. You would actually advocate the holding of public hearings in this process by the Joint Committee and/or the representatives of the Office of Management and Budget?

Dr. BURNS. At this point I would not. At this point I would merely suggest active consultation.

Chairman WHITTEN. I want to thank you again for your excellent statement. Our major problem on this committee is going to be getting agreement on a plan that we can get the Congress to adopt.

I hate to see this impoundment impasse that we have now because the ultimate impoundment could be that Congress refuses to appropriate to the executive branch. That would be a complete breakdown in Government, God forbid.

Perhaps we should have a constitutional amendment on this item veto. But there is nothing to prevent the President now from agreeing

to submit each proposed impoundment to the Congress and if Congress overrode the item by a two-thirds vote he would release the money.

So by agreement between the legislative and the Executive, there is a way to prevent this and I would hope the President would consider that.

The other thing that I would like to say here, speaking for myself only, and I am speaking to my colleagues as well as you, I believe that the manner in which any new budget committee is constituted is most important to the success of achieving better fiscal control.

I do think it is possible that the taxation committees, the appropriations committees, and the legislative committees could designate of their number representatives to serve on such a special budget committee that could agree on a budget ceiling speaking for existing committees. I think that would be a practical approach, rather than setting up an entirely new group.

No system will work unless we get some vehicle whereby we can get Congress to pull together.

Dr. BURNS. Your suggestion seems very sensible to me because you will be bringing in not only the appropriations committees and the tax raising committees, but also the various legislative committees. You would be doing it all on a representative basis. The number of individuals involved would not be so large as to be unable to tackle the job and yet everybody would have a part in it. That might be the very best way of doing it.

Chairman WHITTEN. I appreciate your comment.

Chairman ULLMAN. Are there any further questions?

Dr. Burns, you do concur then in our effort to establish a mechanism in Congress whereby Congress would establish an overall program of revenues and expenditures, and thereby have a mechanism for fitting the parts into the whole.

Dr. BURNS. I endorse that wholeheartedly. I think it is absolutely essential.

Chairman ULLMAN. That is basically the challenge of this committee. Your ideas and suggestions and perserverance have been most helpful to the committee and we want to express our appreciation to you, sir.

Dr. BURNS. Thank you.

Chairman ULLMAN. Thank you very much.

Our next witness is our distinguished colleague, Senator William Brock of Tennessee.

STATEMENT OF HON. WILLIAM BROCK, A U.S. SENATOR FROM THE STATE OF TENNESSEE

Chairman ULLMAN. Senator, we welcome you before the committee.

We note you have been most active in the field of congressional budgetary control.

Again, we welcome you.

You may proceed.

Senator BROCK. I thank you very much.

First, let me not only commend this committee, but extend my very deep appreciation for the work you are doing. It is my conviction that the result of your labors may be the most significant—significant in terms of our procedures and significant to the American people—that have been undertaken since 1929 by the Congress.

I would also like to express my gratitude to Dr. Burns for his support of some of the concepts that are embodied in my bill.

With your permission, I am going to summarize my testimony rather than give it in total and I think it might ease the burden.

Chairman ULLMAN. Without objection, your full testimony will be in the record.

We appreciate your comments.

Senator BROCK. If we were spending within our means, and we are not, it would still be true that the Congress has no system for seeing to it that we are spending wisely.

If one subscribes to the view, which I do not, that deficit budgets are not harmful, it would still be true that reforms are needed.

This point is important and I raise it because budgetary reforms deserve support not only of those who believe as I that our budgets are too large, but also deserves the support of those who favor large spending programs.

They, too, have an interest, perhaps even a greater one in seeing to it that our appropriations process makes sense, that our resources are allocated in relation to our priorities and that the programs which we fund are in fact effective in dealing with the problems for which they were designed.

Moreover, this action is something we owe to the people of this Nation. The money we are spending is not ours. It is theirs. They deserve assurance that we are spending it wisely and under the current system none of us in Congress can honestly give that assurance.

This viewpoint was clearly recognized in the Interim Report which was issued a month ago by this particular Joint Study Committee.

I want to compliment the committee for this document and for the conclusions they assert in it. To wit, the legislative process should include an opportunity for the Congress to examine the budget from an overall point of view, together with a congressional system of deciding priorities.

Gentlemen, we obviously do not have such an opportunity for such a system today. Just as obviously we should and I think we must.

My proposal in this regard is embodied in legislative bill S. 40 which I have introduced in this session of the Congress.

If I may just briefly summarize it. Titles I and VI of this bill amend the House and Senate rules to create a joint committee on the legislative budget.

A joint congressional committee and a legislative budget is not a new idea. The Legislative Reorganization Act of 1946 enacted both concepts. But the joint committee under the 1946 act proved unworkable.

The 102-member committee was too large and frankly far understaffed, and its legislative budget proved unworkable because of inadequate time for its formulation of legislation.

One of the lessons from this experiment was that Congress simply did not have the professional staff to do the job required in budget analysis.

If I may deviate just a moment here from the text and point out that the Congressman from North Carolina who is one of the most able Members of either body was asking Mr. Burns about the possibility of congressional cooperation, consultation with OMB during the budget

preparation. That would concern me. I understand the logic of the request, but I am afraid it would rather than enhance the power of the Congress, diminish it.

I am afraid it would again place us, as we are today, at the disposal and the mercy of a huge and talented staff for which we have no counterpart to give us alternative suggestions. And I question whether that is really what we want to see. I think there is a better alternative.

The joint committee and the legislative budget provided in my bill would remedy earlier defects in attempts to reform the congressional budgetary system.

A standing joint committee with adequate time to formulate a legislative budget is provided. This joint committee is streamlined to be composed of 18 members represented by three members from the Senate Appropriations and Finance Committees, three members from the House Appropriations and Ways and Means Committees, and three members at large from both sides.

May I add, to function this Joint Committee simply must be adequately staffed—in fact, the original point that the Congressman raised.

Incidentally, I should point out this procedure, and the staffing attendant to it, is a normal one in many States. California, for example, provides its State legislature with a budget review and analysis staff of comparable size to that afforded the Governor. This review and recommendations are encompassed in a report equal in magnitude to the original budget proposal.

Mr. Schneebeli was asking Mr. Burns about whether or not we shouldn't give more power to the President because more States give more power to the chief executive.

I don't agree because I think that is our problem today. I think we have handed over too much power to OMB and to the Executive.

The California process illustrates the alternative and that is to give the legislative branch, the peoples' branch, a staff of sufficient competence and size so as to allow us to truly be coequal.

The legislative budget would be submitted to Congress no later than May 31 of each year. The legislative and appropriations committees' work will not be hindered, but a systematic analysis of the Federal budget will be made before any expenditure is authorized or appropriated.

Neither the House nor the Senate would consider any bill reported out by a committee of Congress unless a statement from that committee accompanies the bill as to whether an authorization or appropriation is within the legislative budget limits.

Thus title I of my bill effectively deals with 7 of the 11 general principles of the interim report, and provides a workable mechanism for their implementation.

Title II requires a 5-year budget projection in program detail for every major functional category of Federal spending.

Full recognition of the long-range costs of expenditure programs will provide a better basis for decisionmaking on the part of the administration as well as the Congress.

This title repeals an existing section of the Legislative Reorganization Act of 1970 which only superficially attempts to overcome this problem.

In its place, title II provides that the executive budget and bills involving spending reported out by committees of Congress, except the Committees on Appropriations of each House, must contain a statement of the 5-year projected costs, a comparison of projected costs with estimates by any Federal agency and a list of existing or proposed programs with similar objectives.

The idea of comprehensive 5-year budget projections has broad support. In addition to its recognition by the Joint Study Committee, the House Ways and Means Committee has expressed a deep concern for increasing expenditure levels, and recommended that budget and program expenditures should be projected on a 5-year basis, as has your study.

And just to mention one of our colleagues, the Senator from Wisconsin, Mr. Nelson, has long advocated a 5-year budget on defense spending.

Title III requires that all authorizations for any major Federal expenditure programs, except those funded by user taxes, must expire no less than once every 3 years. This is commonly called zero-based budgeting.

The trend today is to add on to old, existing programs without the objective or the ability to terminate or even reevaluate outmoded and useless ones. We must force program administrators to justify their existence so that we can avoid the continuing laying on of more and more patches on the quilt of Federal programs.

There is a concern expressed in your interim recommendation No. 10 of the interim report that annual authorizations are cumbersome and time consuming, and impede swift action on budgetary measures.

I couldn't agree more.

Title III of my bill permits authorizations of up to 3 years, while at the same time setting up a mechanism for detailed evaluation of each program by the Senate and House Committees with jurisdiction in that area.

In other words, if we reevaluate it at least once every 3 years, we would authorize only a third of the programs each year and it would allow the Congress to honestly do its constitutional and public function of evaluation and reform.

Title IV invites consideration of at least 2-year pilot programs for proposed major programs to provide a better estimate of cost and permit a complete evaluation before national implementation.

There are other sections in the bill, but to sum up.

We use incredible terminology these days. We say that 75 percent of the total budget is relatively uncontrollable. Two hundred and two billion dollars, relatively uncontrollable.

Social security, medicare, unemployment benefits, interest on public debt, farm supports, public assistance, all these and more are relatively uncontrollable.

There are many good programs in these categories, and quite a few bad ones. But even if they were all good, I sometimes wonder how we have the gall to stand for reelection, knowing that we have taken $202 billion from the American people and lost control of it.

It ought to be a scandal, and I believe it is. We have the opportunity now, throught the vehicle of S. 40 or some comparable measure to do something about it, to restore congressional prerogatives of the peo-

ple's branch. It is the people's branch. It is the instrument of reform. We must be capable of self-reform or we fail the American people's desire for us to restore the rights and responsibilities of the Congress and to establish national priorities within the context of available resources.

When we talk about congressional power, I am reminded of the statement of the then Governor of Michigan who stated there are no State rights without the exercise of State responsibilities. I think that applies to anybody. This Congress has power, an enormous amount granted to it by the Constitution, but that power can only be exercised to the extent that we accept the responsibilities that it implies.

If we fail to seize this opportunity, we will have failed that test and I think we will have failed the American people.

I would be delighted to have any questions, Mr. Chairman.

[The full statement follows:]

STATEMENT OF SENATOR BILL BROCK

There has been in recent years a growing recognition in the Congress that reforms were urgently needed in the method by which we appropriate the public funds of the United States.

This recognition has accompanied, and to a considerable degree been bred by, a pattern of sharply rising Federal expenditures, which have additionally brought about a situation where budgetary deficits have become the rule, rather than the exception, of governmental fiscal conduct. It is important, however, to realize that budgetary reform is urgently needed, independently of this pattern.

If we were spending within our means—which we are not—it would still be true that the Congress has no system for seeing to it that we are spending wisely. If one subscribes to the view—which I do not—that deficit budgets are not harmful, it would still be true that reforms are needed.

The point is important because budgetary reform deserves the support not only of those who believe, as I do, that our budgets are too large. It also deserves the support of those who favor large Federal spending programs. They too have an interest—perhaps even a greater interest—in seeing to it that our appropriations process makes sense, that our resources are allocated in relation to our priorities, and that the programs which we fund are in fact effective in dealing with the problems for which they were designed.

Thus it is that budgetary reform is in no way a partisan or an ideological issue, but rather one which should be enthusiastically supported by Senators and Congressmen of all persuasions.

Moreover, it is something we owe to the people. The money we are spending is their money. They deserve assurance that we are spending it wisely, and under the current system, none of us in the Congress can honestly give them that assurance.

This viewpoint is clearly recognized in the Interim Report which was issued a month ago by this Joint Study Committee. I wish to compliment the Joint Study Committee on this excellent document, and for the conclusion which they assert in it, that:

> The legislative process should include an opportunity for the Congress to examine the budget from an overall point if view, together with a congressional system of deciding priorities.

Clearly we do not now have such an opportunity, nor such a system. Just as clearly, we should: we must. I have spoken on this subject throughout the country, and I can attest that people are amazed to learn of the convoluted and haphazard methods which we employ. I have yet to find a citizen who does not believe that we should improve our procedures in this regard. I have yet to find a citizen who believes we are going about appropriations in the right way.

A man knows that he cannot consider his needs and desires for food, shelter, clothing, entertainment, transportation, furniture, and the like separately and without regard to his total available resources. His wife knows that there are times when a new dress must wait while tires for the car are purchased, just as he knows that there are times when the new lawnmower he needs must be put off in favor of a new clothes dryer.

He may recognize too, that governments are somewhat more flexible than he is. They can increase taxes much more easily than he can get a raise. And they can engage in deficit financing, and get away with it for a little while at least.

But common sense tells him that no person and no nation can get away with it forever. He can ease a temporary imbalance by borrowing money, but he knows he must pay it back. The national debt, he recognizes, is similar. There is not, after all, any free lunch.

So even though there are unlikely to be marches, picketing or street demonstrations, we do have broad public support in our efforts at budgetary reform. Recognizing this, and mindful of our objectives, as stated in the Interim Report, we can undertake the challenging task of structuring the particulars of our reform mechanism.

My proposals in this regard are embodied in legislation, S. 40, which I have reintroduced into this session of the Congress. I want to make it clear at the outset that I am in no way rigid with regard to the language of this bill; I have no overweening pride of authorship. Solid accomplishment is far more important to me than any particular bill.

Nonetheless, I believe that the structure enunciated in S. 40 is a workable and effective one, very much in the spirit of the general principles of the Interim Report.

JOINT COMMITTEE ON THE LEGISLATIVE BUDGET

Titles I and VI of this bill amend the House and Senate rules to create a Joint Committee on the Legislative Budget.

A joint congressional committee and a legislative budget is not a new idea. The Legislative Reorganization Act of 1946 enacted both concepts. But the joint committee under the 1946 act proved unworkable. The 102-member committee was too large and understaffed, and its legislative budget proved unworkable because of inadequate time for its formulation. One of the lessons from this experiment was that Congress simply did not have the professional staff to do the job required in budget analysis.

The Joint Committee and the Legislative Budget provided in this legislation remedy earlier defects in attempts to reform the congressional budgetary system. A standing Joint Committee with adequate time to formulate a Legislative Budget is provided. This Joint Committee is streamlined to be composed of 18 members represented by three members from the Senate Appropriations and Finance Committee, three members from the House Appropriations and Ways and Means Committees, and three members at large from the House and Senate. To function, this Joint Committee *must* be adequately staffed.

Incidentally, I should point out this procedure, and the staffing attendant to it, is a normal one in many states. California, for example, provides its State Legislature with a budget review and analysis staff of comparable size to that afforded the Governor. This Review and Recommendations are encompassed in a report equal in magnitude to his original proposal.

The Legislative Budget provided in this bill is a viable mechanism, since it establishes budgetary guidelines with or without formal enactment. The Legislative Budget is to be submitted to Congress not later than May 31 of each year. Legislative and appropriations committee work will not be hindered, but a systematic analysis of the Federal budget will be made before any expenditure is authorized or appropriated.

The Legislative Budget is to include (but is not limited to): estimated receipts and proposed expenditures for the forthcoming fiscal year; the maximum amount of proposed expenditures for each major category of expenditures; five-year projections of estimated receipts and expenditures in the aggregate and in program detail for each major category of expenditures; and, a recommendation for a reduction in taxes or in the public debt if estimated receipts vary from expenditures in any fiscal year.

Neither the House nor the Senate is to consider any bill reported out by a committee of Congress, unless a statement from that committee accompanies the bill as to whether an authorization or appropriation is within the Legislative Budget limits.

Title I effectively deals with seven of the eleven general principles of the Interim Report, and provides a workable mechanism for their implementation.

Within these seven principles, however, there are two points which represent slightly different approaches from that outlined in Title I, and I would like to discuss each of these:

1. A portion of general principles No. 3 and No. 5 of the Interim Report suggest, that "an adequate opportunity" should exist "for review of these ceilings in the latter part of the sessions." It is certainly true that there could be, during the course of any session, developments which would render earlier spending limitations obsolete. One such that occurs immediately would be in the case of war.

We must be extremely careful in providing for revisions, however, lest the initial action become worthless. We must not encourage a condition of constant upward revision for transient political causes. We must not allow a situation to develop analogous to our ceilings on the national debt, which have become entirely meaningless.

S. 40 obviates the necessity for formal end-of-the-session revisions, precisely because it itself does not involve the formal enactment of a rigid expenditure ceiling. Rather, it provides for a guideline, the exceeding of which would require in all instances a statement of the reasons for the excess, thereby bringing to light immediately any violence to the ideal of controlled spending, while at the same time guaranteeing flexibility for dealing with crises of great magnitude.

If a more rigid ceiling were adopted, however, it would be my strong recommendation that any provision for changing it later in the session require a two-thirds vote in both houses.

2. General principles No. 7 and No. 8 imply the creation of separate budget committees in each house. S. 40 provides for a Joint Committee.

I prefer a joint committee because it seems to me more workable and efficient. The Interim Report suggests a common staff for the two separate committees. Either is acceptable. With the latter, a staff would be saddled with the time-consuming task of having to report to two masters. Moreover, separate committees would almost surely report out budgets that differ in at least some degree, and would presumedly have to be reconciled by a conference mechanism. There the offsetting advantage would lie in an achieved consensus, something which must come if our objectives are to be met.

5-YEAR BUDGET PROJECTIONS

In line with general principle No. 6, Title II requires five-year budget projections in program detail for every major functional category of Federal spending. Full recognition of the long-range costs of expenditure programs will provide a better basis for decisionmaking on the part of the Administration and Congress.

Because of the ballooning costs of Federal programs in years following their enactment, it is no longer acceptable to evaluate and plan expenditures on a one-year horizon.

This title repeals an existing section of the Legislative Re-organization Act of 1970 which only superficially attempts to overcome this problem. In its place, Title II provides that the Executive Budget and bills involving spending reported out by Committees of Congress (except the Committees on Appropriations of each house) must contain a statement of the five-year projected costs, a comparison of projected costs with estimates by any Federal agency and a list of existing or proposed programs with similar objectives.

The idea of comprehensive five-year budget projections has broad support. In addition to its recognition by the Joint Study Committee, the House Ways and Means Committee has expressed a deep concern for increasing expenditure levels, and recommended that budget and program expenditures should be projected on a five-year basis. The Brookings Institution study of the 1973 budget also endorses this idea of detailed five-year budget projections. The Senator from Wisconsin, Mr. Nelson, has been a long time advocate of five-year projections in defense spending.

3-YEAR LIMITATION ON AUTHORIZATIONS FOR APPROPRIATIONS AND CONGRESSIONAL REVIEW OF MAJOR FEDERAL PROGRAMS

Title III requires that all authorizations for any major Federal expenditure programs (except those funded by user taxes) must expire no less than once every three years—this is a zero-based budgeting. The trend today is to add on to old existing programs without the objective of terminating out-moded and useless ones. We must force program administrators to justify their existence.

This title requires a detailed evaluation in the last fiscal year of a program before further authorization can be made.

There is a concern, expressed in general principle No. 10 of the Interim Report, that annual authorizations are cumbersome and time-consuming, and impede swift action on budgetary measures. I agree. Title III of my bill permits authorizations of up to three years, while at the same time setting up a mechanism for detailed evaluation of each program by the Senate and House Committees with jurisdiction in that area.

The Committee Report is to contain an evaluation of the overall success or failure of the program. This report is to include (but is not limited to) : a cost-benefit analysis of the program; a determination of whether the program objectives are still relevant and whether the program has adhered to its intended purpose and achieved its objectives in solving the problem; whether the program has impinged on the functions and freedoms of the private sector of the economy; the feasibility of alternative ways of dealing with the problem; the program's relationship with similar programs and an examination of related pending and proposed legislation and private efforts; and whether the program will help or hinder any private efforts to solve the problem.

Title IV requires consideration of at least two-year pilot testing of every proposed major program. This will provide a better estimate of costs and would permit a complete evaluation before national implementation.

Today, many Federal programs are no longer forecast in thousands, but rather in billions of dollars. Authorizations and appropriations run for many years.

Congress must introduce objectivity in determining which projects are best served through Federal tax money.

Pilot testing is to be conducted under conditions similar to those if the program were enacted. Multiple pilot testing is encouraged and the testing is to be monitored by the Comptroller General of the United States.

Each committee in both Houses, after holding public hearings with a thorough evaluation, is to submit a report on the results of the pilot test. The report shall include (but is not limited to) : the suitability of implementing the program on a national scale; a cost-benefit analysis; and in the event the program would change a current method of dealing with a specific problem, a comparison of the current method and the method used in the test to carry out the program.

ANNUAL APPROPRIATIONS

Title V provides that all Federal expenditures—including those made by the trust funds—must be appropriated annually by Congress. Currently there are over 800 Federal trust funds with a permanent budgeting authority that do not come under a thorough annual appropriations review.

Payment of interest on the national debt and refund overpayment of taxes are exempted. Appropriation acts may stipulate that funds made available for a fiscal year can remain available until expended.

CONCLUSION

We use incredible terminology these days. We say that 75% of the total budget is "relatively uncontrollable." Two hundred and two billion dollars "relatively uncontrollable."

Social Security, Medicare, unemployment benefits, interest on public debt, farm supports, public assistance * * * all these and more are "relatively uncontrollable."

There are many good programs in these categories, and quite a few bad ones. But even if they were all good, I sometimes wonder how we have the gall to stand for reelection, knowing that we have taken $202 billion from the people, and lost control of it.

It ought to be a scandal, and I believe it is. We have the opportunity now, through the vehicle of S. 40 or a similar measure, to do something about it.

If we fail to seize that opportunity, we will have failed the test of fiscal responsibility. We will have failed the American people.

Chairman ULLMAN. Thank you very much, Senator Brock.

Chairman WHITTEN. Thank you, Senator Brock.

I appreciate the benefit of your views and your bill. I think it is headed in the right direction.

There can be many ideas and different views about whether you should do it this way and that. The problem with all of us is how we are going to get a plan adopted and I don't see any easy way right now.

Certainly we need to establish more effective fiscal controls in this country so that we can maintain a stable economy and avoid inflation.

I wish to congratulate you for your presentation.

I want to say here that I expect to study it more fully. We still are going to have to get together and decide how we can get the best ideas adopted by the Congress. I think that remains our biggest job.

Senator BROCK. You gentlemen will note in my prepared statement I say very clearly I have no pride of authorship. We put an awful lot of work into this bill but I am not asking that any particular bill be passed. I simply say there is a desperate need for congressional reform as this committee recognizes.

The gentleman from Oregon has legislation that is commendable and it isn't a matter of specific contest between ideas. It is a question of whether or not we move in the right direction.

Chairman WHITTEN. I appreciate that.

Mr. SCHNEEBELI. I think you are among the forerunners in this whole area of budgetary control and I congratulate you.

Based on my mail from the various chambers of commerce, I would say that it has been very well publicized. You say neither the House nor the Senate is to consider any bill reported out by a committee of Congress unless a statement from that committee accompanies the bill as to whether an authorization or appropriation is within the legislative budget limits.

I am thinking of the revenue-sharing bill which had a 5-year authorization as well as appropriations.

Is it difficult to make a statement as to what might be within the legislative budget limits 5 years from now.

Senator BROCK. Yes, it is. This bill considers that problem and has a 5-year projection of all bills, whether they are on a 5-year authorization or 1-year authorization. I grant the specific instance that you raise.

The fact that we have that kind of problem illustrates the need for some structural change. Let's just say I would be delighted to accept modification of my bill to encompass that particular circumstance so that we could protect against it.

Mr. SCHNEEBELI. I would assume that a modification would be necessary because to put it in would require a gradual approach.

Senator BROCK. Revenue sharing is a new concept. It is one that is going to have to be tested by the real world and not in theory up on the Hill. That process is going on now. Whether or not we can consider 5-year authorizations, which is a new concept—it may just not be too realistic to do that at this point.

If it does prove realistic, we should modify my approach to take account of that.

Mr. SCHNEEBELI. Maybe we can adopt a rule to allow 5-year authorizations down the road.

Senator BROCK. I suggest 3-year authorizations and I think that is frankly more logical because it does allow for continuing review of all these programs.

Mr. JAMES BROYHILL. To get back to your statement where you expressed some disagreement with me, I was not necessarily advocating an actual joining in partnership with OMB in preparation of the budget. But in the original statement Mr. Burns did advocate not only that Congress should become more involved in reviewing the budget, but he said that perhaps Congress should become involved in the preparation.

Of course, as you well know, under present procedures, all we are doing is going over figures that have been supplied by OMB.

Senator BROCK. I understand that and I very much resent it. I would like to have our own figures.

Mr. JAMES BROYHILL. Either you are going to have to have a mechanism where we set up our own figures or the other alternative of actually doing this jointly with OMB or establishing a middle course of having some liaison with OMB.

At any rate, we should have some procedure where the Congress has more input into this process prior to the actual appropriation process.

Senator BROCK. I couldn't agree more.

There is no Member of this body, either body, that I have greater respect for than the gentleman from North Carolina and I very much appreciate the point he has raised.

The danger that I see in that kind of merging of the coequal branches is when you have a very strong Chief Executive, that power could be translated into further erosion of congressional power, because the Congress simply does not have a staff of comparable magnitude to provide it with alternative choices.

That is the danger that you can get enfolded into—the bureaucracy of the OMB with all the computers and staff they have—if you have no competing alternative that can give us other choices and other figures.

It could be equally true that we could dominate OMB if we had a very strong Speaker and Majority Leader in the Senate. But one body is going to suffer in that kind of relationship.

I think the kind of reform we achieve should be one that guarantees the integrity of the peoples' branch of Government under such mechanisms as are necessary to give us all the facts, all the figures, all the alternatives—so it is truly the legislative branch that does establish the national priorities of this Nation.

Mr. JAMES BROYHILL. I endorse your idea of the 3-year authorization for legislation. I am one of the members of this committee who is representing a legislative committee, most of the members are from the tax writing committees or appropriation committees. I happen to sit on a legislative committee.

We have established in our committee a practice of 3-year authorization, and have been involved in this for some time. As you well know, there are a number of programs that do have open-end dates only. One area is the regulatory agency.

The regulatory agencies have open-ended authority. I introduced legislation to establish 3-year authorizations for the regulatory agencies.

I think this is an excellent idea and with more oversight authority exercised by various legislative committees——

Senator BROCK. If it is any consolation you have one vote for your bill on the other side.

Mr. DAVIS. Senator, I think we are all joining with you in looking for a procedure here that will give us a more effective way of what might be termed a legislative budget rather than a piecemeal consideration of an executive budget.

I can't help but note that we did try a joint committee and that was generally conceded to be a failure.

I can remember also back in about the same period of time that we did attempt to put all of the appropriations in one package and have that brought before the House in that manner in order that we could get an overall picture which everyone concedes to be necessary and that, too, was pretty generally conceded to be a failure and was not tried after the first year's experience.

Of course, for more than a century now we have had a divorce between the revenue raising committee in the House and the Appropriations Committee in the House and we haven't, generally speaking, any effective liaison between those two.

In other words, one proceeds as if there were no revenue problem and the other proceeds on the basis that they do not wish to consider the commitments that might be made through the other committee.

Part of your suggestion is that we have a joint committee, but it would be a smaller one and would be more adequately staffed than was the previous one.

I am wondering how such a committee would have any real clout with the existing committees that do have the authority under the House rules to deal with appropriations and with taxes.

Would you expect this to be a moral influence or how could there be some kind of effective, absolute control over what these committees might do without creating a great deal of resentment on their part and having them say, well, you have given us how much money we may appropriate. You have told us how much money you should raise, but that is really not your responsibility. The responsibility is ours.

I am looking for a mechanism here rather than simply statements of principle that might not have any real probative force.

Senator BROCK. I think you put your finger on the nub of the problem.

The Congressman from Mississippi mentioned the difficulty of enacting whatever reform process is suggested by this committee and I fully agree. It is my view that one of the reasons—there are two fundamental reasons why the Reform Act of 1946 failed—one is the fact that you had a hundred and two members of the committee. There is no committee known to man in the history of the world than can effectively operate with a hundred and two members. There is no such animal.

Eighteen may be large, but that is as high as I could possibly imagine.

The second is in 1946 there was no counterbalancing influence in terms of staff at that particular time so the Congress did not have sufficient alternatives in a factual sense presented to it.

As I say, I have no pride of authorship. If this committee in its wisdom saw fit to present a joint committee with two members from Ways and Means and two from Appropriations and two from each standing legislative committee. I could go for that.

I think it would be somewhat unwieldy, but it would address the problems you raised. Alternatively, this committee which has three members at large from each committee could rotate those at large members based upon the legislative area that they were considering or it could call in the committee chairman and ranking members of each of the legislative committees as exofficio members to present the case in a particular problem area.

There are a number of ways we can resolve this question. The point is unless we do something we are going to continue on the road to chaos, and I think it is imperative that we try. Perhaps we are not going to come up with a perfect solution, but at least we are now working down that path in the right direction for a change—something we have not done for the last 20 years.

Mr. DAVIS. I think we are beginning to get some basic agreement on necessity. One of the big problems is going to be to get the House and the Senate as a whole to really pay a great deal of attention to what we do.

In other words, we don't seem to have a great concern among members generally as to what the executive branch does and I wonder how we can get a greater concern on the part of members generally as to what a super joint committee or whatever you wish to call it is going to recommend along these lines.

Senator BROCK. If I may say, the Congress sometimes leads public opinion. Sometimes it follows. I think the tide of public opinion in this country is enormously powerful toward a reform of congressional responsibility and structure to the end that we establish some say in the national priorities and some acceptance of responsibilities in terms of national utilization of resources within the framework, the limitations of those resources.

I full well recognize the difficulty and if the Congress wants to take my bill and toughen it up, I would be delighted.

I would say in my first draft we had absolutely mandatory standards. It could not be deviated from. I frankly felt that would not pass the Congress. I felt this is about the best I could come up with that would have general acceptance.

I would say at least in my conversations on the Senate side that there is a growing awareness of this particular need and desire to implement a reform structure.

Mr. DAVIS. At least you do have a number of flashing red lights along the way.

Senator BROCK. Yes, sir.

Mr. DAVIS. Then, of course, I suppose that once you flash the warning signal, and fools see fit to ignore the warning——

Senator BROCK. Well, you raised a pretty interesting analogy. If you are a public citizen and you ignore a red light, somebody is going to pull you over to the side of the road.

Perhaps the electorate may pull some of us off to the side of the road if we continue to ignore our public responsibility.

Chairman ULLMAN. Thank you very much, Senator. You are rendering an important service by making the public aware of the problem. We appreciate it.

STATEMENT OF HON. J. GLENN BEALL, A U.S. SENATOR FROM THE STATE OF MARYLAND

Senator BEALL. Thank you, Mr. Chairman.

With your permission I will put my statement in the record and comment briefly on the statement and make some observations if I might.

Chairman ULLMAN. Without objection it will be in the record.

[The statement follows:]

STATEMENT OF SENATOR J. GLENN BEALL, JR.

I want to thank the Members of this Joint Study Committee on Budget Control for permitting me to testify today. I also want to congratulate you on the expeditious and thorough manner you are moving to carry out the Congressional mandate to study and improve the budgetary process in the Congress.

The provisions mandating the Study were, of course, added to the debt extension bill (Public Law 92–599). During consideration of this legislation, the Congress engaged in an important, and for me an encouraging debate. The debate was triggered by the President's request for a $250 billion expenditure ceiling and the blanket authority to reduce programs in order to keep federal spending at or below that ceiling.

The Congress, in my judgment, wisely refused to grant the President such authority for this would have meant that the Executive Branch, and not the e'ected representatives, would determine federal spending and program priorities. Notwithstanding my deep respect and admiration for the President and the fact that he is from my political party, I did not and could not support such a request.

The power of the purse is probably the most important power of Congress. This power includes not only the raising of revenue but also the determining of how such funds will be spent. I cannot, as one who believes in the Congress as a coequal branch of the Government, give the President a blank check to do the Congress' business.

I am even more encouraged with the growing interest, as evidenced by the number of bills introduced in the Congress on this subject and by the work of this Committee. I believe that the debate of last year and the work of this Joint Committee may prove from the standpoint of the country and of the Congress to be of historic significance. The true test, however, will not be whether we find the ways and means and have the will to take the required action and exercise the needed discipline to control the budget and determine the Nation's priorities.

Therefore, I am pleased to join in this search for improving the management of the peoples' business by Congress.

I will now describe to the Members the provisions of S. 758, the Congressional Budget Control and Oversight Improvement Act, which I introduced on February 5, 1973.

Specifically, S. 758 would:

(1) Move the federal fiscal year to coincide with the calendar year.

(2) Establish an appropriations ceiling and a workable mechanism to force Congress to live within that ceiling and to make those necessary hard choices in determining priorities.

(3) Strengthen the Congressional oversight functions to make certain that all federal programs are reviewed and evaluated at least every five years.

(4) Require that each bill introduced and each bill reported to the floor include an estimate of the average costs for each taxpaying family.

(5) Create a federal program evaluation digest.

I will now discuss each of these proposals in greater detail.

First, the legislation would change the federal fiscal year, which ends June 30, to coincide with the calendar year. The champion of this idea is Senator Magnuson. Under his leadership the establishment of a calendar year budget cycle for the federal government has been gaining considerable support in the Congress. I believe that in the previous Congress over a majority of the Senators cosponsored or expressed support for his proposal.

The Congress has not completed action on all appropriations bills before the fiscal year for which the funds are being appropriated since World War II. In fact, less than 10% of the appropriated measures in the last decade were enacted before the start of the fiscal year. None were passed prior to the start of the fiscal

year in either 1969 or 1970. We did better in the last Congress passing 5 out of 16 bills before the fiscal year in 1971 and 3 out of 12 bills before the start of the fiscal year 1972.

This is intolerable. Delay in appropriating federal funds is not conducive to planning or effective use of federal funds. It is particularly disastrous for local education agencies and State and local governments. As a former member of the Maryland Legislature, I can say that knowing by December the Federal programs and their funding would be beneficial to the States in planning and budgeting for their fiscal years.

While there are many causes of the delay, such as proliferation of federal programs and responsibilities, I am convinced that a move to the calendar year is an important first step in the improvement of our budget process.

BUDGET CEILING

Secondly, under my proposal, Congress would set its own budget ceiling and create a mechanism to make Congress discipline itself fiscally and make those hard decisions necessary in determining the country's priorities. This concept would work in the following manner. The Ways and Means and the Appropriations Committees of the House of Representatives, together with the Finance and the Appropriations Committees of the Senate would meet jointly at the beginning of the new session to examine the President's budget and then make recommendations to both the House and the Senate on a budget ceiling. The full House and the Senate would then concur or modify the ceiling recommended by the Joint Committee. Once a Joint Resolution was enacted, however, the amount specified would be the spending ceiling for the year, unless Congress later lowered or raised the ceiling by a subsequent law. My bill also provides a mechanism for forcing the Congress to abide by the ceiling which it set.

It does this by instructing the Appropriations Committee to determine the differences, as an average percentage increase or decrease, by the Congressional ceiling and then utilize such percentage as the guideline in considering all appropriation measures. Perhaps an example would clarify the workings of this procedure. Let us assume that the budget set by the Congress represented a 10% increase. The Appropriations Committees would then instruct its Subcommittee that a 10% increase was the general guideline to be followed. If, for example, the Interior Subcommittee of the Appropriations Committee approved a 20% increase in the Interior Appropriations bill, and this sum were approved by the full Committee, and upheld on the floor, the Appropriations Committee would then reduce percentage guideline for other appropriations measures which may mean that the new guideline would be 9.8%. This proposal will result in all members having an interest in all appropriations measures, for an increase or decrease in one appropriations bill will lower or raise the percentage for other appropriation measures.

In short, Congress will be forced to face up to an unpleasant fact. Priority setting does not just mean passing, authorizing or appropriating bills with additional money, but also requires the balancing of the new proposals with other competing claims on limited federal resources.

IMPROVE OVERSIGHT

Thirdly, the bill would greatly strengthen the legislative oversight role of the Congress. The Legislative Reorganization Act of 1970 contemplated additional legislative review. While this idea was and is excellent I do not believe that the Act provided an adequate mechanism for achieving its goal. Therefore, this proposal is aimed at assuring an adequate, and not a cursory review, is made by the legislative Committees of the Congress. It would do this by requiring each standing Committee of the House and the Senate to establish a Subcommittee on Legislative Review. When a Committee already has a Subcommittee, with the responsibility with respect to a subject matter, that Subcommittee, assisted by the Legislative Review Subcommittee, may evaluate the program or legislation.

However, if the Subcommittee having jurisdiction failed to evaluate and make a report of its review and study at least once every three years the Subcommittee on Legislative Review would then be mandated to conduct a review.

To make it absolutely certain that a review would be forthcoming in any event once every five years, the General Accounting Office would be required to make a study and report to the appropriate Committee and the Congress if the

review had not been done by either the appropriate Subcommittee or the new Legislative Review Subcommittee, by the end of the fourth year.

This procedure will guarantee that the vital oversight function of the Congress will be accomplished.

FEDERAL PROGRAM EVALUATION DIGEST

Fourth, my bill would require the preparation of a federal program evaluation digest. Presently, there is published each year the Catalog of Federal Domestic Assistance. This catalog runs some 817 pages and lists about 1,200 programs. It has proved useful to our citizens and our communities in determining what federal programs or benefits are available and how to apply for them.

I see the need in the Congress, and elsewhere, for a similar publication that, in effect, would be a handy reference guide for all federal programs. The Federal Program Evaluation Digest would to the extent feasible, be cross-referenced to the Catalog of Federal Domestic Assistance and contain the following information:

(1) the name of the program, the statute authorizing the program, specify the federal officials administering the program, and give a brief description of the program;

(2) the original purposes, goals and objectives of the program, and any changes thereto;

(3) an evaluation by the head of the program on whether and how the purposes, goals and objectives are being achieved;

(4) references to any study, conducted partially or completely with Federal funds, evaluation the program, and to the maximum extent practicable, references to any study conducted completed with non-Federal funds, evaluating the programs;

(5) the total administrative costs of the program paid out of federal funds, the total costs of the program paid out of federal funds, and the total of such administrative costs so paid as a percentage of such total costs so paid;

(6) the average cost to the program for each recipient; and

(7) cross-references to the program and matters related to the program which are included in the latest available Catalog of Federal Domestic Assistance (including any supplements thereto).

There is a major distinction, however, in that this Digest, unlike the Catalog of Federal Domestic Assistance, would include all federal programs and not just domestic programs except to the extent that national defense does not permit a program's listing.

I am certain that you and other Members of Congress on the House and Senate Floors, have been confronted with an amendment increasing an appropriation for a program for which there was no ready source of information, even the basic information that the Digest would contain.

I believe that such a Digest would be a useful and valuable tool for improving our understanding of programs and our ability to determine priorities.

COST PER FAMILY

Finally, the legislation contains a provision requiring all bills and joint resolutions introduced, and the report of any bill or joint resolution, to include the average cost per taxpaying family. While admittedly this requirement is gimmicklike, I believe it is needed and will serve an important purpose. Congress in recent years has passed various laws designed to better inform the consumer, Acts like the Truth-in-Lending, Truth in Packaging, and others. This provision may be viewed as "Truth in Legislating".

This provision will require, that in addition to our taking the credit and heralding the benefits of programs, we also apprise the electorate of the program costs.

Perhaps, there are better methods of computing the costs, but I believe that the thrust of the proposal is healthy for us in the Congress and good for the American taxpayer. As drafted, when a member introduces a bill or an amendment, it would have to include an estimate of the cost of the legislation for each taxpaying family. This will be calculated by dividing the cost of the bill by the number of federal tax returns filed with the federal government for the preceding calendar year. As an example, for taxable year 1971, 60 million taxable returns were filed with the Treasury. Since there are on the average 3.6 persons per family, the number of taxable returns approximates the number of families

in the country. This will enable the average citizen to understand what a proposal means and costs to him personally. The late Senater Ellender in a Floor speech tried to help the public comprehend the astronomical size of the debt, which then stood at nearly $400 billion. In this interesting and colorful floor speech, Senator Ellender said:

"If every member of the United States Senate counted two, one-dollar bills every second of every minute of every hour of every day of every week, it would take approximately 64 years to count $400 billion. If the senators worked the standard work year (8 hours per day for 260 days a year) taking no coffee breaks, or holidays or vacations, it would take them 267 years to accomplish the same count. At its current capacity, it would take the Bureau of Printing and Engraving about 171 years to print 400 billion one-dollar bills. Four hundred billion dollars in one-dollar bills would fill about 3,456 railway boxcars, making a train almost 36 miles long. The 400 billion one-dollar bills stacked on top of each other would reach about 27,095 miles, or 4.5 trips from New York to Los Angeles. Placed end to end, that many bills would make a path, 160 bills or 35 feet wide, to the moon."

This provision has a similar purpose. While citizens may have difficulty in comprehending billions, they will readily understand the cost per taxpaying family. This proposal should make members of Congress more cost conscious and think harder and more realistically regarding the authorization and appropriation levels of the proposals he advances. Authorization levels in particular that Congress has been approving, are often unrealistic. As former Secretary of Health, Education, and Welfare Elliot Richardson observed in a recent report:

"Historically, one set of committees in the House and Senate creates programs and another set actually provides the money for them. The political incentives for a member of an authorizing committee is to pass bills with big price tags—and much publicity—to show he cares about solving problems. Such an incentive does not apply to members of appropriating committees. Time after time the figures on the price tag are higher than anything the Executive Branch can in good conscience request, and higher than anything that appropriations committees are willing to provide. There results, an 'authorization-appropriation gap'—a gap which has grown by $3 billion in the last year alone and is now over $13 billion. For the public, the authorization-appropriation process has become, in a sense, a shell game. Hopes are raised by attention to the authorizing hoopla, only to be dashed by the less flamboyant hand of the appropriations process."

Over-promising in authorization bills leads to big disappointment and disillusionment on the part of our citizens. In addition, this part of my proposal would direct the Library of Congress to tabulate a total cost per taxpaying family of the authorization and appropriations passed for each week and a running year-to-date total. These totals would be printed weekly in the Congressional Record as soon as the tabulation is completed.

As the "Wall Street Journal" of January 28, 1972 stated,

"Any procedural reform that encouraged the Congress to be aware of the overall effect of their individual actions would have substantial benefits for us all. . . . It would be a healthy discipline for Congress to ask each sponsor of a spending bill to also say how the money is to be raised since a government that is running a $40 billion deficit obviously doesn't have spare cash lying around."

The Nation rejoices over the President's success in negotiating an end to the long and difficult war in Vietnam, and the return of our POWs. We all hope and pray that the peace will be permanent so that the "Generation of Peace" about which the President has so often spoken will come to us.

The economic news has also been very encouraging as we have had considerable success in getting the economy straightened out and back on the right track. 1972 was a year of strong economic advances, increased employment, and a lower rate of inflation.

We are encouraged by the prospects of permanent peace and prosperity without inflation for our citizens, although there is uneasiness with respect to the new convulsions in the world monetary situation.

A few years ago, it was fashionable to speak of the "peace dividend" that would be available after the war was concluded. Brookings Institution in the book entitled, "Setting National Priorities—the 1973 Budget" pointed out that the surplus, for a variety of reasons, has disappeared. The Brookings study says:

"On balance, the tax changes enacted during the past ten years have reduced federal revenues substantially; full employment revenues in fiscal 1973 will be $27 billion lower than they would have been under the tax laws in effect ten years ago. Moreover, the recent reductions in tax rates and the expanded scope of the federal government's activities have produced a situation in which the annual built-in growth in federal expenditures now tends to absorb a very large part of the increase in federal revenues generated by an expanding full employment economy. Indeed, for the next several years, the growth in federal expenditures under existing programs and those proposed in the 1973 budget may exceed the growth in full employment revenues under current tax laws. By 1977, revenue increases may have equaled the growth in expenditures, but they are not likely to produce a surplus for use in launching major new governmental programs to meet emerging national priorities. This situation is in sharp contrast to earlier periods in the nation's economic history, during which peacetime economic growth tended to produce larger gains in federal revenues than were absorbed by on-going federal expenditure programs. As a consequence—in the near future at least—major new federal programs will have to be financed either from higher taxes or from sharp reductions in current activities."

The last line of this quote bears repeating "as a consequence in the near future at least, major new Federal programs will have to be financed either from higher taxes or from sharp reductions in current activities."

A similar theme was sounded in an article entitled "The Bad News About the Federal Budget: in November 1972 "Fortune Magazine". The analysis by this respected publication, if their projections come true, would be bad news indeed. Herbert Stein, the Chairman of the President's Council of Economic Advisors, has indicated that coping with the budget will be the top priority task facing the President in his new term. Mr. Stein was quoted in "Fortune" as saying that "the President sees the budget problem in all its aspects, converging on him. And it amounts to a crisis of serious proportions."

"Fortune" then goes on to say "but the situation is even worse than the Administration has acknowledged. The Problem is not just that the fiscal 1973 will show a deficit of around $30 billion. It is rather that—unless spending programs are cut back or revenues are increased—succeeding years will continue to show big deficits." "Fortune" predicts that by fiscal 1977, the total federal budget will be in the neighborhood of $369 billion compared to the Office of Management and Budget's projections of $327 billion. Thus, under the Office of Management and Budget's assumptions, the 1977 budget will be $77 billion more than the 1973 budget. "Fortune" projections, on the other hand, see the budget at $119 billion more than the 1973 budget.

"Fortune" sees a deficit of $24 billion in 1977, rather than the $19 billion surplus projected by the Administration and warns this is a troubling prospect. Big deficits over the next several years would unsettle money markets, foster inflation, and worsen the nation's international economic difficulties.

While there are many estimates for the deficit for fiscal 1973 and 1974, I believe that there is enormous hazards of budget deficits in the $25–$35 billion range and that we should be moving toward a balanced budget.

The new budget for fiscal 1974 has now been revealed. It calls for spending of $268.7 billion and there is a projected deficit of $12 billion and important for the American public, no new taxes.

The current fiscal year, which ends June 30, is expected to produce a deficit of $25 billion. I was also encouraged that both Majority Leader Mansfield and House Speaker Albert have indicated that the Congress would seek to hold the overall spending for both fiscal 1973 and fiscal 1974, as requested by the President.

The Majority Leader was quoted as saying that it is "mandatory" that Congress discipline itself in the budget area, for the "American people are being taxed to death."

It is mandatory that we in the Congress do a better job in the budget oversight process and the legislative oversight area.

For the last decade the Congress and the Executive Branch seemed to be competing to find bigger and better ways to spend the taxpayers' dollar. We did this on a bipartisan basis. We did it to accomplish worthy objectives. We enacted program after program in response to the problems of the day, and since the decade was not lacking in problems, programs proliferated. In enacting new programs, often little thought was given to existing programs, and how they would mesh or conflict with the new program. It is hard to recall Congress standing up and saying "this program has outlived its usefulness", or "this program is not working, we are going to repeal it".

As I previously indicated, the developments referred to in the Brookings study, the proliferation of federal programs, and the resulting built-in growth which so concerned "Fortune" magazine, means that federal revenues are not running ahead of federal expenditures. What this means is that the Administration and the Congress now must face up to the economic facts of life.

Having served in the State Legislature, I must say that the restraints and the discipline were much greater, at that level, for State Governments have no choice, as there are usually Constitutional requirements that State Budgets be in balance.

Now I want to make it clear that we, as compassionate people, need to respond to our many domestic problems and that there will be a need for new programs to deal with these problems as the nation continues its climb to even greater social, economic, and political opportunities for all Americans.

But we have reached a point when we must take stock of our efforts. We must look at all programs to see if they are the best response to a particular problem and we must make certain that the level of government best able to deliver a particular program or service does so.

Solutions to all our problems cannot be prepackaged in Washington. There is no way that federal officials can know the local conditions and problems of the many communities across this great land, communities which are as diverse as our people.

We have reached a point when we can no longer evaluate a program of an appropriations measure in isolation. Just as the average family cannot do everything that is "needed" or "good", we in the Congress have to make similar tough choices in view of the impact of our individual actions on the total picture.

The Congress is rightly concerned about the erosion of its powers. Members are rightly concerned over the issue raised by the President's request for authority to reduce spending as he saw fit, down to the $250 billion level and by the issue raised in the impoundment of federal funds. These are legitimate issues of great Constitutional depth and importance.

Unquestionably, one of the greatest powers possessed by the Congress is the appropriation of money for the operation of the Executive Branch.

It is through this power of the purse that Congress has its greatest impact on the priorities of government and can effect changes in programs and policies.

There is, with considerable justification, Congressional concern in these areas.

On the other hand, the President's right to impound funds has been unchallenged for many years. It is an action that has been taken many times by a number of chief executives of both parties. Unquestionably, over the last decade it has resulted in reducing budget deficits that Congress has failed to reduce by use of the appropriations process. In a sense we in the Congress have said we will authorize any amount. We will appropriate more realistically but on an individual appropriation bill basis without any controls or guidelines and with little thought over what we did on the appropriations bill we passed yesterday, or the one that will come before us tomorrow. We in effect will forget about total amount appropriated; let the President worry about this "detail", and take the heat of reducing funds for specific programs; and this has been pretty much the story.

The appropriation power of the Congress is and should be a jealously guarded Constitutional right. But like most Constitutional rights this power exists with a certain amount of responsibility and must be discharged in a responsible manner or the power will be lessened.

This to some degree is what has happened. As a result the President and the Executive Branch have assumed even greater power and stepped into the void.

As Senator Mansfield eloquently put it before a caucus of Democratic Senators on January 3rd,

"The fault lies not in the Executive Branch but in ourselves in the Congress. We cannot insist upon the power to control expenditures and then fail to do so. If we do not do the job, if we continue to abdicate our Constitutional responsibility, the powers of the federal government will have to be recast so that it can be done elsewhere. We must face the fact that an instituion, Congress, is not readily equipped to carry out this complex responsibility. By tradition and practice, for example, each Senate Committee proceeds largely in its own way in the matter of authorizing expenditures. There is no standing Senate mechanism for reviewing expenditures to determine where they may fit into an overall program of government."

So, if the Congress wishes to reassert itself with respect to the power of the purse, we must resolve to take the necessary steps and create the mechanism that will enable us to control federal spending and determine federal priorities.

Again, I am encouraged with the attention this subject is receiving in the Congress, as evidenced by the debate last year on the debt extension, the appointment and work of this Joint Study Committee on Budget Control, and the concern expressed by Majority and Minority Leaders and others.

In addition, the subject has been receiving considerable national attention in the communications media. I am hopeful that this interest will result in the Congress facing up to this problem.

I do not regard these proposals as a panacea or millennium to the problems and the need for reform in the Congress. I am convinced, however, that the proposals I am advancing today will help bring the budgetary process under control, improve our oversight responsibilities, and help revitalize the Congress.

If we take the actions called for in my proposal, the present vacuum, which the Executive Branch has been filling because of Congress inability or unwillingness to reform itself, will be removed and we will be in a position to deal with other serious challenges by the Executive Branch, such as the impoundment of funds, because we will have demonstrated not only by our words, but more importantly by our actions that we can and will control the budget and determine national priorities.

How we in the Congress respond to correct our generally acknowledged weaknesses with respect to the overall reform of the federal government's budget will in no small way determine the answer to the country and the Congress' concern over the erosion of Congressional power, the Congressional role in determining national priorities, and the nation's ability to avoid inflation and to preserve prosperity in 1973, 1974, and the years ahead.

I am pleased to offer these suggestions and join in the Congressional search for the ways and means to improve the Congressional budgetary process and oversight functions. Of all the issues of Congressional reform, this is probably the most important. I hope for the country and Congress' sake, that we will face up to this issue and take action in this Congress.

Senator BEALL. I congratulate the committee on the work they are doing, on what I consider to be a very important national problem, that of trying to bring a greater degree of restraint into the budgetary process.

I feel we share a concern over the Executive's continuing intrusion in what I consider to be a constitutional responsibility of the Congress, one that should be the most jealously guarded that we have.

I have proposed some legislation that I think bears on this problem. I introduced a bill that does five things specifically.

I think as the State and local government come to depend more on the Federal Government for the source of revenue, then it is necessary that they have the time necessary in order to incorporate into their budgets the Federal funds that are available.

This is going to require that we budget in advance of their legislative session so they can perform responsibly in this regard.

I suggest that we establish appropriation ceilings and a workable mechanism.

I would like to observe, Mr. Chairman, and members of the committee, that I probably, as I look around the table and around the room, I am probably the Member who has had the most recent association with a State legislature. I served in the State Legislature of Maryland as recently as 1968. When I came to the Congress there were a couple of very vivid observations and comparisons that I could make.

Probably the most vivid was that I didn't find in the Federal Congress the fiscal restraint or fiscal responsibility in any sense of the word and to any degree close to what was apparent at the State level.

There are reasons for this. In the State legislature—I gather Dr. Burns pointed this out earlier in his statement—at the State level there is generally a constitutional requirement that State budgets be bal-

anced. And when I served on the State legislature everybody in the legislative chamber, when we considered bills that were going to cost money and most bills do, were aware of the fact that these bills, if they were passed, would have to fit into the total budget picture and somewhere along the line, before we concluded our session, we would have to provide tax measures that would pay the cost of these appropriations.

I don't sense this awareness of the cost at the Congressional level, unfortunately. I find that in many cases we vote on legislation on the basis of what good that legislation will do for the country and sometimes we don't give the kind of attention that is necessary to the cost for all of our taxpayers.

I remember when I was serving in the State legislature we passed a water quality control bill in 1965. I remember the Federal Government promised us $1 billion to work on water quality and we in the State Legislature of Maryland at that time passed our own statewide water quality control act, thinking we were going to get $1 billion. We ended up until 1969 and 1970 not getting any more than $214 million and this caused a great deal of financial embarrassment for our State.

I think somewhere, somehow we in the Congress have to get control of the authorizing process so that we don't continue to deceive the taxpayers at the other levels of government, and I think that it is extremely important we do this soon because, as I observed, the State and local governments are now much more able to carry their end of the load, if you will, as far as government responsibility and the definite delivering of governmental service is concerned. I think at the Federal level we owe a responsibility to them to make sure we are not promising more than we can deliver.

I would like to comment finally on the comments of my colleague, Senator Brock, with regard to Congressman Broyhill's suggestion that the legislative branch could cooperate or could witness the budget making process at the executive branch level.

I remember when I was in the State legislature, the present Governor of Maryland who was then speaker, we didn't agree on much, but we agreed the legislature should develop a stronger fiscal situation.

One of the things we provided was that the fiscal arm of the legislative branch would observe the executive branch of the Government in its preparation of the Government budget. That has led to a better understanding at the legislative level.

We weren't introducing. We were giving ourselves a better understanding of what went into the making of the Federal budget.

I think we can create the mechanism whereby the fiscal officer of the legislative branch on the staff level could observe the budget's development in the executive branch and as a result we would be able to respond better to that budget when it is presented to the Congress.

Chairman ULLMAN. Thank you, Senator.

I have to apologize for the other Members. There is a quorum call on in the House.

We appreciate your testimony. You have been very helpful. We solicit your continued support as we move down the road toward legislation.

Thank you very much. The committee will stand adjourned.

[Whereupon, at 12:30 p.m., the committee was recessed, to reconvene at 2 p.m.]

AFTERNOON SESSION

Chairman ULLMAN. The committee will come to order.

We are very pleased to have as our first witness this afternoon our distinguished colleague from Wisconsin, Congressman Henry Reuss.

We have been extremely pleased with your membership on this Joint Committee, Mr. Reuss, and we are particularly pleased with the proposals that you have made and distributed to the membership. These ideas have broadened our thinking on this important problem of establishing congressional responsibility and budgeting.

You also have a reputation as our congressional economist and therefore we doubly appreciate your taking the time to appear before the committee. We are very pleased to recognize you, sir, and look forward to hearing your views.

STATEMENT OF HON. HENRY REUSS, A U.S. REPRESENTATIVE FROM THE STATE OF WISCONSIN

Mr. REUSS. Thank you very much, Mr. Cochairman and members of the committee.

Conforming to the committee's excellent suggestion, I prepared a written statement which, under the rule, I would like to submit for the record. Then I would like to summarize it, adhering to the 15-minute rule.

Chairman ULLMAN. Without objection it will appear in full in the record.

Mr. REUSS. What I have done, gentlemen, is to take the very constructive recommendations made in your Interim Report of February 7 and related to these recommendations what I conceive of as a good way to accomplish our mission.

Because I think those are simply excellent recommendations by the committee on February 7, I didn't have any great trouble in finding pegs to hang the various thoughts that I might have on. So I will start right out by referring first to recommendation No. 7 of the study committee, which says: "Let there be some sort of committee or organization to carry out congressional budgetary control."

I thoroughly agree. What I have suggested, and others have suggested, is that each House have a budget committee which would be composed of about the same sort of members that this interim study committee has—namely, it would be mainly composed of Appropriations Committee, Ways and Means or Finance Committee members, with perhaps a couple of members from other committees, one for the majority and one for the minority.

Recommendation No. 1, of the interim report—I have changed the order around a bit to present this thing chronologically—says that there should be a mechanism for determining spending and revenues the first time around.

I make the suggestion there that shortly after we convene every January, the new Budget Committees of the House and Senate would start work on a Tentative Budget Resolution. By February 15, I envis-

age that they would have in hand from the Joint Economic Committee a recommendation of what kind of a budget deficit or surplus or balance is needed to produce our national goals of maximum employment, production, and purchasing power.

Here we turn to recommendations 2 and 4 of the February 7 report. These recommendations should cover not only authorizations and appropriations handled by the Appropriations Committee, but also backdoor spending, mandatory spending, any other kind of spending, because the net effect on the budget is quite the same.

I envisage that the Budget Committees—let's start with the House side because that side should act first—would block out on about February 15, with the advice of the Joint Economic Committee, the general outline of the necessary deficit or surplus and then would do two things. First, it would ask the Appropriations Committee to make tentative allocations to each of its 13 appropriations subcommittee categories. Second, to determine spending not subject to appropriations, it would consult with the appropriate legislative committees. After that consultation, the Budget Committee would bite the bullet and report to the House by March 1 a concurrent resolution. The resolution would not require Presidential signature, since this time around it is purely internal housekeeping, setting the total figures, blocking out the target figures for each of the 13 appropriations subcategories, blocking out spending limits for all the backdoor spending, and blocking out the total revenue goal.

This could be called a Tentative Budget Resolution and it would be fully debated on the floor, where, in both the House and Senate with our proposed new rules, amendments are permitted.

After the usual procedures the resolution would go to conference and should be adopted by April 15. I realize that this is putting quite a burden on us all, but to get our job done in time, we have to adopt this kind of hurry-up schedule.

Recommendation 5 says that procedures should be developed to assure compliance with the expenditure and budgetary ceilings. On the first go-around it would be up to the Members themselves to secure conformance with the Tentative Budget Resolution ceilings and targets. Any appropriation or legislation departing from the original recommendation would have to contain a provision specifying the amount by which it exceeds or falls short of the tentative target amount. There is no penalty for departing from the targets at this time. It is a little more complicated when you deal with nonappropriations, so-called backdoor spending. The Tentative Budget Resolution would contain a provision asking the appropriate legislative committees to carry forth the will of Congress by May 15.

Now, if that isn't done, we would have to empower the Budget Committee to bring the necessary legislation directly to the floor if nothing has been done by the legislative committee by May 15.

The Budget Committee would have to get a rule, as for anything else. There has to be some way of getting backdoor spending on the floor for a vote and this seems to me an appropriate way to do it.

On revenues, it seems to me that since the Ways and Means Committee would take up such a large and important part of the new Budget Committee they would probably respect the May 15 target deadline, so that legislation could start moving by late May. If they didn't

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however, the lapse would be made good in the second round, the corrective round.

As recommendation No. 3 says, there should be a procedure established for reconsideration of these ceilings in the latter part of each congressional session. Indeed there should be. What I suggest is that immediately following the start of the new fiscal year on July 1, the Budget Committee, first of all with the help of the Joint Economic Committee, would review the boxcar figures. Are the economic estimates right? In most years, I think they would not change much but there is always that possibility. Then these new Budget Committees would report out what I call the Final Budget Statute.

This statute would be reported out in early July, it would specify whatever changes are deemed to be necessary in either appropriations measures, nonappropriated spending, or in revenue measures. It is designed to correct any slippages which might have occurred in the first go-around. The general boxcar figures, the Joint Economic Committee macroeconomic figures would be in title I. Have the total figures voted on first, if there is any change from the tentative budget resolution. If there isn't any change, you don't need to vote on it.

Then you get to title II and there anybody—any Member who doesn't like the admittedly tough job that the budget committee has done—is enabled, under the new rules, to offer an amendment. For instance, suppose I don't like the assumed $3 billion cut that the budget committee has made in the education appropriation or in an urban renewal piece of backdoor spending. I think it is $3 billion too small. I can't just put in an amendment at this stage to up it $3 billion, because that obviously would destroy the whole budgetary control. The only amendment I can put in is an amendment to up education $3 billion but find that $3 billion in some other way; either cut defense and military spending by a total of $3 billion or cut defense $1 billion and raise $2 billion in additional taxes.

I would then have my time at bat with that amendment. If I won, that then would become a fiscally responsible part of the final budget statute. Whatever interim actions taken thus, would not destroy the overall balance. Then, finally, when the amendment process is through, I and every other Member gets an opportunity to vote on the final budget statute, which, whatever its composition, would be in a fiscally responsible position. Therefore, though I am by nature inclined to vote in favor of high appropriations for social budget matters, I would have had my day in court earlier and the final question confronting me is solely and simply this: Am I going to vote for a fiscally responsible budget, even though I may not like its composition.

That differs markedly from the present situation where I could vote with little check or hindrance late in the year for increases of programs I like, even though I have been able to do nothing about decreasing other programs or tinkering with taxes in order to make my position fiscally responsible.

That is about it. The beauty of the procedure is that it does give Members a chance to vote for a responsible budget after they have had a full opportunity to work their will on individual spending—appropriation or nonappropriation—and revenue bills.

Finally, let me ask what this does to the current grave controversy between the President and Congress about impounding. As far as I am

concerned, it would make impoundment, relatively speaking, a dead issue. Under this procedure, the Congress would have to proceed responsibly. It wouldn't give the President the excuse that we now give him to impound; the President can now say—and does—that Congress is, if not overappropriating, at least overspending.

If, however, we make our reform and control spending, considering appropriations and revenues all together, then if the President tries to interfere with the responsible judgment of Congress, constitutional questions aside, he would have such a wave of public opinion against him that I don't think he could get away with it, and I don't believe he would try.

I would hope that the general sense of urgency which has pervaded this committee, Mr. Chairman, will continue. Certainly we want to be in good shape for the fiscal 1975 budget, but I do not give up hope that we can work a reform in time to take at least a partial bite on the fiscal 1974 budget. I would hope that we could have a reform like this in place by the middle of this year and then maybe go through round two of it on the fiscal 1974 budget. Thus, and only thus, we will be able to restore to ourselves the powers that we should never have let slip from our fingers, but which started slipping in about 1965 and have been slipping faster ever since.

Chairman ULLMAN. Thank you very much, Mr. Reuss. You have been very constructive in your procedure by taking the items from our tentative committee report, and attempted to put some flesh on the bones and spell out some of the procedural matters that this committee is going to have to decide on.

You have raised a number of possibilities that we will seriously consider.

Wouldn't you agree that the biggest problem that we have is that of deciding priorities, and putting a tough ceiling on spending. How can we develop procedures in the Congress that are hard, fast, and binding and will require us to make decisions on priorities? This is our No. 1 problem. Wouldn't you agree?

Mr. REUSS. I do. That is it, to get a ceiling that is meaningful and won't be pierced by every piece of backsliding we might do on spending or revenue bills, while at the same time allowing Members and the proposed new committees the maximum possible role in deciding priorities within that ceiling.

You see, as I have said many times since I have had the honor to be named to this Study Committee, a proposal like this is neither liberal nor conservative. It doesn't favor either side. It simply says the liberals and conservatives, the people who want to spend on one thing and the people who want to spend on another thing, or don't want to spend at all, have to fight it out on the ceiling. This format gives an opportunity which I feel is fair to both sides and will reflect whatever ideologies the voters of this country send down to Congress. But neither conservative nor liberal can make a case that it makes sense to have a budget that is out of control. That doesn't do anybody any good.

Chairman ULLMAN. One of the problems this whole procedure poses and the problem that Congressmen Whitten and I face, is the fact that we have other committee responsibilities. We are borrowing the ranking members from the Appropriations and Ways and Means Committees, in order to put together the budget. We may well be running out

of manpower or time in order to accomplish the purpose. But I see no other way of doing this simply because Ways and Means, Finance, and the Appropriations Committees are really the ones we have to put back together, and we can't use someone else to require them to come together. It seems to me this is the mechanism for bringing them together, while also getting to the problem of backdoor spending.

Mr. REUSS. As I tried to set down these ideas on paper it is a bone crunching task which is assigned members, particularly of the appropriations and the tax writing committees. But look at it: this envisages activities to take place between New Years Day, January 1, and August 10, when we go on a 1 month summer recess.

It's got to be done, it seems to me, by August 10. I don't think it should be allowed to slop over. So if Members come back around September 10, there are only—particularly in an election year in the House, every other year—a few weeks of session left. Even in non-election years, an effort ought to be made to give Members some time back in their constituencies in the fall of the year. So if the task set forth here seems onerous, it is simply because the task of being a Congressman and conducting the Nation's business is onerous. I don't see any way out of that, frankly.

Chairman ULLMAN. Right. Congressman Whitten.

Chairman WHITTEN. In the first place, may I say to my colleague in the years I have served with him he has proven himself to be a student not only of government but of many other matters, including financing. He has views of his own. We all have them, but it is a pleasure to have you come before us, and discuss the mechanics as you have spelled them out here of what you think would help to bring the overall budget under legislative control. I find there are many features of it with which I agree.

I am prone to point out the other side of most anything, when the first man measures his fish first. I have felt as a practical matter that the biggest problem we have is one to limit ourselves to the possible and that means as perfect as your plan might be, how do we get it adopted.

Knowing of your experience I raise some questions here that in my mind don't go directly to the mechanism of what you propose. That is, my observations that the tax committees are going to be rather jealous of our turning over any of their rights and prerogatives to any super committee. I happen to mention them first, but the same thing applies to the appropriations and the legislative committees. We have seen many controversies, you and I, as to who has jurisdiction among various legislative committees. I have always urged my colleagues on the committees, don't ever get on the floor and make an argument about encroaching on the jurisdiction of the committee. You are going to lose that one. That has been my feeling about such matters. So you have to approach it on principle.

My own feeling is that the most we can hope to get, and I speak for myself only, is that the legislative committees might agree on representatives on what you call a Budget Committee. The tax committees and the appropriations committees might agree to recommend for service on that committee members of their committee.

With such a committee the next question is how are we going to get them informed enough, in time enough to set the first target. This was

a major problem in the unsuccessful effort to establish a legislative budget in the 1947–49 period. It will be difficult to determine totals and recommend allocations by program areas. Setting priorities that will be acceptable will be most difficult.

Perhaps the committee should meet, say by the 15th of November in anticipation of the new Congress. And if they are members primarily of the tax committees and the appropriations committees, they presumably would have available the staffs of those committees. They could begin compiling and analyzing the essential background information so they could be more or less prepared, once the full Congress met and the budget was submitted.

The Executive could make considerable data available in advance of the final budget, especially on the revenue side.

On page 9 the question arises as to whether when Congress finally comes up with a legislative budget, it shouldn't be by concurrent resolution of the Congress only and not be subject to the President's approval.

Your statement will be most helpful to all of us in our deliberations.

Mr. REUSS. The gentleman has called on his wealth of experience. It's been an education to sit here and hear him, and I agree, I think, with everything that he said. I think that a very constructive proposal, which I would like to adopt right now, has been made by Mr. Whitten—that November 15 would be a good date for the existing Appropriation Committees or the new Budget Committees or both, to get with the administration in the preparation of the budget, instead of acting like foreign nations with the border closed. That, again, will make your career here a 12-month career job, but it is anyway and it might as well produce the results you have been trying to get for some years.

So, I think the November 15 idea is a simply excellent one.

Another specific suggestion you made concerned what I call the final budget statute, the bill we have to pass by early August. You suggested that it be a concurrent resolution like the earlier tentative resolution, rather than a statute. That could well be. I called it a statute because we are dealing with existing backdoor spending bills and if they have to be amended, they can be amended only by a statute, not by a concurrent resolution. This, though, I think is a detail to be worked out and certainly, if there is another way of handling that little problem, I would not object to a concurrent resolution.

Mr. WHITTEN. We certainly would have to make provisions for that. I raise these points for the purpose of your reaction and not to say that I was fixed in my view. I personally don't believe that Congress will ever put itself in a straitjacket where it can't unbutton the jacket. I don't know that the people's representatives should ever fix a ceiling where they can't do differently next month as circumstances should require. I have seen many, many general laws and the ones that worked were those that had an escape valve where you could make exceptions in proper cases because you can't anticipate everything. So I think that is kind of a must.

Your suggestion that you have got to leave it so it can be amended I think is absolutely sound. We must maintain a democratic process.

Mr. REUSS. Provided at the end there is one moment of truth in which each member knows he has to say to himself, "All right, you fought valiantly for the last 3 months amending and opposing and

legislating, but now the question put to you is whether you are going to vote up or down a fiscally responsible budget and the best one you can get." We don't have that moment of truth now. I think it would be good to have it.

I would like to say just one more thing about the overall political sense that you have just given us, Mr. Whitten. Will our colleagues, if this Joint Study Committee reports out a really meaningful reform, vote for it? Because there is no doubt that it will require some tightening of the belt by some people. I would think that the only reform we could get through is one that really is meaningful. I think the public is with us this time as it was not in other years. So I would hope that we could give our colleagues, when we bring to the floor whatever reform we decide on, an opportunity to vote for something really good. If it turns out I am wrong, and we have reached too high, we can come limping back in with the second best. But I think the gentleman from Mississippi has made some really constructive suggestions which I would like to adopt.

Chairman WHITTEN. Thank you very much.

Chairman ULLMAN. Mr. Broyhill.

Mr. JAMES BROYHILL. Thank you, Mr. Chairman. I won't take too much time.

I do believe the discussion here has been valuable because I feel that your suggestions are good and that it could be workable. I think under practical circumstances it is a little too tight—timewise.

As you know, we have had the experience around here for many, many years that we never finished the appropriation process by the time the fiscal year begins and I just doubt that we could actually live up to the timetable that you have put in your report here.

Perhaps this is a good suggestion, to go back and begin this process back in the prior Congress, or the prior years. We had some discussion on this, this morning with Dr. Burns, that perhaps there should be some liaison with OMB, that there should be some procedure worked out to be in on the beginning of the formulation of these figures rather than to receive them in January and then begin to get working on them.

I would like to ask you one question and get your comments on it. Do you feel that there are any programs where money should be appropriated for more than 1 year, say, for 2 years?

Mr. REUSS. I haven't touched on that in my presentation here. We do have some of it now, a lot of it. Revenue sharing, for example. I advocated in revenue sharing that it should be an annual appropriation and should not be a 5-year-Congress-lose-control arrangement. So I guess my answer, Mr. Broyhill, would be that until somebody presents me with a real case for multiyear appropriations, I am going to continue believing that our 1-year system is not bad.

Mr. JAMES BROYHILL. In funding some programs, 1-year appropriations are not administratively sound. Of course, it is the fault of the system we have here. Particularly in the educational programs. They never find out what money is going to be available to them until really it is too late to employ the qualified people. I am sure you hear these complaints just as I do. Perhaps you might consider in educational programs, to appropriate for a longer period of time.

Mr. REUSS. It would not be inconsistent with the kind of reform we are all talking about.

Chairman ULLMAN. Mr. Schneebeli.

Mr. SCHNEEBELI. I am very interested in listening to the testimony from the witness, because I think you serve your study group in various ways. First of all, by your expertise. Your testimony shows that you know what you are talking about. I think your recommendations are very well made.

Second, your help will be needed in sorting out all these various recommendations that are being made, and I think, third, as the Congressman from Mississippi has noted, it may be difficult to sell whatever we come up with.

You have the respect of a large segment of the House which realizes you have expert knowledge of this area. You are going to be one of the best salesmen we have. So, I think the Congressman from Wisconsin serves several very important functions in this area.

Chairman ULLMAN. Mr. Davis.

Mr. DAVIS. I think the Congressman has touched upon the critical point in his recommendation of controlling expenditures which are not under the control of the Appropriations Committee. That seems to be getting to be a larger and larger target. What effective way do you recommend here for dealing with add-ons that we have come to expect year after year, add-ons to the budget and add-ons to the recommendations of the Appropriations Committee?

You do mention a subsequent statute or whatever you indicated, it wasn't significant what you call it, along toward the end. But somewhere in there do we have some way of calling for some extra restraint here when we get down to the wire on this thing, any such thing as requiring a two-thirds vote or anything of this kind where we do find ourselves substantially over the budget or substantially increasing the deficit or getting ourselves out of balance?

Mr. REUSS. The Final Budget Statute, as I call it, would give us an ironclad way of lopping off excesses that the gentleman from Wisconsin mentioned. I certainly toyed with the idea advocated by our colleague Paul Findley, of Illinois, on which during the last Congress I joined with him, which said that any deviation from the initial target had to be the subject of a two-thirds vote. That seemed to me in the last session to be very appealing. When I got down ultimately to working it out, I ran into the same troubles that the gentleman from Mississippi has encountered.

Early in the session, in April, when an appropriation bill comes through, it is really very difficult, in my judgment, to say that any deviation from that must be by a two-thirds majority. I prefer, therefore, just to have the moral imperative hanging over us all that if we exceed what has been tentatively agreed to as a proper target, let it be blazoned right on the bill that we are exceeding it. Then right after July 1, comes the ironclad opportunity to correct what we have done. After all, it may be perfectly proper to have an add-on, in a bill that you like or that I like, if you correct the fiscal effects of that by appropriate cuts someplace else or by raising taxes.

What we are really concerned with is the amount of the deficit or surplus in a given year. For example, if this year Congress had it in mind to raise taxes by $20 billion (I can assure you that nobody does have that in mind, but if Congress did have it in mind) then I think we could with complete fiscal responsibility spend $20 billion

more. So I think on reflection you really get the benefits of the two-thirds provision by this very rigorous July final go-around.

Mr. DAVIS. One of the problems that I see here and we are all groping here, is that each individual appropriation bill would be somewhat tentative at the time it is passed and this is one of the problems that many of the departments and agencies now complain about, that we don't have many of them completed by the time the fiscal year starts and this would assure, would it not, that every one of them would be beset by uncertainty until sometime after the fiscal year starts?

Mr. REUSS. True. There would be that degree of tentativity, but that uncertainty would be finally resolved a few days or weeks after the start of the fiscal year. As the gentleman well knows, our record in recent years as to when we finally make things definite and certain is not a good one. I believe there are still a few $30 billion items floating around which we hope will be fixed up before the end of this fiscal year. So I think, on balance, that we would be a good deal ahead and that the executive branches would know about what they are going to get in ample time, since they can't spend it anyway until July 1.

Mr. DAVIS. That is all, Mr. Chairman.

Chairman ULLMAN. Thank you, Congressman Reuss. You have rendered a real service to the committee.

[The full statement follows:]

STATEMENT OF HON. HENRY S. REUSS OF WISCONSIN

The Joint Study Committee is off to a good start with the Interim Report, published on February 7, 1973, which mapped out the budget problem and made general suggestions for its resolution.

The time has now come for more concrete recommendations, detailing mechanisms and procedures.

My proposal would provide permanent Budget Committees in the House and Senate, a Tentative Budget Resolution by March 1, and a Final Budget Statute passed by August 15.

Here are my suggestions how the tentative recommendations of the February 7, 1973, Interim Report can be expanded to become the final proposal.

Interim Report, recommendation 7:

An organization to implement the control procedures . . . probably should encompass the formation of permanent legislative committees on the budget. The appropriations and tax committees in the case of each House should be adequately represented in the membership of the budget committee. A legislative committee of this type is needed so there will be an opportunity for overall review of tax and expenditure policy.

The traditional right of the House to initiate taxing and spending bills suggests separate House and Senate Committees, rather than a joint committee. But coordination could be obtained by the use of a joint staff, and by frequent joint meetings.

Each committee, along the lines of the present temporary Joint Budget Committee, would be composed of seven members of the House or Senate tax-writing committee (four majority, three minority), seven members of the Appropriations Committee (four majority, three minority), and two members of other committees (one majority, one minority).

Interim Report, recommendation 1:

There should be a mechanism for Congress to—

(a) *Determine the proper level of expenditures for the coming fiscal year after full consideration of the fiscal, economic, monetary and other factors involved,*

(b) *provide an overall ceiling on expenditures and on budget authority for each year, and*

(c) *determine the aggregate revenue and debt levels which appropriately should be associated with the expenditure and budget authority limits.*

Immediately after the President's budget is transmitted to Congress in late January, the House Budget Commitee would begin work on a Tentative Budget Resolution. The Senate Budget Committee may desire to sit in with the House Budget Committee at this point.

The Budget Committees would request the Joint Economic Committee to supply by February 15 its estimate of the budget deficit, surplus, or balance needed to produce full-employment-without-inflation in the upcoming fiscal year, together with supporting data.

Interim Report, recommendations 2 and 4:

Any limitation on expenditures and new obligational authority should cover not only bugetary outlays handled through the Appropriations Committees but also any legislation which provides funding separately from the annual appropriation process.

A procedure should be developed for allocating the appropriate portions of expenditure and budget authority ceilings to various committees having jurisdiction over the legislation affecting the budget.

In the 1974 Budget, only 60 percent of requested new obligational authority and 44 percent of actual outlays will require action by the Appropriations Committee (excluding "liquidating" appropriations mandated by previous legislation). Any effective budget control requires that "backdoor" spending be regulated as well as normal appropriations.

Immediately after receiving the Joint Economic Committee's submission on February 15, the Budget Committees would prepare a Tentative Budget Resolution, setting total spending and budget authority limits (both appropriated and "backdoor") and a total revenue target. Within the total spending and authority limits, the Budget Committees would set specific limits—delegating to the Appropriations Committees the subdivision of total spending and authority which is subject to appropriation. The Appropriations Committees would hold hearings and take prompt action to provide target totals for each of the 13 Appropriations Subcommitee categories, adding up to the Appropriations Committee total. As to that portion of total spending and authority not subject to annual appropriation, the Budget Committees would consult with the chairman and ranking minority members of the relevant legislative committees (e.g. Ways and Means and Finance on general revenue-sharing, Banking and Currency on urban renewal, Agriculture on price-support payments), and would set specific totals for each committee.

By March 1, the House Budget Committee and the House Appropriations Committee would jointly report to the House a Concurrent Resolution (since this is internal Congressional housekeeping, the President's signature should *not* be required), setting a total spending and budget authority limit, a total revenue goal, and breaking them down as follows:

(a) A total spending limit and budget authority limit for normal appropriations bills, with subtotals for each of the 13 Appropriations Subcommittee categories;

(b) Specific spending limits and budget authority limits recommended for legislative action to each committee with mandatory or backdoor spending programs; and

(c) A total revenue goal, with recommendations to the Ways and Means Committee to reduce or raise revenues (whether by surcharge, loophole-plugging, or new forms of taxes, is left to the discretion of the tax-writing committee).

The floor rule governing the Tentative Budget Resolution would allow for lengthy debate, and permit amendments from the floor at any point. Present House and Senate procedures allow roll call votes on all points of the Resolution. After House passage, the Senate procedures follow. Differences between the two bodies would be resolved by the usual Conference Committee and floor action. Final action on the Tentative Budget Resolution would be sought by April 15.

Since this action on the Tentative Budget Resolution will be taken early in the year (more than two months prior to the start of the Fiscal Year), it is clear that all the figures will and should be viewed as subject to change. More definitive action would be taken in connection with the Final Budget Statute discussed below.

Interim Report, recommendation 5:

Procedures should be developed to assure compliance with the expenditure and budget authority ceilings.

Enforcement of the expenditure and budget authority ceilings (as well as the revenue goal—not mentioned in Recommendation 5 above) is at this point left essentially to the will of Congress: infringements of the Tentative Budget Resolution are subject to correction in the Final Budget Statute. Action on the appropriations bills, non-appropriation spending bills, and revenues should be completed by July 1.

(a) *On appropriation bills.* Under proposed new House and Senate rules, any appropriation bill (and any floor amendment offered to it) that departs from the targeted amount for that category in the Tentative Budget Resolution must contain a provision specifying the amount by which it exceeds or falls short of the tentative targeted amount. There would be no penalty for departing from the Tentative Budget Resolution target at this point; but any legislation departing from the target would be a prime candidate for revision in connection with the later Final Budget Statute.

(b) *On non-appropriation spending.* The legislative committees having jurisdiction over the mandatory or back-door spending which was the subject of recommendations in the Tentative Budget Resolution would be expected to report out implementing legislation by May 15. (The respective Budget Committees, immediately following the passage of the Tentative Budget Resolution on April 15, would notify the appropriate legislative committees of the recommendations, and request action by May 15.) As in the case of appropriation bills, departures from the Tentative Budget Resolution would have to be specified in the non-appropriation spending bill (and in floor amendments), but there would be no penalty for departing from the Tentative Budget Resolution target at this point. Again, however, a second look would be taken at this legislation in connection with the Final Budget Statute.

If the legislative committees do not report out the implementing legislation by May 15, it would be in order for the Budget Committees, pursuant to new House and Senate rules, to bring such legislation directly to the floor for a vote (subject, of course, to a rule's being granted and approved by a majority, in the case of the House).

(c) *On revenues.* Since both Ways and Means and Finance Committees would be well represented on the respective Budget Committees, it would seem highly likely that they would respect by the May 15 target date the revenue-raising (or lowering) requests contained in the Tentative Budget Resolution. Failure in this regard would be subject to correction, as with spending bills, in the Final Budget Statute.

Interim Report, recommendation 3:

Initial action taken with respect to expenditure ceilings and new obligational authority limitations should occur early in each session of the Congress, but there should be a procedure established for reconsideration of these ceilings in the latter part of each Congressional session.

Immediately following July 1, at the start of the new fiscal year, the Budget Committees (with the assistance of the Joint Economic Committee) would review revenue and spending estimates, and general economic conditions, in order to determine what changes (if any) are needed in the *total* spending and revenue targets. Having made the decision on this issue, the respective Budget Committees would then determine what changes should be made in previously-passed appropriations legislation, mandatory and back-door spending legislation, and tax legislation, in order to meet the final spending and revenue targets.

The respective Budget Committees would then report to the House and Senate their Final Budget Statute. Title I of the Statue would specify the final spending and revenue *totals* agreed on by the Budget Committees. Title II would specify the changes needed in the spending levels for specific programs, and in specific revenue provisions, to meet the spending and revenue totals in Title I.

The rules for floor consideration of the Final Budget Statute would require that Title I be debated, amended, and finally agreed to before Title II could be taken up. (An alternative would be to separate Titles I and II into separate measures, and finally enact the first before addressing the second.) In this way, the decision on the proper overall level of spending and revenue needed for a sound, full-employment-without-inflation economy would be less subject to bias by pressures for greater or lesser spending on individual programs.

With the final spending and revenue totals in Title I firmly set, floor consideration of the specific spending program and tax changes contained in Title II would begin. Amendments could be offered from the floor changing the spending totals for specific programs and/or making specific tax changes, but these amendments

could not change the overall budget surplus, deficit, or balance figure agreed to in Title I. Tax changes should probably be confined to general increases and decreases. Thus, for example, a package amendment could be offered cutting $1 billion from Defense Department programs and $2 billion from highway programs, adding $2 billion to water pollution control programs, and reducing taxes by $1 billion. But an amendment cutting $2 billion from some programs and adding $3 billion to others would not be in order.

The beauty of the Final Budget Statute procedure just outlined is that it gives Members a chance to vote for a responsible Budget, after they have been given a full opportunity to work their will on individual spending and revenue bills.

The Final Budget Statute, passed by each House, would then have to be reconciled in Conference, passed in final form, and signed by the President. (The Final Budget Statute must have the effect of law, since it will amend existing spending and taxing measures.) The Final Budget Statute must become law by no later than August 15 (in practice prior to the August recess). During the remainder of the session—from the end of the recess in September until whenever final adjournment occurs—Congress can concentrate on authorizations and other non-budget matters.

Interim Report, recommendation 10:

Provision for authorizations (except in unusual circumstances) at least one year in advance should be required.

Overall Congressional budget control can only work effectively if all authorizing legislation (except for rare emergencies) is completed by the end of the session, well before the submission of the President's Budget in January. (A full year of advance authorization would not seem to be necessary.) With all options in, the Budget Committee would be able to propose meaningful spending, budget authority, and revenue targets, and suggest necessary trade-offs, in its March 1 Tentative Budget Resolution. Otherwise, as the experience of 1947–49—when the Budget Committee was forced to pull spending targets almost out of the air on short notice—shows us, the Budget Committee's recommendations would have little impact.

Interim Report, recommendation 6:

Procedures should be developed to present to Congress the effect on expenditures of existing and proposed legislation, not only in the current year, but also for years up to 3 to 5 years ahead. Such information should be made available currently both with respect to the effect of authorizing legislation and legislation directly making funds available for expenditure.

A way to carry out this sensible recommendation is to require all authorizing bills to include a five-year cost projection for the program. (Such information would be readily available from the General Accounting Office.) For programs already in existence, the President would be required to include in the yearly *Budget* a five-year fiscal impact projection of every program for which funding is currently requested.

Interim Report, recommendation 11:

The committee recognizes that the study of the subject of impoundments is an important part of its assignment. The subject will be examined carefully, and recommendations will be included in the final report.

The problem of impoundment should be greatly reduced as a result of the foregoing Congressional budget reform. In general, the total spending targets of the Administration and the Congress are not so far apart; it is their composition which differs widely. Under this proposal, the President would sign the Final Budget Statute, and thus in some fashion associate himself with its contents. Should the Final Statute become law only over the President's veto, however, impoundment would still be less likely than under the present system. When Congress is seen to be acting responsibly, public opinion would be unlikely to tolerate Presidential flouting of legislative intent.

Reform of the budget process, as outlined, could ensure a real debate over national priorities within the limits of fiscal responsibility. I urge this Committee to adopt this proposal—with such changes as seem advisable—as soon as possible, so that the Budget for fiscal 1975 does not catch Congress in such disarray as those of previous years. Indeed, if we act promptly to put budgetary reform into effect, it could well leave its impact on at least part of the fiscal 1974 budgetary process.

Chairman ULLMAN. Our final two witnesses today will appear together and it gives me a great deal of pleasure to call as a witness our

most distinguished Senator from Minnesota, Senator Humphrey, and also our distinguished colleague from Pennsylvania, from the House, Congressman Moorhead.

I am going to relinquish the Chair to my colleague, Mr. Whitten, but I do want to say there are few people in our history that have had a more distinguished career, and more legislative and political experience than the Senator from Minnesota. We very much look forward to getting your views on this subject which I think is extremely important. This is not in any way to minimize the contribution of my friend from Pennsylvania who has studied this matter in great detail. I welcome you both.

Chairman WHITTEN. Senator, we will be glad to have you proceed. I concur in the introduction that has been made here. I don't know how much chance you have had to listen to or to read the proposals by others, but in your experience in the Congress on the Senate side, I doubt that there is anything that any of them could testify to that you haven't seen at one time or another.

We are fortunate in both of you gentlemen, in having not only your splendid minds and wonderful backgrounds, but your experience in Congress.

Whatever plan we finally propose will have to be something we can get the Congress to adopt. We will be glad to hear you.

STATEMENTS OF HON. HUBERT H. HUMPHREY, A U.S. SENATOR FROM MINNESOTA, AND HON. WILLIAM S. MOORHEAD, A U.S. REPRESENTATIVE FROM PENNSYLVANIA

Senator HUMPHREY. Mr. Chairman, Congressman Ullman and Congressman Whitten, other members of the committee.

I personally want to thank you for not only being willing to listen to whatever testimony I might bring, as well as testimony my associate and colleague, Congressman Moorhead might give you, but I also want to thank you for the diligence of your efforts in a very difficult and complex problem.

The Joint Committee on Budget Control is charged with a great responsibility. I think that if we can say at any one time the eyes of the Nation are focused on us, I think they are focused on this whole subject of budget. We know the discussion of it is filled with all kinds of pros and cons. We all have our point of view. But there is one thing I am confident of. That is, the public expects Congress, and we are the current Members of the Congress, to put its house in order, to make whatever adjustments the times require, and to do a good and responsible job in budgetary management.

That is to what I want to direct my attention today. I do not lay claim to be any expert, but I shall give you my views as I have them and as I have outlined them here in some notes.

Your committee, the Joint Committee on Budget Control, is charged with making a full study and review of procedures to improve congressional control of budgetary outlays and receipt totals, and to suggest new mechanisms that will allow Congress to perform effectively its constitutional function of power of the purse.

I am—as are other Members—hopeful that from the committee deliberations will come meaningful budgetary reforms that will do

for the Congress what the Budgeting and Accounting Act of 1922 did for the executive branch.

This committee has just issued its Interim Report. I have had the privilege of looking over the interim report and I hope it will be studied very carefully by every Member of Congress. This ought to be must reading.

I am in sympathy with that report.

I believe that the problem areas are pinpointed. Recommendations such as the creation of a mechanism to determine proper levels of expenditures, limits on both expenditures, and obligation authority, the setting of a budget ceiling, the allocation of expenditure and budget authority to the various committees, and adequate staffing, all of these preliminary principles make a great deal of sense.

As a Senator, and as a former member, during my service as Vice President, of the executive branch, I would ask this committee to follow two primary guidelines as work progresses on the final set of recommendations:

First, I believe that Congress must set the framework for its own independent analysis of policies, programs, and spending. We must be in a position to act independently, to make our own choices, gather our own data, do our own analysis, and propose our own policy alternatives.

This does not mean that we reject those suggestions that come from the executive branch. It merely means that we have our own way of being able to objectively analyze and study proposals that come to us from the executive branch, from our fellow Members in the Congress and from outside the Government itself.

Second, Congress must respect any Presidentially suggested budget ceiling. But we must remember that ceiling is advisory only. Congress must set its own ceiling in light of its determination of priorities and the needs of the American people.

Congress can and must seek a partnership with the President. That is the way Government ought to operate. But we cannot and must not allow any Executive to assume powers that are not his. This would be neither prudent or responsible.

And, may I say that no Executive, with either a strict constructionist or liberal view, ought to be permitted to assume powers that are not his. This is also not prudent or responsible.

With these guidelines in mind, Congressman Moorhead and I have introduced the Fiscal and Budgetary Reform Act of 1973. I recognize that the Humphrey-Moorhead bill is but one proposal before you. That is the way it should be. All of you want to get the widest range of thinking, for your responsibility is great.

I would like, however, to outline the specific operating principles on which this bill was drafted. I need not tell experienced members as you all are on this committee that when we present a bill we know it is almost what you call a draft. It is the best we could come up with at the time, but at least it provides a base or a set of suggestions around which we can discuss and act, and hopefully improve.

First, we wanted to design a mechanism that would utilize to the fullest extent possible some of the more adequate tools now available to the Congress.

Under our proposed legislation, an Office of Budget Analysis and Program Evaluation would be created as part of the structure of the Joint Economic Committee. I believe that the Joint Economic Committee is a natural location for such an office.

The Joint Economic Committee is provided for by the 1946 Full Employment Act as a supervisory, analytical, and forecasting entity. It regularly holds hearings.

The Employment Act of 1946 calls for the President to establish a very broad jurisdiction for the JEC. It calls, in section 5 of the act, for the JEC "to make a continuing study of matters relating to the economic report." That, of course, being the President's report prepared by the Council of Economic Advisers. Thus, this committee is mandated to study and make policy recommendations regarding levels of employment, production, and purchasing power; and it is mandated to review the economic program of the Federal Government and to review economic conditions affecting employment, purchasing power, productivity, and the general state of the budget.

Second, the act also calls for the JEC to "study means of coordinating programs in order to further the policy of this act."

The act thus calls for the JEC not only to be the arm of the Congress in appraising the Government's economic policy; but also to review all programs which affect that Government's economic policy.

Clearly, with Government spending at more than one-quarter of the gross national product, this budget before us, $268.7 billion, these Government programs are major instruments of Government economic policy. Moreover, many of them are major instruments for allowing people to become employable. Health, education, manpower training, and other programs are clearly essential to a fully productive society. We cannot fully employ a labor force which is sick, which is uneducated, which is unskilled.

In other words, the whole thrust of the JEC relates to the programs of the Government, relates to the general condition of the economy and the JEC by background and tradition as well as purpose, must analyze the suggested programs of the President as submitted in the Council of Economic Advisers report. It presently reviews the budget as presented by the Office of Management and Budget. It has regular hearings with the overall economic coordinators, for example, Secretary Schultz. It calls before it Cabinet officers to review the general economic condition of the country and the impact of Federal programs.

The Joint Economic Committee has, in its membership and professional staff, competence in economic analysis. It systematically makes analyses of current and projected economic conditions, revenue estimates, fiscal policies, and effects of Government expenditures on the social institutions and economy.

I might add that one of the most valuable members of the JEC is none other than the witness that preceded us here and that is Congressman Reuss, who has made his own proposals which I consider to have merit.

The JEC has the prestige and backing of members of the academic, economic, tax, and accounting professions plus the recognized support of Congressmen and Senators. Its reports today are looked upon as being responsible, thoughtful analyses by business and labor. Its membership consists of Members of Congress who have responsibilities in the legislative and appropriation committees.

It is an ongoing structure, of both Houses, with a broad focus for the integration of the thinking of many Members of the Congress.

In short, the Joint Economic Committee, its directors and its staff, have a history of performing the kinds of functions so ably described in your Interim Report.

The Office of Budget Analysis and Program Evaluation would have four sections: First, an information section equipped with the most up-to-date computer facilities for providing Members with instant analysis and readouts on budget and fiscal matters. This by the way, Mr. Chairman, would follow through on the recommendations and requirements of law in the Reorganization Act of 1970. As you know, much of that has not been implemented. The Department of the Treasury, the Secretary of the Treasury, and the Office of Management and Budget have not gotten together with the General Accounting Office to implement that kind of structural organization, the equipment and the facilities to provide us with the information which you legislated—at a time, may I say, when I didn't have the privilege to be here (I had that little interim period)—in what I consider to be one of the most important pieces of legislative action that the Congress has taken, the Legislative Reorganization Act of 1970.

Second, the Office of Budget Analysis, program evaluations would have what we call an analytical office to perform over both short- and long-range periods the necessary economic and fiscal policy studies and acts as liaison with the various appropriation and authorization committees. In other words, doing basic economic research for the entire structure of Congress.

Third, it would have an evaluation section to examine and evaluate both ongoing and proposed programs, and, fourth, a special studies division to undertake longer range studies.

Gentlemen, we are constantly hearing that programs are outmoded or they don't work, or this or that. Those are opinions. Many times these opinions are justified. I am sure that the Office of Management and Budget, speaking for and working for the executive branch of Government, makes these studies, but it is my judgment, since we are the ones that legislate these programs and, therefore, have to take our share of the responsibilities, we should have the kind of structural organization in Congress so that we can make a proper evaluation of both ongoing and proposed programs.

Secondly, we want to design a procedure for setting a budget that was backed by the power of in-depth analysis, that had the force of law and at the same time was not so rigid that it could not be reconsidered if future conditions warranted. Under the procedure established by our bill, prior to receiving the budget, the Office of Budget Analysis and Program Evaluation would prepare a revenue estimate. The Joint Economic Committee would then hold hearings and report to the Congress on a proposed limit of total amount of new obligational authority.

Total of new obligational authority in functional categories, total outlays and a limit on the amount of outlays for each functional category. In other words, what are we going to need in housing and health? What are your estimates and where do we get the revenues? Upon receiving this report, the Appropriation Committees of the Senate and the House would within 15 days report to the floor of their respective Houses a bill with the total obligational authority and total outlays

which, in other words, is the budget. By the way, gentlemen, this would not only take care of the appropriation process but also the backdoor financing because really today you have got to have both.

This JEC Office of Budget Analysis and Evaluation would keep a continuing monthly, weekly, current analysis and current report on the flow of appropriations, what is in the pipeline, what is obligated, how much is remaining, what would be appropriated, and how much would come through what we call backdoor financing.

Upon passage and the Presidential signature, the actions of the two Appropriation Committees would represent the budget ceiling. Any future reconsiderations of the budget ceiling, and I think you would have to have a system to reevaluate it, would follow the same process as the Joint Committee would be charged with the preparation of interim reports.

I want it clear that we do not try to have this Office of Budget Analysis set a budget ceiling. It recommends. It is a resource. It will do the hard day-to-day long-term, short-term research and analysis that is required. It would be supplementary. It would be your act in the appropriation process. The respective Appropriation Committees would only look to it, just as the President looks to the Office of Management and Budget, but ultimately the Legislative Committees and the Appropriation Committees would have to set the ceiling. It is expected that during the two hearing periods the chairmen of the authorization committees would testify and outline their needs as best they could foresee them to the Joint Economic Committee and the Appropriation Committees.

A third principle we wanted to embody in the bill was a more conscious effort at policy. That is why the Office of Budget Analysis and Program Evaluation is explicitly charged with evaluation, and that is why I have included a provision of the bill that would limit all authorizations to three years, with yearly funding review by the Appropriations Committees. Some people think that is too long. As a matter of fact, there is a good case for a shorter period of time.

Finally, no new budgetary proposal would be complete without attempting to increase public and citizen awareness in budget and taxing matters.

For that reason, I have included a rather significant section on open budgeting. We simply cannot afford to prepare a budget in secret. A budget is the most powerful tool of government for setting social and economic policy. It ought to be as broadly formulated, consistent with prudent and responsible financial decisionmaking, as possible.

We have proposed that elected officials be given the opportunity to testify before Federal budget and department officials about their needs. And we have mandated that the Congress be provided with transcripts of budget meetings among department heads and budget examiners, so that we will be aware of tradeoffs in the programmatic terms that are made among appointed officials.

The other part of my open budget and taxing proposal consists of making all taxpayers aware of exactly where their tax dollars are spent.

I have offered this proposal before. It simply says the Internal Revenue Service would send to every taxpayer a breakdown, along

various functional categories, as to exactly how government spends his tax dollars.

Mr. MAHON. Mr. Chairman, may I ask a question of the Senator?

Chairman WHITTEN. Mr. Mahon.

Mr. MAHON. I regret that I was detained at another hearing this afternoon and arrived only in time to hear the latter part of your testimony.

I would appreciate it if you would give us your view of expenditure ceilings. To me it does not make sense for Congress to appropriate large additional sums above the budget and then invoke an inflexible expenditure ceiling that would make it impossible for the funds to be spent as more or less directed or expected to be spent by Congress.

My general feeling is that the preferable way to control expenditures is for Congress to exercise more effective overall control over its actions on authorization bills and appropriation bills and back-door spending. If you control spending at the source, then the need for a ceiling is not very great.

Do you feel that we ought to try to approach this problem with an expenditure ceiling or not?

Senator HUMPHREY. I do, and, Mr. Chairman, I think that we have come to the point where we have got to have total and complete openness and integrity about what we are spending and what we are obligating, so we don't only talk about the appropriations, but also what is being obligated, coming out, so to speak, of backdoor financing for lack of a better phrase. And we ought to stick within it, whatever we set as the budget ceiling.

Mr. MAHON. You think we ought to set a budget ceiling?

Senator HUMPHREY. Yes.

Mr. MAHON. Do you think we ought to set a ceiling on new obligational authority? As you know the President's budget for fiscal 1974 advocates an expenditure ceiling of about $268 billion and provides for new obligational authority of about $288 billion.

Do we think there should be a ceiling on new obligational authority which is, of course, the seedbed for all spending?

Senator HUMPHREY. Mr. Chairman, that is a tough question for me to answer, to be honest with you. That is not exactly what I call the current fiscal year budget. But it is related.

Obviously, if we continue to have open end obligational authority, I mean just go willy-nilly, we are inevitably pushing what I call higher expenditures year after year. One leads to the other.

I think the immediate situation requires what we call very tight budgetary controls on the spending and then we ought to also, and that is what we provided for in this proposal, to review obligational authority and to present to the Appropriations Committee and the legislative committees what we would call a reasonable obligational authority.

Mr. MAHON. Would you impose a ceiling that would give the President some latitude to make reductions in proposed spending programs that Congress has enacted?

In other words, would you give him any leeway or flexibility to reduce downward certain funds available in order to stay within the ceiling even though under the legislation he could spend at a higher level?

Would you give him the authority to hold the spending down because of the expenditure ceiling?

Senator HUMPHREY. I haven't had a chance to consult at all with my associate here on this point, but let me say that if we set what we call the budget ceiling, we should mean what we say and even though we go beyond it, we should set the machinery to stay within it.

I am not opposed to reductions by the Executive Officer, the President, in spending, provided that we authorize it. My own situation to what is happening today is that there is no congressional authorization for the reduction, the impoundments that the Executive is carrying out.

Therefore, let's say for example, that we appropriated for spending, that our spending budget was $268.7 (let's take the President's figures), but that we actually set programs in motion both by spending and obligation authority that would take it up to $275 billion. Then I think you must give the President—but we would have to do it by legislative enactment, and we would determine the method to reduce the overall amount down to the figure of the budget ceiling.

Mr. MAHON. Would you be willing to give the President more or less blanket flexibility in trying to bring the spending down to the budget ceiling or would you want to specify the amounts to be reduced by programs such as agriculture, education, foreign aid, et cetera. Would you be willing to try to bite the bullet and specify where the cuts should be made in order to bring the total down or would you leave this unpleasant duty to the President?

Senator HUMPHREY. Mr. Chairman, we have had to face this before. In the last Congress, I worked with the former Senator from the State of Idaho, Mr. Jordan, and we proposed that in that bill, the debt ceiling bill.

You remember the hassle we had between the two houses. I proposed with him that in order to stay within the $250 billion which was then the debt ceiling as passed by the House, that we authorize the President to make such reductions, but not more than 10 percent in any one program and that denied him total flexibility and didn't permit him to exercise item veto over a program that the Congress had passed because otherwise it was my judgment, it was my personal prejudice—this is a personal point of view—that a President may not like a particular program, feels it is less worthy despite the fact that the Congress has authorized it and appropriated for it and would take 90 percent of an appropriation or terminate it, take all of the appropriation and impound it for that program as has been done in the instance of rural environmental assistance programs to use an example.

I don't believe that we ought to give by a back-door method what I call item veto.

I do think if we really mean what we say about a budget ceiling, then we must be willing to tell the President he can make reductions and we ought to have the courage to say what cuts can be made.

Mr. MAHON. I know this is somewhat out of context with your testimony and the matter before us, but the current budget situation is so troublesome for us all that I wanted you to give us your views.

Mr. MOORHEAD. May I make a comment?

I was with you last year when the expenditure ceiling came up. I agreed with you that it was good economics but very bad constitutional

politics to turn over that amount of power to the President of the United States.

As far as I am concerned, the legislation that I am cosponsoring with my distinguished friend from Minnesota is an attempt to give the congressional system a mechanism for establishing the ceiling rather than turning this over to the President and further enhancing the power of the Executive and decreasing the power of the legislative branch of Congress.

Mr. MAHON. Thank you, Mr. Chairman.

Chairman WHITTEN. Thank you, Mr. Mahon.

Mr. Mahon is chairman of the Appropriations Committee and I know he has to spend as many hours worrying about this problem as anybody in the Congress.

Senator HUMPHREY. I would simplify the balance of my time and ask that the remainder of my prepared statement be placed in the record, because the rest of it is more or less a summary of what I have said.

Chairman WHITTEN. We will be glad to have that, and your views will certainly have the attention and study of the committee. Without objection, it is so ordered.

[Remainder of Senator Humphrey's statement follows:]

I have been told by the Internal Revenue Service that the total cost of this effort would be less than $4 million.

Mr. Chairman, that is the essence of the bill.

I believe that this legislation strengthens the analytic hand of the Congress.

It provides a continuous overview of the entire spending picture—outlays and obligations.

It strengthens the hand of the Appropriation Committees by making them more responsible for actual funding and placing pressure on authorization committees to limit financing.

It uses existing structures, recognized by Senators, Congressmen, and experts as having a legitimacy of jurisdiction and the expertise and prestige.

And, it provides a mechanism for integrating the activities of the General Accounting Office, the Library of Congress, and the resources available from the various Congressional Committees.

Allow me to add this one final thought.

Too often when charges are made in Congress, the potential for great things lies within the change, but in reality, the change is almost negligible.

What I am saying is this.

Do not create another committee or office with all the potential in the world and then provide it with too few staff people and an operating budget that cripples the office.

If we are not going to equip ourselves—if Congress is going to remain the poor boy of government—then all our efforts will go for naught.

We simply cannot fulfill our responsibility to our constituents and to the Constitution by skimping on staff, on up-to-date technology, on facilities.

Let's give our organization the support necessary to do a first-class job for us.

Chairman WHITTEN. There are a few things here that I think, in view of our prior experience and I speak from my own observation, that I might comment on.

The legislative committees, desiring to maintain closer review of programs, have instituted in many instances the annual authorization approach which has been a major factor in the delay in the passage of the appropriation bills. Often the authorizations are delayed because the executive branch, and this has been true under all Presidents, withhold sending down authorization requests until

way late in the year when the climate is better for passing the act as the administration wished.

Senator HUMPHREY. No doubt, Mr. Chairman.

Chairman WHITTEN. All of these things are part and parcel of the political and public affairs process. However, many of the problems we have are within the realm Congress could solve on its own if it wished to.

Certainly we need to eliminate the delay in the appropriation process so departments and agencies can plan and operate their programs rather than exist under one continuing resolution after another, pending passage of legislative authorizations.

As cochairman I felt the first thing that this special Study Committee needed to do was to get over to the American people the facts about the budgetary control problems. I believe the Interim Report accomplished this. And it sets forth tentative recommendations as to course of action. It is most significant that the report of the 32 members of this committee was unanimous. It is factual and it is complete. We certainly will give full consideration to your proposal and that of Mr. Moorhead.

I think you will agree that any successful budgetary control mechanism must encompass all committees which have an impact on the budget, not just the Appropriations Committees. Incidentally, our report shows that in the last 20 years the Appropriations Committee has appropriated out considerably less money every year than requested in the budget.

So it has been through various backdoor spending bills that Congress has exceeded the budget. That is not to say we have been perfect in our committee.

I believe that any special legislative Budget Committee that might be established must have broad representation to include, not only the taxation and appropriations committees but also the legislative committees. I think that we are going to have to approach it that way if the revised system is to work and be generally accepted.

We must limit ourselves to the possible and to the practical to retain the power of the purse. I am very jealous of that power but I don't think I have ever seen anybody more jealous of the rights and powers of the people as the late Sam Rayburn.

I can't express it as well or as forcibly as he did, but when the rights of the Congress are in any way impinged upon, it is the rights of the people that are being affected. We represent the people and I hope we will take the responsibility upon ourselves, to get our house in order so we can retain and fully exercise our power of the purse.

This is not to argue with your position. It is to ask you to add to it your thought and your experience to help us see what we can do to help bring about these necessary changes in our budgeting control procedures.

Mr. MOORHEAD. Let me say that I hear you loud and clear and I made notes here that you wanted to get something that the Congress could adopt and I think that the legislation that Senator Humphrey and I have presented is an adoptable thing because it puts the power in a relatively powerless committee, the Joint Economic Committee, which has no legislative or appropriating jurisdictions and it recognizes that the fiscal policy in the tax writing committees, the ap-

propriations committees, monetary policies in the Banking and Currency Committees—there are a lot of legislative committees that do in effect appropriate.

All of them are jealous of their powers, but none of them have their toes stepped on by the Joint Economic Committee because it is powerless to do anything more than to recommend.

On the other hand, I think it has a track record that would entitle to it the respect from the other committees. So I think it is an adoptable idea.

Chairman WHITTEN. We certainly will give it every consideration.

I thank you for your testimony and I will welcome an opportunity to discuss these matters with you personally.

Senator HUMPHREY. Mr. Chairman, I just leave you with one final thought.

The whole purpose of this proposal, recognizing that it is in rough form, so to speak, even though it is the best we could do within our time, the whole purpose was to place at the disposal of the Congress the mantle of an existing operation, the Joint Economic Committee. A committee that does not have legislative authority, that is advisory, that is analytical, that is a study committee, that has within its charter, so to speak, the job of coordinating, of looking at the coordination of programs insofar as they affect economic policy.

We would establish a separate office, Mr. Chairman, kind of a GAO under that committee, only it would not be postaudit. It would be preaudit to take a look at the outlays, the possibility of revenues, looking at the requested new obligation authority and coming up with an analysis and then presenting that analysis to the appropriate Appropriations Committees. Because ultimately the matter of spending is in the hands of the Appropriations Committee and the respective Houses.

I don't think we want to give that off to somebody else. By the way Congress has not done so badly despite the fact that there is a lot of criticism about the Congress and I have been in and out of it both ways.

Let me say that by and large we haven't done too badly and I don't think we ought to sell ourselves down the river because somebody says we are allegedly fiscally irresponsible.

Chairman WHITTEN. Senator, you are so persuasive. I am letting you take the time up of my good friend, Mr. Moorhead.

Our colleague, Mr. Mahon, had only this limited time to be here so we did cut in and we did not mean to.

I recognize the gentleman from Pennsylvania at this time.

STATEMENT OF WILLIAM S. MOORHEAD, A U.S. REPRESENTATIVE FROM THE STATE OF PENNSYLVANIA

Mr. MOORHEAD. I don't want to take up unduly the time of this Joint Committee.

I would ask, Mr. Chairman, that I have the written testimony which I would like to submit for the record.

Chairman WHITTEN. We would be glad to have it for the record, without objection, and may I say you have touched on some parts of it.

Mr. MOORHEAD. I will just take a very few minutes then, Mr. Chairman, to give what I thought were the big points.

I do believe that the people of the United States recognize that we are in a somewhat of a constitutional confrontation between the legislative branch of government and the executive branch and that since I have been in the Congress the legislative branch has declined in power and the executive branch has increased in power.

I express to my friends that I don't consider this to be a partisan political matter of Republican versus Democrat. I think it is a constitutional question of the executive versus the legislative and I do believe that we have some mechanism whereby the good economics of a spending ceiling should be established, but it should be established in the legislative branch of government rather than by the executive branch because the power of the purse is all that we have and we are the peoples' representatives.

I want to associate myself completely with the remarks of the Senator from Minnesota and particularly that this bill which is in the House, H.R. 4831, is merely a draft. It is something to get discussions going. How we can set up a mechanism? As you said in your Interim Report, on page 2, there should be a mechanism for Congress to consider the whole budget, and then you list A, B, and C. And it shouldn't cover merely appropriations, but new obligational authority and expenditures that come without appropriation authorization.

I call your attention to section 103, subsection 5, on page 9 of our bill which would have the congressional budget office project ahead not only for the current year but for 3 to 5 years ahead so it would cover this.

I think that we in the legislative branch should have, particularly in the economic field, some of the power to check upon the Executive again, whichever party is now in power in the White House.

The White House has the Council of Economic Advisers and the Bureau of the Budget. We have in the Joint Economic Committee the congressional equivalent of the Council of Economic Advisers, but we do not have—I don't think the GAO can or is designed to perform the function—the Bureau of the Budget. That would be the function that would be performed under this legislation that Senator Humphrey and I have cosponsored.

With that statement, Mr. Chairman, I will conclude, and be, of course, responsive to any questions the members have.

[The full statement follows:]

I am a co-sponsor of the Fiscal and Budgetary Reform Act of 1973 which hopefully would set up the structure and procedures within the Congress whereby the authorization processes would be more closely related to the activities of the Appropriation Committees. It would also set up appropriate staff facilities for budget analysis as well as establish a capability within the Congress for evaluating both existing and proposed programs. The Senator already has offered to discuss a section-by-section analysis of our bill. I would like to take my limited time to explain the great need for this kind of capability in the Congress.

In speaking to you, my colleagues, I know how troubled we are by the present state of affairs where we find ourselves on the one hand falsely victimized by the Administration for wasteful spending—an accusation that is unwarranted and which, in my opinion, represents an attempt to inject politics into the very difficult and complex business of public budgeting. On the other hand, we find ourselves frustrated in major sectors of public program by heavy impoundments within the Executive Branch—impoundments that, in my opinion, go far beyond the appropriate duties of the President to avoid wasteful spending and which actually constitute a thwarting of the legislative will.

It has been my experience, and I know you share it, that Congress is very concerned about the whole issue of public spending and for good reason! The Federal budget is now over $250 billion, that is, it has passed the quarter trillion mark and is moving up. This means that the share of the national income that passes through the hands of the Federal Government is approaching 30 percent. Thirty cents out of every dollar of national income comes through the Federal Government and passes through the Federal Government into the expenditure stream. This has a tremendous effect on our entire economy. We cannot delude ourselves with the outmoded notion that Federal fiscal activities are but a small incident in a vast market economy. The truth is that the very destiny of our entire economy is closely dependent upon Federal taxes and Federal expenditures.

Yet, in spite of this massive Federal impact on the economic destiny of the country, the Congress does not have any mechanism for considering the Federal budgetary program in its entirety.

The Federal budget comes to the Congress each year, a massive interrelated complex of financial and statistical information supporting the quarter trillion dollars of expenditure proposals. However, as soon as it arrives, it is broken up into its component parts. Each one of those parts is considered on its merits independently; but what should be considered even more thoroughly and deliberately is the total level of expenditures, the ceiling, the limit that Congress sees fit to place on all spending. This problem is now all but virtually ignored.

This is precisely the problem which our bill addresses and this is exactly the problem which we expect will be solved with a beefed up capability in the Joint Economic Committee.

In essence, the Budget Analysis Office would operate as a congressional Office of Management and Budget.

Shortly before formal receipt of the budget, our congressional budget office would establish, after considerable study and analysis, a proposed level of expenditures, along with a projection of revenues and a decision as to whether the nation would best be served that fiscal year by budget deficit or a budget surplus.

It would forward this evaluation to the respective Appropriations Committee and if changes in revenue are recommended an appropriate proposal would go to the tax writing committees. The Senate and House Appropriations Committee would, within 15 days, develop a budget celing and report that figure to their respective chambers.

The membership would then vote on that dollar amount established by the Appropriations Committees and any disparity would be worked out in the normal conference method.

The budget ceiling figure chosen by the Congress would then guide the proper authorization committees in their adoption of specific program amounts.

The attractive feature of this bill is that by developing to a greater extent a capability which already exists in the Joint Economic Committee, we can provide the Appropriations Committees and the Senate Finance and the Ways and Means Committees, a congressional economic analysis that would give a continuity and an interrelatedness to their actions which the Congress has never had before.

The JEC, except for a strengthened analytical capability—which all of us agree is needed by the Congress—will remain still a committee with no legislative authority. Under our bill it will merely gain a responsibility which I believe it can perform better than any other unit in the Congress—the authority to propose a budget ceiling which the Congress can use as a guide to carry out its constitutional role.

Let me talk for a moment about the relation between revenues and expenditures. We have been exposed in recent years to a great deal of explanation and analysis respecting the proper role of a Federal deficit or a Federal surplus. Even more complicated is the injection of the concept of the full employment budget, that is, the budget as it might be should we have full employment. This is indeed a valid concept for public policy analysis but it is one that remains altogether too obscure for most of us. Our bill would go to the heart of this problem. It would do so by setting up a capability in the Congress to determine the proper level of public expenditures for each year. Moreover, it would set up a capability for evaluating the issue of whether a deficit is appropriate, a surplus, or a balanced Federal intake and outflow. It would permit this evaluation in the light of the best insights into the state of the economy. Unless the state of the economy is considered in this context, the decision as to a budget ceiling could easily be irrelevant to the question of economic well-being.

I have long believed that the Joint Economic Committee should serve a greater function than it has to date.

I am sure that it is the one unit which would have the respect of the revenue raising and spending committees of the Congress and could provide the leadership and unity which so many of us feel is crucial if we are to truly participate in budget considerations.

While some may not find all in our bill desirable, I believe that the congressional action called for in the legislation is the direction in which we have to move.

You will hear many proposals in the coming months to reestablish congressional prerogatives. This is but one of them. It is one which I feel has great promise, but certainly not the only way to untrack ourselves from institutional paralysis.

However, we are wasting an important asset by underutilizing the Joint Economic Committee. It is a committee which has been far ahead of the executive branch in its appraisals and reports. It has been a committee of vision and great endeavor.

If we will it, it can be the committee that makes us a fiscal participant rather than a fiscal observer.

Chairman WHITTEN. We appreciate your statement, and since I had questioned you earlier, I will pass now to Mr. Broyhill.

Mr. JAMES BROYHILL. I do appreciate you gentlemen coming before us.

A number of ideas have been presented to us. Of course, it is the duty and task of this committee to sift through these many proposals and hopefully we can come up with some meaningful recommendations.

This is a very intriguing possibility that you have put before us. I have one question really. As I understand your plan, the President would submit his budget figures and then the Joint Economic Committee would analyze this and then present them to the Appropriations Committee which in turn could revise it upward or downward and present it to the respective Houses for their consideration and for amendment. Is that correct?

Senator HUMPHREY. Yes.

Mr. JAMES BROYHILL. The question I am coming to——

Senator HUMPHREY. It is only partly correct.

Mr. JAMES BROYHILL. This as I understand it, is a congressional recommendation for an expenditure ceiling. Why would you require a Presidential signature upon passage?

Senator HUMPHREY. So it would have the force of law. I don't think that would be essential. I think you could do it through a joint resolution. But it would just have the force of law.

I might add, Congressmen, that we provide under section 102 of our proposed legislation, that prior to the submission of the budget of the United States for each fiscal year, the Joint Committee staff, including the Office, that is the Office of Budget Evaluation and Analysis, shall make a thorough study of the Nation's economic conditions and the factors having a bearing thereon, including business, investment, trade, and so forth.

Based upon such a study, taking into consideration the objectives of the Employment Act, the Executive Director of the Joint Committee shall 2 days prior to the receipt of the U.S. budget and the President's economic report make a report to the Joint Committee with an estimate of revenues that will be received by the Federal Government.

In other words, a kind of preliminary. The budget is a very secret document and no mayor, no Governor, no legislator, or nobody is ever consulted before this budget comes to us.

Once we get it, we have hearings in the Appropriations Committee and obviously people get a chance to be heard. But the very impact of this budget coming here is so powerful, it is such a major document and it carries the President's budget message, it commands the attention of the news. It is 95 percent passed by the time it gets here. It seems to me we have to open it up a little bit ahead of time and one of the purposes of our Office of Budget is to work with the Office of Budget and Management even in the preliminary preparation of the budget before it gets down here. And also to open up these hearings at the OMB level where you have departmental budgets being presented so that somebody can come on in and make their presentation or at least notify Governors.

We want to notify the Governors that there is a budget 6 months prior to the presentation of the budget, that they can be heard from and that the OMB would be willing to listen to what they have to say. That is part of opening up the process.

I don't think that is the most significant thing here, but it lends a little something more meaningful.

I see my good friend, Senator Young, here. I venture to say not a single farm or commodity group has ever had a chance to present their views as to what ought to go into an agriculture budget before we get it.

I believe also it would not be a bad idea for this Office of Budget and Evaluation to be able to have some signed recommendations itself before the federal budget comes down here. I am not saying it is a cure-all. I think it makes some sense.

Senator YOUNG. I think if they consult us, we could help them accomplish the same thing in a less painful way.

Mr. JAMES BROYHILL. So what happens if you get a Presidential veto on this? Do we start over?

Senator HUMPHREY. You mean on the budget ceiling?

Mr. JAMES BROYHILL. Yes.

Senator HUMPHREY. Your point is well raised, I think, Congressman. I think we could establish the congressional budget ceiling for our own satisfaction without a Presidential signature.

I see your point and it might be very well if we modify it accordingly.

Chairman WHITTEN. Mr. Schneebeli.

Mr. SCHNEEBELI. I think it is obvious how important our study is, especially in view of our first eight witnesses, from Chairman Burns to the Senator from Minnesota and my friend from Pennsylvania.

I don't think any of us wants to write our constituency and say we don't know how to control the budget. I think we have to come up with something responsible.

I think all of the witnesses have made valuable contributions to our effort to solve the problems we face.

Mr. MOORHEAD. Let me say I commend all of you on this joint committee for taking this extremely difficult subject and starting to wrestle with it.

Mr. SCHNEEBELI. Congress has put itself on a spot and had better do something about it.

Chairman WHITTEN. Mr. Davis.

Mr. DAVIS. I was interested, Senator, in your colloquy with Chairman Mahon.

I gather from some of the things he has indicated that he finds himself philosophically opposed to the impoundments of funds and yet I think he recognizes that we have had some problems with appropriations up here on the Hill that sort of made that a necessity.

I think we in the legislative branch do find ourselves in a very difficult position on this issue, from trying to raise it as a constitutional matter as far as the power of the Executive, and I notice that you take a position that with some congressional guidelines that there was nothing inherently wrong with the idea of an Executive ceiling, which results in the impoundment of funds, but I think the difficulty we find ourselves in in attempting to raise this as a constitutional issue is the whole history of this issue, both in our mother country and here, has been an Executive that wanted to spend more money and a legislative branch that was reluctant to provide those funds.

Now we find ourselves on sort of the opposite side of the coin here. You suggested Presidential impoundment within a guideline.

Senator HUMPHREY. No; not just a guideline. I do not support Presidential impoundment simply because it may be sound fiscally because that is not to be constitutional.

I think that if we had impoundment, if the Congress as it gets to the end of the year sees that its appropriations or its spending authority is greater than its spending ceiling, it has two choices, either to revise the spending ceiling—three choices—to revise the spending ceiling, to make reductions across the board, or wherever it wishes to in its own appropriations, or thirdly, to authorize the President by congressional act, under certain terms and guidelines to make appropriate cuts. That then fits within the power of the purse, within the delicate balance of powers.

I have to say most respectfully that as I see it and I am not just picking on this President because people have asked me a number of times "did you have any argument with President Johnson," and I haven't tried to spend my time trying to talk about any differences I might have had with that very good and fine friend and great man. But we did have one difference. And that was over impoundment. And that was known by members of the administration at that time. Because I felt that this was beyond what we ought to be doing at the executive level and you may know at least the President did consult with the leaders of Congress and later on came back and asked for authority on impoundment.

That is just my own personal position.

Congressman Davis, I just feel Congress has to be fiscally responsible and if it isn't, if it gets out of hand anyplace, it either has to: No. 1, raise the spending ceiling so it is honest with the public; second, cut its own appropriations to the spending ceiling; or third, authorize the President under guidelines which would not permit an item veto to reduce the spending.

Mr. DAVIS. Let's take a historical precedent that we have all heard about.

I think they referred to President Jefferson impounding funds that had been appropriated for some gunboats. He didn't spend the money because the need for the gunboats had passed.

If we attempt to set any guidelines like a percentage of or something of this kind, we would then be saying to President Jefferson, whether those gunboats are needed or not, you can't cut more than 10 percent out of the funds for those gunboats. How do we get around that problem?

Senator HUMPHREY. We have taken care of that and we have already, may I say, set guidelines in the Anti-Deficiency Acts of 1905 and 1906 as amended in 1950 and there is some authorization for Presidential impoundments.

There are several reasons for it. For example, Presidential impoundment for a more systematic apportionment of the funds through a fiscal year, where efficiencies can be obtained and the purposes of the program fulfilled without the full expenditure of the funds.

And there are two or three other things. So we could set those guidelines. I grant you that the Jeffersonian one certainly clouded this issue. and I think many of us argue around here what we think is constitutional.

There has been quite a little argument up and down the years and I have to look at it from my point of view and this is such a pressing power that we have on the one hand and so vital, this power of the purse, that it is my judgment that no matter what has happened in the past, when we get up to budgets of $300 billion, which is, as we look ahead with inflation and with our growing population, et cetera, it is such a vast amount of total gross national product that we must not permit that kind of power to be used without very careful controls and understandings and standards between the Congress and the President.

It is just my view of it. You know, somebody once said, the way you stand is the way you sit. I suppose when the President gets over in the White House—I kind of manoeuvered that way myself. I kept missing the boat, however. I suppose I might have looked at it a little differently right there—but from where I sit, I am not for giving the President impoundment powers without express congressional authority.

Mr. MOORHEAD. May I say, Mr. Chairman, I hope that this special Joint Committee will do everything it can to preserve and strengthen the powers of the Congress, the legislative branch, which has been declining over the years.

I hope that you consider that as your No. 1 priority.

Mr. DAVIS. I am just as jealous of the powers of Congress as anybody, but I am also gravely concerned for the lack of responsibility on the part of Congress which has made this impoundment a necessity. I don't know how to get around it. I don't think that setting percentage guidelines is going to get around it.

Maybe if we exercise our power in a responsible fashion, then the President wouldn't need to use that power.

Senator HUMPHREY. I think that is basically true, but again I say I do not want to give the power to the President willy-nilly to cancel out any program he wants to simply in the name of what he calls fiscal integrity.

We haven't got any fiscal integrity from the executive branch. They keep sending down deficit budgets. We call them full employment budgets now. Isn't it interesting that we get scolded because we appropriate more than the President asks for and the President asks

for more than there is money to pay for. Who is lacking in what we call integrity or responsibility?

We appropriate more than the President asks for but the President asks for more than the country is paying for.

Mr. SCHNEEBELI. Then we are worse than the President.

Senator HUMPHREY. It is a question of degree. It seems to me there is very little evidence that indicates we have been very wild on this.

Mr. SCHNEEBELI. We have both been wrong. I would consider Congress has gone beyond the President.

Chairman WHITTEN. I would like to recommend the general report of this committee which passed unanimously.

From the argument we are hearing now, you can see what an achievement that was.

Mr. JAMES BROYHILL. Could I ask one more question along this line? We had a short discussion this morning as to whether or not we should advocate item veto. I wonder if the Senator would have any thoughts on that, that maybe we would have a constitutional amendment to provide for item veto.

Senator HUMPHREY. I am opposed to it.

Mr. MOORHEAD. May I say to my friend from North Carolina—and I agree completely—I think this would increase the power of the Executive way out of proportion.

Mr. JAMES BROYHILL. This would be better than impoundment. At least it would give the Congress the right to debate and have a vote on it.

Senator HUMPHREY. Yes. I suppose diarrhea is better than scarlet fever, but I prefer not to have either one.

Mr. JAMES BROYHILL. I just wonder, since the subject came up, how you felt about it.

Senator HUMPHREY. I have felt that way since long before this discussion.

Mr. JAMES BROYHILL. One of the problems we have around here is these bigger and bigger bills come up. We have apples and oranges put in the same package. It sometimes makes it difficult to assess just what programs are in the bill.

Chairman WHITTEN. This committee, I repeat, is a study committee to come up with ways and means to get a firmer grasp in Congress of the budget process, and I believe we can.

You have contributed to it. Others will contribute to it, and the more we know, the better can be our deliberations.

When we get through we will be trying to recommend a plan that a majority can agree on because only by its adoption will it prove helpful.

I think our report made it quite evident that our problem is not limited to the appropriations process and the annual appropriation bills. When you realize only 44 percent of the outlays in the 1974 budget involve new appropriations to be reviewed by the Appropriations Committee, you can see the control problem also involves other areas.

Thank you for your contribution.

We will stand adjourned now until 10 a.m. tomorrow morning.

[Whereupon, at 3:50 p.m., the committee was adjourned, to be reconvened at 10 a.m., Wednesday, March 7, 1973.]

IMPROVING CONGRESSIONAL BUDGET CONTROL

WEDNESDAY, MARCH 7, 1973

U.S. CONGRESS,
JOINT STUDY COMMITTEE ON BUDGET CONTROL,
Washington, D.C.

The Joint Committee met, pursuant to notice, at 10 a.m., in room 1114 Dirksen Building, Hon. Jamie L. Whitten and Hon. Al Ullman, presiding.

Present: Representatives Whitten (presiding), Ullman (presiding), Schneebeli, James Broyhill, Rhodes, Davis, Mahon, and Senator Roth.

Chairman WHITTEN. Gentlemen, the committee will come to order.

We have with us today a very distinguished official of the United States, and a long-time friend and acquaintance of most of us on the committee, Mr. Elmer B. Staats, Comptroller General.

Mr. Staats, we on this committee are all familiar with your very excellent background and your capacity to discuss the problem that is before us.

I don't feel that we need to go into any detail about what the problem is preliminary to your presentation.

We are glad to have you here and we are glad that you accepted our invitation to come down and give us the benefit of your views.

We will be glad to hear from you.

STATEMENT OF HON. ELMER STAATS, COMPTROLLER GENERAL OF THE UNITED STATES, GENERAL ACCOUNTING OFFICE

Mr. STAATS. Thank you very much, Mr. Chairman.

I am very happy to be here and talk on the subject which I have been interested in for a long time.

I appreciate this opportunity to discuss our thoughts on improving congressional control over the Federal budget.

We have reviewed the Interim Report of February 7, 1973, of the Joint Study Committee on Budget Control and we agree that if the Congress can devise workable procedures along the lines of the committee's 10 recommendations, congressional control over the Federal budget will be greatly strengthened.

As you will recognize, however, devising effective and acceptable new procedures will not be easy. My purpose here today is to provide our views on the preliminary report, to describe some of our operations that are directly pertinent to congressional budgetary control, and to suggest other ways in which we may improve our assistance.

The Interim Report has been of particular interest to me because of my long service in the Bureau of the Budget where we faced many of the same problems to which the committee report has addressed itself.

It was not until after World War II that the Bureau of the Budget gave much attention to looking at the budget as a whole and to the relating of revenues and expenditures in the budget. They were previously handled separately.

It was also during this period that the Bureau and the President began to consider establishing overall priorities through the budget process.

Although the Employment Act of 1946 gave impetus to establishing overall priorities, it wasn't until the early 1950's that a more formal systematic plan was developed within the executive branch to establish overall obligational and expenditure targets in the early stages of the budget formulation process and to allocate portions of these targets to the major agencies as a way of establishing priorities within such a target figure.

One very important consideration throughout the process has been the extent to which an increasing portion of the budget had become relatively fixed in any one budget year.

These came to be known as fixed costs or, as others preferred to call it, relatively uncontrollable items.

Obviously, the extent to which program costs are fixed or uncontrollable depends upon what time period one is discussing. Certainly, with respect to any one year a large part of the budget is difficult to change for the reasons which the Interim Report of the Joint Study Committee has already well documented.

This fact emphasized the need to develop forward projections of the cost of existing programs as well as new programs being considered for submission to the Congress as proposed legislation.

Another relevant point is that the initial agency target figures established by the President have been regarded as tentative. They were extremely useful in raising program and policy issues.

These issues were then discussed by the President with his key advisers—the Cabinet, the Council of Economic Advisers, and the National Security Council, after it was established in the late 1940's.

Once the overall target figures were established, the President requested the Budget Director to prepare an analysis and a tentative recommendation with respect to specific targets for each of the major agencies.

These targets were then discussed with the agency heads, resulting in a preliminary target or ceiling on both obligational authority and expenditures for the upcoming budget.

It was understood, of course, that while the target figure was serious and meaningful, it was subject to change in the light of changing circumstances between the establishment of the target figure and the formal submission of the President's budget.

The target figures also served another highly important purpose. Agencies were told that they could submit a budget request in excess of the target figure but they were also to submit a list of priorities within the target figure.

In other words, submissions above the target figure, while possibly desirable and of high priority, were nevertheless supposed to be of

lower priority than those within the target figure itself. This was another way of providing a discipline in establishing program priorities.

I cannot, of course, speak from first-hand observation with respect to the budget planning process since I became Comptroller General in March of 1966.

However, my impression is that roughly the same procedure is followed today. I cite this background because the experience of the executive branch closely parallels the problems faced by the Congress in many ways and supports the findings and tentative conclusions of the Joint Study Committee in its Interim Report.

I guess I should add here, Mr. Chairman, as you can see from this little background that it took quite a long time, over a period of several years to work out some of the problems and difficulties in the executive branch.

The differences between the problems faced by the Congress and the President, of course, are many. You are thoroughly familiar with the practical problems which arise in a deliberative body which operates principally through committees and where decisions are effectively taken through votes rather than decisions which are made by the President acting usually on the advice of a few key advisers.

Turning to the Interim Report of the Joint Study Committee, I would like to offer a few comments and then turn to some of the ways in which the General Accounting Office as an arm of the Congress might possibly assist.

In general, I find very little, if anything, in the committee's report with which I would differ. The committee is now considering how best to implement this excellent Interim Report.

To this end I offer the following suggestions for the committee's consideration, knowing that you may have already considered them, and realizing that successful implementation of the concept in the report would be difficult, at least in the beginning, and will require the concerted support of all.

First, in my view, it would seem most important that the initial expenditure and obligational target is acted on by the entire Congress.

In this way the target figure will become really meaningful as the separate committees proceed with authorization and appropriation action. An acceptable but less desirable alternative would be for each House to act on it by separate resolution.

Complying effectively with the discipline of obligational and expenditure targets will require that each major budgetary action by the Congress be considered from the standpoints of whether it significantly affects the budget totals either way and whether priorities for other areas should be adjusted.

At the same time, the initial overall target should not be considered as an inflexible and rigid limitation. Rather, it should serve as a general level within which the Congress will attempt to formulate specific legislation, recognizing that the overall target may need to be reviewed perhaps several times during a session of Congress.

Establishing an initial target also can guide the revenue raising committees on the need for tax increases or decreases.

Second, the Study Committee also made the important point that any limitations established on obligational authority and expenditures

should include all congressional funding authorizations, not just those made through the annual appropriations process.

Because, as the committee's report brings out, a large part of the budgeted expenditures are not handled through appropriation bills, it is essential that all forms of authorizations, including contract authority and borrowing authority, be covered by the targets. Otherwise, congressional control of the budget on an overall basis will be weakened from the start.

A closely related point is to maintain the integrity of the unified federal budget. In 1967, the President's Commission on Budget Concepts strongly recommended the adoption of the unified budget concept under which all federal activities financed with federal funds would be included.

The Commission, of which I was a member, viewed this as its most important recommendation. A single budget covering all activities was recommended to replace the three different budgets then in use with the attendant confusion and misunderstandings.

President Johnson, and later, President Nixon, accepted this recommendation and, since 1969, we have had the unified budget.

I mention this because if it is to exercise effective control over Federal expenditures through the budget, the Congress should resist efforts to remove Federal activities from the budget.

One action of this nature approved by the Congress in 1971—which we recommended against—was to exclude the Export-Import Bank from the unified budget.

We believe that the budgetary system and congressional efforts to exercise better control over it should not be weakened by eliminating certain activities from the overall budget.

The fundamental purpose of a single budget is to bring together in one place competing needs so that priorities may be more readily established and resources allocated with due regard to all factors.

Third, one concern which has been expressed is that establishing an overall target figure, however preliminary in nature it might be, might result in a detailed and time-consuming debate—and possibly restrictions—which could bring about premature actions in limiting the discretion of the legislative and appropriations committees.

It is inevitable that considerable debate will be generated by any resolution proposing a particular level of obligational authority or expenditures. This debate could provide useful input for later consideration of the specific recommendations which will be developed by the various committees.

I think the most meaningful debates would focus on such overall issues as the desirable budget surplus or deficit level, the need for new tax legislation, and the debt ceiling.

The allocation of the overall target figures to individual legislative committees would, I assume, be a function of the permanent budget review committees in each House. That part which is subject to appropriations action would presumably be allocated by the Appropriations Committees among the various subcommittees.

Fourth, because of the time pressures under which the Congress is working, a natural question is: "What can the executive branch do to help the Congress in its consideration of overall totals?" I have two suggestions on this point.

(*a*) The executive branch could submit, along with the budget documents, or perhaps even earlier, detailed analyses of the relatively uncontrollable or fixed costs. These analyses could be broken down by programs falling within the jurisdiction of each committee or subcommittee concerned.

Mr. Chairman, the Legislative Reorganization Act of 1970 does provide that the President provide this kind of information but not until June 1, and what I am suggesting here is that that information be supplied in January instead of June.

(*b*) The President could provide an analysis of how the overall total, as submitted in the budget, would be broken down by committees and subcommittees having jurisdiction. In this way, any changes from the President's program would be highlighted as the Congress itself proceeded to develop obligational authority and expenditure targets.

Fifth, another key proposal of the Study Committee calls for establishing permanent legislative committees on the budget in the House and Senate.

These committees, supported by an adequate nonpartisan, professional staff, would provide the machinery "for overall review of tax and expenditure policy."

The Study Committee suggested the possibility of a joint staff to serve both the House and Senate committees. This would appear to be an excellent idea. It would not only avoid confusion and duplication in terms of the basic data supplied but would also result in a savings in administrative expenses.

A somewhat more difficult question is how large such a staff should be, especially on a year-round basis. A small permanent staff would undoubtedly be necessary. For the period when overall target figures are being established, individuals from the appropriations committees, the revenue committees, and possibly the legislative committees, and the Joint Economic Committee could also be assigned.

Individuals assigned from the Congressional Research Service, and the General Accounting Office, and temporary and consultant personnel could augment the staff.

The Study Committee's report does not specifically indicate, but we assume that the staff of the Joint Committee on Internal Revenue Taxation and the Joint Economic Committee would examine the economic assumptions underlying the President's budget and would make estimates of receipts under existing taxes and those expenditures directly and somewhat automatically affected by economic conditions.

Sixth, the Joint Committee on Reduction of Federal Expenditures now maintains a "scorekeeping" report on the status of appropriations and authorization actions during each session. It has done a good job and the reports have served a highly valuable purpose.

The logical question arises as to whether this function might well be placed with the proposed legislative budget committees, especially if there is to be a joint staff.

Seventh, another important question not touched upon in the Study Committee's report is whether the committees established in the House and Senate would hold public hearings. There are potential advantages to such hearings. If rigidly controlled to avoid prolonging the process, such hearings could be quite valuable in assessing priorities within a budget total.

The Legislative Reorganization Act of 1970 already provides for overall hearings by the Appropriations Committees with the Treasury, the Office of Management and Budget, and the Council of Economic Advisers. The proposed committees might well extend this procedure to have hearings on our overall defense posture with Defense, foreign policy with State, and a limited number of hearings with labor, industry, research organizations, et cetera.

Eighth, considering the budget as a whole is complicated by the fact that the authorization and appropriation processes are spread out over a long period of time, well after the beginning of the fiscal year for which the funds are to be authorized and expended.

It is difficult to see how the proposed committees can overlook this relationship and still make the contemplated system work effectively.

The alternatives to the present system have been widely discussed and are well known, including the proposal that the fiscal year begins October 1 or January 1, and that all authorizations be completed not later than a fixed date, such as June 1.

Another proposal, not discussed as thoroughly as others, is to split each session of the Congress into two parts—one concerned with appropriations and the other with authorizations.

It is particularly interesting to note that the Study Committee's report suggests the need for authorizations beyond the budget year. If the authorizing committees were required to authorize for the period beyond the budget year, appropriation measures could be taken up immediately after completing the work of the Appropriations Committees based on the prior authorization.

A variation in this proposal would be to specify that no authorization measures be scheduled for floor action prior to July 1, limiting that period to appropriation measures and to legislation not involving authorizations for appropriations involving the budget year.

Another procedure that might be considered would be to proceed with action on appropriation bills at some specified time even though authorization measures have not been acted upon.

Ninth, finally, consideration might be given to preparing at the end of the congressional session a longer term outlook or projection for future years based upon actions taken during the session.

These projections could be based on alternative economic outlook projections and on legislative and budgetary actions taken during the previous session.

They could point up the effect of congressional actions for the future, thus guiding debate on the need for new legislation or modification of existing legislation.

Such a projection could also be useful to the President as he developed his recommendations for the following year's budget.

Now, I would like to turn to the possible role GAO might serve by way of assistance.

I would like to make several specific suggestions.

If the detailed agency budget justifications which are now submitted to the appropriations committees and the legislative authorization committees were made promptly available to us, we could prepare analyses for each subcommittee which would relate our audit findings to budget areas where the committee may wish to consider modifications.

In addition to using completed reports, we could also make available our preliminary findings on reports in process.

For many years, we have been providing the Appropriations Committees with compilations of significant audit findings for their use in considering agency budget requests. Without materially increasing our workload, we could relate these findings to specific requests for funds in the agency budget justifications.

I brought along copies of what we prepared for this year. One of them deals with the Defense Department. The other with the civilian agencies.

If desired, we could go even further and assist in analyzing agency budget justifications irrespective of the relationship to our audit findings.

For example, on request we have sometimes developed questions and issues for use by committees in hearings.

We could assign staff to the committees. This is normal procedure. We do this all the time. We have 30 some members of our staff assigned currently to different committees, including the Appropriations Committee.

Third, we could respond to requests to obtain information on Federal programs and activities and to analyze data for congressional committees.

This practice would be in line with our present procedure and we would make every effort to respond to such requests within the time constraints imposed by the committees to make the information as useful as possible.

Among the areas where GAO staff assistance might be useful are the following:

Reconciling new obligational authority to expenditures for the current year, the budget year, and for the period 3 to 5 years beyond the budget year. This would involve examining the basis for the expenditure flow now contained in the President's budget and providing the Congress with any differences or questions which may relate to the time periods in which the expenditure flow would take place.

Breaking down the totals contained in the President's budget by individual committees having jurisdiction, or analyzing any such breakdown provided by the executive branch, including analysis of:

(*a*) New obligational authority and expenditures which are relatively fixed or uncontrollable.

(*b*) New obligational authority and expenditures which are discretionary.

(*c*) The effect of reductions or increases in new obligational authority or expenditures in subsequent years.

Analyzing the basis or support contained in the President's budget with respect to workload assumptions, program growth assumptions, cost increases, et cetera.

Although an analysis of this type inevitably involves economic assumptions, this should not present an insuperable problem.

I would like to refer to the work we have been carrying on since the Legislative Reorganization Act where we were required by that act, section 202, to cooperate with the Director of the Office of Management and Budget and the Treasury in developing, establishing, and maintaining standard classifications of programs, activities, receipts

and expenditures of the Federal agencies in order to meet the various needs of the Government.

When we refer here to the various needs of the Government, we mean also to the Congress as well as the executive branch.

We have attempted to determine the interests and needs of the various congressional committees for information for inclusion in a governmentwide system which would rely largely upon modern automatic data processing techniques. On November 10, 1972, we submitted a progress report to the Congress reflecting results of a survey of congressional interests and needs in which our staff interviewed a total of 258 persons representing 44 working committees and 69 Members of Congress.

In addition, by letter, we requested the views and suggestions of every Member of the Congress, and I obtained quite a large number of responses.

In a subsequent report commenting on the annual report of the Treasury and the OMB, required by the statute, we indicated that we believed that Treasury and OMB were moving too slowly in implementing the act, and were applying fewer resources to developing such a system than were required to effectively carry it out.

As presently contemplated, the executive branch will not be able to provide (1) the data for which there is very considerable congressional interest, such as consolidated information on similar programs and activities across agency lines, information on program budgets and expenditures broken down by such target groups as rural and urban areas, and other types of beneficiaries, and by political subdivision, nor (2) except for explicit cash payments, the cost of Government subsidies such as loaning money at lower than prevailing interest rates.

Unless there is full implementation of this provision of the act, it will be much more difficult for the Congress to obtain the kind of analysis required to establish program priorities contemplated in the report of this committee.

Before closing, I believe it relevant to refer to the interest and responsibility of the GAO in evaluating the effectiveness of ongoing or existing programs.

While we have always construed the Budget and Accounting Act and the Legislative Reorganization Act of 1946 to include this authority, the Legislative Reorganization Act of 1970 made it quite explicit. This act, in brief, directed that the GAO, either on its own initiative or at the request of committees of the Congress, make studies of the costs and benefits of existing programs.

For the past 5 years, we have given high priority to the evaluations of Federal programs to the point where approximately 30 percent of our professional staff of 3,150 is now engaged in evaluations and studies with this objective.

I mention this subject here today because of the number of proposals which have been made. I believe some to this committee, suggesting the creation of new agencies in the Congress to assist in evaluating the results of Federal programs.

In discussing these proposals with Members of Congress and others, I frequently find that individuals who make these proposals are unfamiliar with the extent to which the emphasis in the General Accounting Office on program evaluation type audits has increased.

While we still have much to learn, I believe that overall we are making good progress.

Evaluation of Government program results is an art about which all of us have much to learn. There are many difficulties in making such assessments, particularly in the social action areas. Not the least of these are the lack of clearly, specifically stated program goals and objectives, and the lack of reliable data on performance and effects or results of program operations.

Despite the problems, we are making a major effort to make such evaluations of Federal programs.

In the process we are learning more and more how to make these evaluations more useful. Several factors, which I will merely mention here, are involved in improving our performance and capability.

1. We are learning much by doing—through experience.

2. We have been building an interdisciplinary staff of engineers, economists, et cetera, as well as accountants.

3. We are making extensive use of expert consultants in various fields and by contracting work out to a limited degree.

4. We are conducting advanced training programs and holding special seminars on program evaluation in specific areas.

5. Increasingly, we are taking advantage of analytical and evaluation work of other Government agencies and non-Government organizations such as the Urban Institute and the Brookings Institution.

6. We revised our organization structure last year along programmatic and functional lines.

A few examples will illustrate the nature of some recent reports we have made on our evaluation of the results of Federal programs.

1. Last month we reported to the Congress on the impact of programs of the Departments of Agriculture; Health, Education and Welfare; Labor; and the Office of Economic Opportunity to improve the living conditions of migrant and other seasonal farmworkers.

2. During a 3-month period last year, we sent five reports to the Congress on our assessment of the Teacher Corps program at various locations and this was followed up with an overall report on this program in July 1972.

3. In the international areas, last October we reported on our review of the effectiveness of U.S. commercial offices stationed in other countries to assist American businesses to increase export sales.

4. Two reports to the Congress last year provided evaluations of the housing and education programs for the American Indian.

The Congress itself sometimes directs us to make specific studies. A good recent example is our comprehensive study of health facilities construction costs. This study was directed by the Comprehensive Health Manpower Training Act of 1971. The completed report which was submitted to the Congress in November 1972 is concerned in great depth with the objective of reducing the high cost of constructing health facilities and also identifying and evaluating ways for reducing the demand for such facilities.

I would also like to point out that a significant part of our work is done in response to requests by committees of the Congress, which are often in direct support of their legislative or legislative oversight responsibilities.

Many of these requests require us to evaluate program results.

For example, we very recently completed a project in support of the Fiscal Policy Subcommittees of the Joint Economic Committee in its study of welfare programs by measuring in six geographic areas the extent to which poor persons really benefit from the numerous Federal programs intended for their aid.

The examples I have mentioned all represent completed work. We also have a great deal of work of this nature in process at all times but I will not take the time here to describe it.

My principal reason for mentioning GAO's work in the area of program evaluation is to invite the committee's attention to it for consideration in relation to proposals for creating possible new agencies for assisting the Congress in evaluating the results and effectiveness of Federal programs.

In conclusion, we believe that the committee's Interim Report represents a constructive step. If the experience of the executive branch is any indication, and that is one of the reasons I cited its experience, it will require time before all of the procedural difficulties can be satisfactorily resolved. Even in the executive branch, I believe it safe to say that there are still many problems.

I am optimistic, however, that the problems of the Congress in implementing the committee's proposals can be worked out.

As they are implemented, we can see possible corollary benefits such as dropping the debt ceiling limitation which in the past has been about the only time when the Congress has looked at the budget as a whole.

I believe most of us would agree that the debate of the type that takes place on the debt ceiling could be more productive if it focused on forward commitments rather than commitments already made.

Chairman WHITTEN. We thank you very much for a splendid statement including the operations of GAO and the assistance it can be to Congress in this area. I wish to commend you, too, for the very fine way in which you lead the General Accounting Office. I know it has been a great help to the Congress. Not to pass judgment on those who preceded you, but I think GAO has been increasingly used by the Congress and its work has been increasingly valuable, certainly to the committees which I deal with, the Committee on Appropriations and its several subcommittees.

There are many current examples which show the practical judgment you have. I do not think I need to say it but under the law, of course, the Comptroller General is the arm of the Congress. Historically his duties are to serve the Congress. I wish to thank you for the very fine way in which it has been done.

To bring to our attention at this time the many services that you now render to the Congress and thereby to the people is very appropriate because I trust that our own staff will work closely with you. I think we were very wise in this committee in selecting for the staff experienced members of existing committees, Ways and Means and Appropriations.

They are among our ablest and most experienced staff and that is the reason we have been able to proceed rather expeditiously. I feel certain that they will be looking to you for cooperation from some of your staff that can help them in the job we have here. I am sure you will make such personnel available to them.

Another thing that interests me in what you have stated is the fact that I am one of those who went through the experience in 1946 to 1950 when efforts were made to have a one-package appropriation bill and the legislative budget. I have expressed many times that I learned from those experiences some things that I believe will not work. One of the great problems that we had then was determining a ceiling prior to hearings and an adequate opportunity to review and agree on the relative program priorities.

I am highly gratified at the preliminary report and we appreciate your comments on it. Most important is that 32 of the most experienced Members of the Congress were unanimous in that report. It has been most valuable in providing a better understanding of our budgetary control problems, especially the fragmentation of our actions on the budget.

Now, I come to two or three points I would like to have your comments on. It is my thought that the tax and appropriations committees in the Congress could select from among their members individuals to serve on a special budget committee and the Speaker on one hand, the President pro tem on the other, or by some other means, could designate members from the legislative committees. This special group, with November 15 as a starting date, could bring together the mass of information which is so essential to determining a legislative budget ceiling. The Comptroller General, the OMB, and the Library of Congress could have an imput so by the time Congress convenes, we would have a pretty good working knowledge available to proceed expeditiously.

As Dr. Burns referred to yesterday perhaps we can profit by the experience of the various States where there is close cooperation between the Executive and the legislative on the exchange of information.

It strikes me that despite the fact that we work in a political atmosphere, that there should be no hesitancy by any President or any officer of the Office of Budget and Management to provide advance budgetary information on many aspects of the estimates.

Do you see any reason based on your prior experience in the Office of the Budget why full cooperation could not be given by any administration in supplying advance information on the economic outlook, the tax receipts, projections, et cetera?

Mr. STAATS. I see no reason at all why there could not be available at that point in time a great deal of information which would be useful to, say, a joint staff involving not only assumptions with respect to revenues, but also projections as to the range of workload and program growth resulting from changes in economic conditions, such as unemployment compensation, social security, veterans' payments, and that type of thing.

Also the expenditure flow from previous appropriations could be reviewed at that point in time.

Uncontrollable or relatively uncontrollable items could be assessed at that point in time.

To be sure, there might need to be some updating of that in January when the formal budget is presented but that would not present too great a problem.

To the point I would emphasize is that I think there has to be very close cooperation between the executive and legislative branches in

supplying this kind of information if the system that is contemplated is to work really efficiently. After all, for the budget which is submitted in January, the analysis starts back in May, sometimes as early as April, on the various projections.

Those are then developed to the point where the President establishes an overall target along in, say June or July, for the fiscal year. Then the agencies are given their individual targets and that is the framework with which they work.

In other words, there is a long leadtime involved here. A great deal of data is developed. The primary restriction I could see would be that the President would not be able to divulge his new proposals by November 15. He would reserve judgment on those. I do not think that is too vital from the standpoint of supplying most of the kind of data that such a committee would have to have.

By the way, I would like to make one other point based on the experience that we had in developing this procedure in the Bureau of the Budget. You will notice I have used the term "target" in my testimony and not "ceiling." This is more than just a question of wording or semantics because when we used the word "budget ceilings" with the agencies, there was great concern about that because it was felt that we had made the decision and it was ordered and there was no room for negotiation for any other figure. Eventually we started using the word "target" instead of "ceiling." This was with the idea that this was a planning figure. It was a serious figure and it had a lot of meaning to it. They had to prove their case to go above that figure. What we were trying to do was to force them to assess their priorities within the total. If they wanted to come in with a higher figure than the total, they still were required to say how they would put their program together within that target figure. I thought this might be of interest because of your own remark about the difficulty of establishing a ceiling too soon.

We had to learn that ourselves in the executive branch.

Chairman WHITTEN. I agree we should use the word "target," so it will be clear figures are tentative and subject to change as information becomes available.

I appreciate that the one thing that is confidential to the administration are the recommended outlay estimates. We can understand they would not want to release those figures in advance. I can understand the administration would probably not finalize many of these figures until the last minute.

Do I understand you correctly that that is the one area they would probably want to keep confidential until the budget was transmitted.

Mr. STAATS. That is correct.

Chairman WHITTEN. I notice your suggestion as to split sessions. I am probably digressing and taking up the committees' time. Some years ago at the insistance of my chairman, I testified before the Committee on Reorganization and I recommended trying appropriations on a 2-year basis. The trend throughout the United States now seems to be the opposite.

I do not have any hopes of that being done. My purpose in recommending it, however, was because I believed it would facilitate planning and result in more efficient administration of programs, especially research and development and capital outlay.

Perhaps also it would have led gradually to one session being more or less for appropriations, and the other session being primarily for authorizations.

I realize there would be some advantages to the split session concept.

Mr. STAATS. My main purpose in bringing this into the picture is that it seems to me the question of the delay that we now have in getting authorization bills through which means that the appropriation bills have to be delayed is not only very undesirable in itself, it also would make it much more difficult to accomplish what the committee's report is attempting to accomplish, which is to establish a look at the budget as a whole and establish targets for program areas and different subcommittees, legislative committees.

There are a variety of ways that have been suggested to deal with this problem. I rather like the idea in the Interim Report which is an advance authorization. I can see some other advantages which were not mentioned in the report; namely, in the grant programs with States. It would give them a lot better idea as to what they could depend on in the way of Federal money than they now have. Far too little attention has been given to the difficulty that the States have encountered because of delay in getting authorization and appropriation bills through.

I like the idea of advance authorization. There are other ways in which the matter could be dealt with. My purpose in bringing it into my statement was to be sure that we emphasized the importance as we see it of doing something to deal with this problem.

Chairman WHITTEN. To get the problem out in the open and get people to recognize it, I think we will render a service here in the Congress. Certainly having people like you, with your expertise, to testify is most important.

The legislative committees have resorted to the practice of authorizing annually so they can maintain control and exercise oversight over the programs. Advance authorizations are necessary if we are to avoid delay in appropriations.

I have noticed that administrations are frequently slow in sending down requests for authorizations, waiting until the political atmosphere is such as to be more favorable for passage.

Mr. STAATS. All of the blame for delay is not in the Congress. The delay in part is in the executive branch in submitting authorization requests.

I can recall that the Foreign Aid Bill, a year or so ago, was not even submitted for authorization until the new fiscal year started.

Chairman ULLMAN. I want to commend you for a fine statement. You operate a very unique and important agency, one that I think sometimes we may not utilize sufficiently nor coordinate with enough.

It is my hope that this new committtee would be so structured that it could cooperate and coordinate activities very closely with your agency. If we requested even at this point, would you have personnel that you could assign to our committee to help us so we could put things together rather than just proliferate off another agency?

Mr. STAATS. I don't think there would be anything that we could do which we would regard as being more important. We would be very happy to work with the new committees in any way which we felt it could be productive for the committees.

We are not looking for more work—you can understand that. We have got more to do than we feel sometimes we can do effectively, but from the standpoint of importance and priority, we will make whatever staff would be desired available to work with the committees if they would like that.

Chairman ULLMAN. Good. You have suggested that a debt ceiling may not be necessary if we get a congressional budget working properly, and I fully agree. But wouldn't you agree also that the establishment of a Budget Committee would also be the vehicle for a lot of other congressional reforms that have long been needed? We have spoken of a couple here. One would be projecting authorizations 1 year ahead, the need for which seems almost axiomatic.

Another reform would be the projection of that budget up to 5 years in advance. Thus in the field of, say, National Health Insurance that we are going to have to get into, we would begin to anticipate its passage a year or two from now. We would be setting the right kind of national priorities that make some sense rather than simply debating without any view as to what the ultimate financial implications have been.

And also it could lead to committee restructuring if, in fact, we are going to recapture back-door spending. This would bring the legislative committees back into their intended role. Then, in fact, it would be possible to restructure the committees so that they are fully responsible and responsive to better defined program areas.

Wouldn't you agree that this would be the nucleus of a lot of other reforms?

Mr. STAATS. I would concur and I would like particularly to say here that this last suggestion I made about the longer term projections for both revenues and expenditures could serve a very useful purpose on many of these programs.

You mentioned health insurance. I can recall the difficulties we got into on medicare simply because no one—and I say no one—in the executive branch or the legislative branch had made a good analysis showing the possible ranges of cost that might arise under medicare.

It was less than 2 years later and the cost estimate had doubled over the estimate at the time the legislation was enacted. Better cost growth estimates, it seems to me, would flow from better analysis. A joint staff serving the proposed committees could well be the group that could make those kind of projections.

Congressmen would not have to be committed to those projections, but at least they would be developed by staff the Congress itself would have confidence in, and would, therefore, place greater reliance on.

Chairman ULLMAN. In other words, this would be a mechanism not only for determining congressional priority in a given year, but would be a mechanism for projecting those priorities into the future. It would prevent the wedging practice that we have gotten into where we have adopted vast new programs and say, "well, this year it won't cost much, only $500 million, this year." Then in 3 years, it will be $6 billion.

We have done this in several areas at once and by the time you get out on that third year projection, you are out of fiscal control.

What I am hopeful of is in the operation of this Budget Committee (and I am sure Congress will adopt Congressional budgeting), that we can coordinate our activities very closely with yours so that rather than proliferate, we can put things together properly.

Chairman WHITTEN. I yield to the gentleman from Arizona, Mr. Rhodes.

Mr. RHODES. Mr. Staats, thank you very much for your fine statement. As you always are, you have been very helpful to the committee.

As I understand it, what this committee is trying to do really is to examine and define the policy by which we have operated in the past. I think we in Congress have done a fairly good job of identifying the areas in which the Federal Government properly should be concerned, but we have in too many instances been trying to fulfill the supposed needs of the people without any really cogent sense of priorities, and with no idea of operating the Federal Government with the constraint which is necessary not to have an undue effect on the economy.

I think if we can accomplish anything, it would be to have a more rational flow of Federal resources than we have had, bearing in mind the effect our activities may have on the Federal Government and on the economy.

Would you agree with that?

Mr. STAATS. I agree.

Mr. RHODES. About what we are trying to do here?

Mr. STAATS. Right.

Mr. RHODES. Along these lines, the gentleman from Oregon, I think has brought out some very important points concerning planning for the future insofar as new obligational authority is concerned. Your office can be very helpful to us in determining what the effect of new obligational authority might be in the intermediate future. My questioning will be concerned with the present and immediate future.

Do you feel that in order to accomplish the result I mentioned of making sure our operations do not have an undue effect, either inflationary or deflationary, on the economy, that it is necessary for us also to address the appropriations process as well as the cash outlays?

As you know, apropriations bills usually say nothing specifically about the level of expenditure for the next fiscal year. Do you feel it would be helpful if in each appropriation bill we were to set not only new obligational authority levels but an expenditure level?

Mr. STAATS. I realize the difficulties of expenditure limitations as against limitations on obligational authority. It is much more difficult. Referring now to my executive branch experience, we worked against both and we utilized the concept of what we called total obligational authority, in the fiscal year, not just new obligational authority, so as to take into account carryovers on obligational authority from the prior years.

I personally liked the concept of total obligational authority because Congress can still control to some degree in any fiscal year the rate of utilization of carryover of obligational authority from the previous years.

Mr. RHODES. When you say total obligational authority, isn't that really the expenditure level?

Mr. STAATS. No, expenditures will flow as pointed out in the Interim Report, not only from the new authority granted in the budget year, but also from all the prior years where that Congress has acted.

I think the tendency in some cases is to focus on the new authority rather than in terms of all the authorities that are available in a given fiscal year.

I think you are right in that you have to look at outlays or expenditures as well as obligational authority. What I am saying, though, is that I think it is more difficult to place a statutory limitation on expenditures than on obligational authority, because so many factors enter into expenditures, once that authority is granted.

There may be emergencies or a variety of circumstances, but that is not to say anything against the idea of working against a target on expenditures and outlays in addition to obligational authority.

Mr. RHODES. You really could have both goals, couldn't you?

Mr. STAATS. What I guess I am saying here is I have some doubt about a statutory limit on expenditures on a given appropriation for a given budget year. I think the Congress ought to be looking at the total.

I think you ought to be looking at the total for each agency but I am aware that there have been proposals in the past to establish by statute a limitation on how much money can be spent flowing from obligational authority by appropriation. I think that is much more difficult to do.

Mr. RHODES. Of course, if you did that you would have to start out with the nut. In other words, those things which have been obligated and which will come due for payment in the next year. Your variable would have to be new programs, I assume.

Mr. STAATS. The Executive does try to control throughout the year the flow of expenditures by administrative action, by slowing down the letting of contracts, by slowing down or speeding up the processing of grant applications. This is done all through the year, again with the objective of trying to keep outlays or expenditures within certain range or within a certain figure.

Mr. RHODES. What you have just said indicates that if we want to hold Executive impoundments to the irreducible minimum, we have to look ahead and exercise some restraint on the flow of resources.

Mr. STAATS. The committee's Interim Report makes the point that there is a close relationship between the objective of looking at budget totals and the impoundment question. I would agree. I think there is a close relationship.

Mr. RHODES. Would you favor an item veto for the Executive?

Mr. STAATS. I testified before Senator Ervin's subcommittee a few weeks ago on the impoundment question and indicated that I felt that the item veto needed further study. I did not think it had received adequate amount of study.

Having been on the other side in the executive branch, this was a matter of great interest to the several Presidents for whom I worked. I believe most of them, if not all, recommended the item veto.

There are 43 States where the Governors have the item veto today. Our conclusion in the GAO, tentatively, is that it would probably take a constitutional amendment to put in an item veto for the Federal Government. But the advantage of the item veto would be that it would give the President some opportunity to take a position short of all or nothing, and would give the Congress an opportunity then to act on any veto that he exercised.

My own view would be that if this were to be put into effect in the Federal Government, instead of requiring a two-thirds vote, which is required for normal veto, it should call for a majority vote, so as to

make the same rule applicable that was applied to the appropriation action itself.

That is about as far as my thinking on it has gone, but I do think this is an area that needs further study and possibly would meet some of the difficulties which Presidents, this President and past Presidents, have faced when they had to take an all or nothing position on appropriation bills.

Mr. RHODES. Thank you very much.

Chairman WHITTEN. I yield to the gentleman from Pennsylvania and the ranking minority member on Ways and Means.

Mr. SCHNEEBELL. Mr. Staats, I would observe that you brought an impressive background to this job that you have as watchdog of Federal spending. Your late father-in-law was my predecessor in Congress, and those of you who remember Bob Rich will remember that he had quite a background, too, and was concerned about Federal spending.

I think that at the beginning of almost every House session he would get up and ask, Where are you going to get the money? Probably that question is even more pertinent today than it was 25 or 30 years ago when he raised it so often.

I would raise one question now. It seems to me that there are a large group of experts in Washington on whatever problem we might have before this committee. We have experts in the executive departments, in OMB, for example. Then in the legislative committees, the two Appropriations Committees, the GAO, the Committee To Reduce Federal Expenditures, the Library of Congress, we have experts, also.

I wonder whether there is a possibility of streamlining these panels of experts that we have. Could we eliminate some of this duplication? The reason I raise this problem is that we had before our Ways and Means Committee last week a request to consolidate Federal financing. We now have many Federal agencies at work in this field, each of which has its own experts to find out when the market is right for Federal financing. But because there has been a lack of coordination, we now have a bill which would center in one agency virtually all Federal financing.

The motivation for creating this new Federal financing bank was not just to streamline, but to save money. And with this move to consolidate in the Federal financing area, I wonder if there is a possibility of consolidating the efforts of other experts we have here in Washington. It seems to me we have experts all over the place.

Mr. STAATS. I have not given this matter any study particularly. The point I suggest here in my statement is that it seemed to me that while the legislative budget committees which are contemplated are actively considering the establishment of overall targets or ceilings and allocation of those ceilings, you would probably need a good deal more staff help than you would need after that.

In other words, it would be a seasonal requirement. It was my suggestion that these committees or the joint staff probably could best utilize staff that is already available in the Appropriations Committee, the Ways and Means Committee, the Joint Economic Committee, the Joint Committee on Internal Revenue Taxation, and so on.

It did not seem to us you would need to go out and hire a big staff to serve during that period of time. Congressman Whitten suggests

they start work around November 15. That strikes me as probably a pretty good date. November 15 to December 1, something of that type.

But, I can foresee a need for a permanent small staff to serve, particularly if it is a joint staff, serving both the House and Senate. But while I obviously have not sat down to try to develop a budget for this kind of staff, I would think you could use a lot of the staff that is already available in the Congress itself.

Mr. SCHNEEBELI. In the overview, in the study of the efficiency of the Federal Government, this might be one aspect you might look into. I recognize that a little knowledge is a dangerous thing when we are dealing with such huge sums of money, and probably some people say we can't get too much information.

It seems to me that we might have duplication somewhere along the line with all those various staffs which might better be coordinated in some pool.

Thank you.

Chairman WHITTEN. The Chair yields at this time to chairman of the House Appropriations Committee, Mr. Mahon.

Mr. MAHON. Mr. Staats, your testimony is interesting and helpful. I notice your reference to the Joint Committee on the Reduction of Nonessential Expenditures, which was formerly the Byrd committee, and which I have chaired for a numbers of years. Actually we sought to rename the committee because we shouldn't have a reduction in nonessential Federal expenditures. We should have a complete elimination, of course. So being conscious of imagery these days, we call it the Joint Committee on the Reduction of Federal Expenditures.

Now, this committee has rendered a major function in recent years, it seems to me, in providing a scorekeeping tabulation, which appears to have the confidence of the executive and the legislative branches, and the press and people generally. I think this is very good. You may remember when Senator Dirksen would claim that the fiscal situation was such and such and the Majority Leader of the Senate, Lyndon Johnson, would claim something different and nobody seemed to speak authoritatively as to what the fiscal situation was.

I have been delighted that nobody seems to deny the accuracy of the fiscal statements put out in this scorekeeping report of the Joint Committee.

I notice you make reference to it. Would you favor the continuation of this effort, not necessarily of this Joint Committee, but of this effort?

Mr. STAATS. By all means. By all means. I fully agree with you that, particularly since from about 5 or 6 years ago, there has been improvement year after year in the statement, which is called the scorekeeping report.

I think it is absolutely essential to have this kind of objective report. The only suggestion that I have included here was a possibility that this function might be placed in the joint staff that would serve both the House and Senate committees, because I would think they would need to have that kind of information as they went along anyway. But that was purely a suggestion.

Mr. MAHON. I find no fault with your suggestion. It might very well be one that we should adopt. Of course, these scorekeeping reports as to the fiscal situation are sometimes a little complex, but I do think

that we are making headway in making them more understandable and that we can make some further progress.

The people of the country, the Congress, the legislative and executive branches, need to know what the facts are as the beginning point in trying to come to grips with the problems which confront us.

Mr. STAATS. I might say, Mr. Chairman, that your statement included in the Congressional Record interpreting that statement is usually a little easier to read than the report itself. But I agree with you that it has been an excellent job.

Mr. MAHON. You referred to the operation of some of the States, and I notice that Arthur Burns yesterday also pointed out that we might adopt some of the control techniques of the States. You take a State like my own, Texas, we can't have a deficit and so there is a very strong hand for restraint there. I don't know how many States have that kind of situation, but my question is this. Would it in any way be reasonable or feasible for the Federal Government to undertake to establish, say, by a constitutional amendment or otherwise, a principle that in normal times, whatever that might mean, you could not incur a Federal deficit but that you could in times of great economic stress or war incur a deficit? In view of the fact that the Federal Government tries to manage the economy and to some extent manages it, or mismanages it, is there any merit in seeking some sort of method to prohibit deficits or to limit the degree of a deficit?

Mr. STAATS. I personally do not believe that the idea of a constitutional amendment is realistic for the reasons you have already intimated. Somebody still has to decide what is a normal year and when you have to incur a deficit for possibly good and important and maybe vital national reasons.

We frequently are asked to comment on bills which would require retirement of a certain percentage or amount of the debt each year. I think the same problem is involved with those kind of proposals. I am very enthusiastic, I guess I should say optimistic, about what is in the Interim Report. I think this is a better way to try to deal with the problem. The Congress itself can decide what is the normal year where we should not have a deficit and this could be decided each year. The other important thing, it seems to me, is that it has been said in the committee report and it has been said by many others, but is worth stressing, that more and more we can't really look at the budget for a given fiscal year. We have got to look at the budget over at least a 3-year period and in some areas we have to look at it over a 5-year period. This is a mechanism or procedure which is contemplated, that I think offers the best opportunity of any suggestion I have seen for a long time to try to deal with the overall budget in a responsible way.

Mr. MAHON. I like to think of you in the context of your executive branch experience in the Bureau of the Budget. How long were you in the Bureau of the Budget and how long were you the Deputy Director?

Mr. STAATS. I joined the Bureau of the Budget in June of 1939, while the budget was still in the Treasury Department. I left the Bureau in March of 1966. I was the Deputy Director of the Budget under President Truman, President Eisenhower, President Kennedy, and President Johnson.

Mr. MAHON. I went on the Appropriations Committee in 1939, at the same time you went to work with the Bureau of the Budget. Ever since that time it seems to me we have had our share of fiscal problems.

Mr. STAATS. I checked, Mr. Chairman, just the other day, I guess you could say for the fun of it, to see what the budget was in 1939 when I joined the Bureau of the Budget, and it was $8.8 billion.

Mr. MAHON. And now the projected interest on the debt for next year is, I believe, almost $26 billion.

Mr. STAATS. Yes.

Mr. MAHON. Of course, this has been a growing country and the things that have been achieved and accomplished during our service with the Government are unbelievable. They are fantastic, beyond the dreams of the people of 1939.

I, myself, am impatient with this idea that Congress has lost control of the power of the purse. I wonder if you agree with me that Congress has the same power of the purse that it has ever had. My personal opinion is that we do have the power of the purse. Now, you can complain about what we have done with the power of the purse, but I think Congress has all the power of the purse it ever had.

Do you know of any loss of the power of the purse which the Congress has suffered?

Mr. STAATS. No, sir; I think it is in the Constitution. That is where the authority resides. The only statute which gives the executive branch any general mandate to reserve funds is the Anti-Deficiency Act. However, there are provisions in individual statutes which give the President discretion. That is a different matter. I am talking about the general statute. The only one that we have been able to find is the Anti-Deficiency Act. That authority does not go to program levels. It just goes to reserving for contingencies, reserving for savings, reserving for situations where the workload did not develop or reserving for some event which happens after the appropriation which makes the reason for the appropriation no longer applicable. These actions do not bear upon authorized program levels. A different question arises though, where Presidents in the past have in fact reserved funds beyond that.

Mr. MAHON. Congress demonstrates its power of the purse when it delivers it to some modified degree to the Executive. It can give or it can take away, demonstrating that it does have control. It does have the power of the purse and in its use of this power it no doubt has made many mistakes.

This Government is so big that the Director of the Office of Management and Budget, the Secretary of any Department or Agency head, and no Member of Congress and no committee in Congress can become completely informed as to all the facts and details.

You will recall that last year the House-passed version of the debt ceiling bill included a spending ceiling of $250 billion, some $6 billion less than had been enacted in various bills, and authorized the President to tailor expenditures to the ceiling figure. In effect, the House bill seemed to say: In doing this, Mr. President, you do not have to conform to the various benefit and grant formulas in the law. You can exercise considerable discretion in complying with the laws which we have passed.

We were in this situation because we had failed to exercise an overall control of the budget and determine priorities. Unless we can establish an effective, workable control mechanism, will we not, as a practical matter, probably ultimately have to give the Executive the authority to modify the law and withhold spending and take the actions which, in effect, the President is taking now?

Have we got to come to that? I would certainly hope not, but as a practical matter, do you think we will have to come to that in the next decade or so?

Mr. STAATS. I would personally hope not and I do not think that this would be required. I think Congress is moving in the right direction with the concept in the Interim Report. I see nothing wrong with the concept an individual appropriation action or other authorization actions, where the Congress would give the Executive discretion on specific measures. I see nothing wrong with that idea. What I do think is questionable is the idea that Congress sets the priorities, comes to a total, and then those priorities are given over to someone else in the executive branch to use their own discretion. I think this is a loss of congressional power of the purse.

I would hope that the issue which has developed on impoundment would result in having the desired effect of stimulating the Congress to establish machinery to deal with the overall totals and the overall priorities within the budget.

We can all have our views as to what is the proper total. I would say that the Congress ought to be the one to provide that total, but I do think Congress is not in a position to do that today, given the fact that so much of the budget is handled through different committees, legislative committees, as well as the Appropriations Committee. It is difficult if not impossible for the Congress to do that today.

Mr. MAHON. Mr. Staats, as a political reality, we have to agree that it is more comfortable for a Member of Congress in a sense to vote to give the President authority to make a blanket reduction in an overall spending program than it is for Congress itself to make these hard, difficult and politically sensitive decisions.

One of the problems of political life is confronting the harsh realities, especially in an election year. I am wondering if you think we have the political vitality to bring forth a fiscal system that will operate on a sound basis or are we going to keep on as a government spending, spending, spending, going in debt—the national debt increasing $64 billion in this 2-year period, 1973 and 1974. I am discouraged about this situation. I am optimistic about some of the things we are undertaking now. But I am a bit discouraged about the prospects. You seem to be rather optimistic.

Mr. STAATS. I am rather optimistic that Congress can devise the machinery to obtain better control. I have some of the same concern that you have with respect to the amount of deficit which has piled up. We will have increased the total national debt over $100 billion in 4 years. In 1974 it will be over $500 billion. That compares with 1970, 4 years ago, of about $400 billion.

I don't want to convey the impression that I, as an individual or having worked in this field all of my life, am very happy about it. I am not. But I am optimistic and hopeful that we are on the right track now if the Congress can make this procedure work.

Mr. MAHON. I thought in Arthur Burns' statement—I am not sure that this is in yours—he seemed to think probably the idea of Congress fixing a firm expenditure ceiling by June 30 and then directing the Executive to submit a detailed plan for complying with the ceiling, might be the better approach. I would have no objection to this procedure, as the plan would not take effect if Congress disapproved it. But it seems to me in discharging our responsibilities we ought as a Congress to be willing to tell the President where the cutbacks would have to be made in order to achieve the ceiling. That would be biting the bullet. That would be the more painful way of doing it, but, of course, we could do it the other way and use our power of the purse to put the responsibility on the President's back to submit a plan for complying with the ceiling.

Mr. STAATS. If this were to be done I think it would be absolutely essential that Congress spell out the criteria where reductions would be made and not be made.

I recall the beginning of the Korean war, after Congress had completed action on most appropriation bills, that the Congress passed a law which directed the President to cut back $500 million of programs that might compete with the Korean war effort. The criteria for reduction were spelled out specifically one, two, three, four as to the types of programs that would be cut back.

And we had the job in the Bureau of the Budget of developing the recommendations for the President of how to save $500 million of expenditures that year for that purpose. I think that is the kind of thing you are talking about, but certainly I would agree that if the Congress goes this route, then it would have to spell out the criteria as to where the President's descretion resided.

Mr. MAHON. I want to say, Mr. Staats, that I think this Nation is fortunate to have a man of your expertise and stature and dedication in a position of great responsibility and it is a very fine thing that you could share your views here with this joint group. Thank you, Mr. Chairman.

Chairman WHITTEN. It is my own view that the people are protected in the Constitution, and that Congress could not knowingly turn the power of the purse over to the executive branch without surrendering the rights of the people and in my opinion abrogating a responsibility that I have as a representative of those people.

We are meeting here so that Congress can meet its responsibilities. While we might be able to turn some of our power over to the President we couldn't in my opinion, without laying down on the job.

I don't think the Constitution contemplated any such situation.

The gentleman from North Carolina.

Mr. JAMES BROYHILL. You have given alternative suggestions here to come up with a better plan. Of course, this report that we came up with is pretty clear in outlining what goals we need to focus on. As the Chairman has pointed out in other hearings, we have to come up with a workable plan that is possible to get the Congress to adopt. So, of course, your suggestions, your alternatives and your expertise and advice will be helpful to that extent.

I gave very close attention to the last section of your statement, and that was concerning the evaluation of existing programs. Of course, in my opinion the evaluation of this program is going to receive increas-

ing priority in the coming years, even if we do nothing here. Of course, if the Congress does adopt some plan here, as outlined in the committee report, it seemed to me that evaluation is even going to be more important.

So, if Congress is going to work under a budget ceiling and if Congress is going to be held accountable to that ceiling we must realize you always have more requests for expenditures than you have revenues, and we are going to have to base these budget decisions on more than just political or parochial reasons. For that reason we are going to have more evaluating of the program.

As I am sure that you are familiar with a recommendation that has been made that a time limit be placed on programs. Most of the members of this committee are members of the prestigious tax writing committees or appropriations committees of the House of Representatives or Senate. I happen to be one of the few on this committee representing one of the legislative committees. In my Committee on Interstate and Foreign Commerce, as you know, we have adopted the practice in recent years of actually putting a time limit on authorizations, so that they must be accountable to us at some time.

Of course, as this practice advanced, on this committee and other committees, there would have to be more evaluation, not only to evaluate the program itself, but to assure that you are going to have timely action on the authorization so that the appropriation process can proceed expeditiously. So, evaluation, as you say in your statement, is an art about which all of us have much to learn.

I don't have a question, but I would like to have a general comment from you, if the plan of time limiting program authorizations is adopted what impact is this going to have, not only on professional staffs in the various congressional committees, but also on the staff that you would be required to have in order to come up with a meaningful study and evaluation.

Mr. STAATS. I would be very happy to comment on this general subject.

First, I do agree that putting a terminal date on authorizations is a good idea. I think that the tendency is that we modify, we patch up, but we rarely take a basic look at where the program is going.

Along with that, it seems to me, and I have written to all the committee chairmen making this suggestion, that at the time the program is authorized, the committee report could address itself more than it has in the past to what are the kinds of questions that the committee would like to have answers to a year hence, 2 years hence, or 3 years hence, in order to assess whether the program is working or not. I think too frequently this is not done.

The law may require an annual report, a bi-annual report, or some other type of report, but it doesn't specify what is to be in the report.

Mr. JAMES BROYHILL. So the one impact you are saying is that it is going to mean that the members themselves, and particularly the leadership of the committee, is going to have to take a longer range look at these programs to have some input. We can't do it just a week before the hearing.

Mr. STAATS. If those questions are not raised at that time, the agency is not going to be much interested in assembling the data and making

the analysis it needs to make when they come back for reauthorization or when they come up for the appropriation bill.

We can help in this process, but we can't do the whole job and I don't think we should try to do the whole job. We are interested in trying to force the agencies or push the agencies or suggest to them anything we can do to do a better job themselves.

We can, when the Congress gets reports, help the committees analyze those reports and we can make some of our own, but the point I am making is that we should never try to grow in size to the point where we try to do the whole job. We are much more interested in gearing our program evaluation efforts in GAO to the specific interests of the committees of the Congress, that is, to meet their identified needs. But I do agree with the idea of putting some terminal date on authorizations of programs. Some are that type now, as you have already suggested.

What I am emphasizing is that coupled with that idea, there ought to be identification of kinds of answers or data and analyses of what kind of issues the committees want to have back from the operating agency.

Mr. JAMES BROYHILL. What you are saying then is that it should not have great impact as far as increasing staff, if you have proper planning, and get the agency itself to provide the information as a matter of course.

Mr. STAATS. That is exactly right.

Mr. JAMES BROYHILL. Thank you very much.

Chairman WHITTEN. The gentleman from Wisconsin, Mr. Davis.

Mr. DAVIS. Mr. Staats, yesterday we were presented with a concept of a rather substantial staff, I don't know what the name was, but it aimed to a staff for financial analysis to be under the Joint Economic Committee. While we do not specifically refer to that, I gathered from your presentation here, which I was very appreciative of, that you and your office as an arm of the Congress feel that you have the staff and the know-how to provide that kind of information to us, if there is a permanent committee of this kind made, or the Congress in general as it stands right at the present time. Was that a fair evaluation of your comments?

Mr. STAATS. Yes; I made two points. One is I think Congress has available to it now resources from its own committees, from the congressional research staff, the GAO, plus any consulting help it might want to hire on a temporary basis, to support the joint staff for the two committees which are contemplated in the Interim Report.

There is a great deal of professional staff already available in the Congress. I have had an analysis made which shows that as of June 30, 1972, we have available in the Congress itself, and this does not include the Congressional Research Service or GAO, over 1,000 professional staff members. That is as of June 30, 1972.

The other point I would make, though, is fairly fundamental. As I see it, if you are going to have a committee in each House that is charged with the responsibility of coming up with an overall ceiling or target and allocating that along the different programs or areas or committees, that staff ought to support those committees and not be the staff of another committee of Congress. This is not critical of the Joint Economic Committee, but I think the staff has to be responsible to those committees. It has to be servicing those committees and I just

don't think it would work if you put that staff somewhere else in the Congress.

Mr. DAVIS. We have had, not today, but on other days, a considerable amount of discussion on this general issue of impoundment by the Executive, and yet it does seem to me that those who talk about this from a constitutional sense are talking about an entirely different atmosphere than we have always had traditionally both in our mother country and this country where the issue traditionally has been that Executives who wanted more money for certain purposes and a legislative body who simply was not willing to grant that amount.

There is, of course, fear of constitutional authority and refusal to grant those funds.

However, we have now a kind of reverse twist of the thing where it is the Executive who is saying that I am not required to spend all of the funds that a Congress might see fit to give me and this is where we are groping for some means of congressional control to deal with the problem that would make it unnecessary for the President to take what may appear to be rather drastic action.

I think our overall problem is this: that, first of all, we have authorizations and in that area the general atmosphere is, well, we will put a ceiling on it, but they don't have to actually spend that much money.

Then we come to the appropriation process and we have nationally organized full funding groups who accuse us of bad faith if we don't appropriate everything that is being authorized, and then in that atmosphere sometimes we have members who say, well, let's go ahead and appropriate it.

The President doesn't have to spend it. This all adds up. Unless the President is going to take this rather arbitrary action, it seems to me, we have to find a way to put what in itself may be an arbitrary ceiling that is going to stick and that can't be deviated from in any easy manner.

A suggestion has been made that perhaps we ought to, once we have accurate information as to the expenditure impact of an appropriation bill and it is beyond the ceiling that Congress itself would set, that we ought to require a two-thirds vote, for instance, in both Houses, in order to achieve that. That is, Congress may be harnessing itself in that respect, but in view of this background with which I am sure you are completely familiar, is that a suggestion that appeals to you?

Mr. STAATS. I think you could either approach it from the standpoint of requiring an offsetting adjustment, or you could require a two-thirds vote to modify the ceiling.

You could work it either way. I agree with you that any ceiling is bound to be, in the eyes of someone, arbitrary. Otherwise, you have no budget process at all. That is the very nature of a budget—to make decisions which are going to be inevitably less than the total of the individual requests. I recall my own experience. We would add up all of the agency requests for the President, usually at his suggestion or request, as to what it would all add up to if we had not made some reductions and the figures were fantastic. Completely out of reason from any standpoint.

But, nevertheless, someone has to make these kinds of decisions. I think the very essence of the idea of a ceiling and allocation of priorities within that ceiling is exactly what the executive branch has had

to do, I am not saying this critically of the Congress, because events have changed over the years where less and less of the total is subject in any one year to discretion, and particularly the discretion of the Appropriations Committees.

Mr. DAVIS. Does it seem to you that if Congress were to adopt a meaningful type of ceiling that was not a substantial deviation from the ceiling that is contemplated in the budget documents themselves, that a President might feel inclined to go along with the priorities within the ceiling that the Congress might set rather than finding it necessary to take action on some of these?

Mr. STAATS. I think it would be much more difficult for any President to argue about priorities than it is for the President to argue with the Congress about the total size of the budget. I can see the President might argue with the Congress about the total obligational authority as well as expenditures because that means expenditures in future years. But it seems to me to be very difficult for any President to argue seriously with the Congress if the totals were substantially the same.

Mr. DAVIS. One final question.

As this Interim Report of ours points out, and it has always been a matter of great concern, we have appropriated unexpended funds carried over from one year to the next year that are rapidly approaching the point where they are going to equal the size of the year's appropriations. I have been told, and I have never had a chance to delve into this, that the British, for instance, have what they call an expenditure budget. In other words, this is where the authorization to spend money ceases from one year to the next, and there is no such thing as these huge carryovers looking like a cloud over the national expenditure picture.

Have you had a chance to compare them?

Mr. STAATS. I have not examined that specifically, but I would comment that their procedures are quite different from ours, being a parliamentary form of government. They can make those changes much more rapidly. The system is much more flexible. The Government will come in with its program knowing it has the votes or doesn't have the votes. I know the British have put through tax bills in the course of a single day, a highly complicated tax program, that would take, in our case, probably months.

But I am not familiar on the specific point you mentioned.

Chairman WHITTEN. Mr. Roth.

Mr. ROTH. Thank you, Mr. Chairman.

I, too, would like to congratulate you for your fine statement. Going along with the question about the funds already in the pipeline, would it be desirable that insofar as these funds are uncommitted, they be reviewed by Congress?

Should we do the same thing with respect to appropriations?

Mr. STAATS. I remarked earlier that the concept that I prefer is not new obligational authority but total obligational authority which includes the funds that are carried over from one year to the other. It seems to me, that when Congress is looking at obligational authority, that it necessarily should be looking at both and looking at them in a total sense and adjusting the total in light of current needs of year to year.

Congress could then specifically limit the rate at which funds are to be obligated. That would be one possibility.

I do know that you cannot have everything on a year-to-year basis.

Mr. ROTH. I agree with you on that. But I would assume that many of these funds in that pipeline go back many years. Even if you had your so-called total obligational approach, funds, there would be no automatic funds entering——

Mr. STAATS. This gets back to the same question Mr. Broyhill and I were discussing. I would favor an automatic expiration of programs at the end of some point in time. Beyond that if you are talking about a public works project or weapons system, you are talking about something that has a terminal point in any event.

Mr. ROTH. It seems to me one of the primary objectives of budgetary controls is the fiscal discipline. One of the things that concerns me, and I recognize that there is considerable merit to what you are saying, but if we only set tentative budget targets in the beginning, do you really think any fiscal restraint would be shown in the latter part of the year, particularly during an election year?

I am concerned that if you set up a budget target in January and you review that throughout the year and do not have some pretty tough controls involved, that when you get close to an election, it is going to be very difficult to expect the Congress to say, well, we are going to cut back on this program or that program or we are going to make it up by increasing tax revenues.

I fear it will in effect continue our present practice of saying well, just up the ceiling and we will permit the deficit to expand.

For that reason I have a serious question whether we should delay too long setting a ceiling and then putting some pretty tough curbs on what Congress could do.

Mr. STAATS. I think the ceiling would have to be arrived at very early after the Congress convened. By very early I am thinking within about 30 days or 45 days, something of that nature.

As I have emphasized here, that figure cannot be completely binding at that point. The legislative committees have to review those programs. The Appropriations Committees have to review the request before them. This total could be reviewed at a later point in time, but in any event, there probably would have to be some relooking at the total before the session ended.

It might not be necessary, but it would seem to me quite possible that it would have to be reviewed, depending on how tight it is. If it is real tight chances are you would have to take a look at it.

Mr. ROTH. By taking another look do you mean the Congress by a simple majority vote could push it upward?

Mr. STAATS. I liked Congressman Davis' idea of the two-thirds vote.

Mr. ROTH. What role do you think the President should have in this budgetary process? He, of course, submits his budget to you. Should the legislative budget be created independent of the President or should this be in the form that it require the approval of the President so that you have an agreement between the two branches of Government?

Mr. STAATS. I do not think a formal agreement would be necessary. I think there would be lots of opportunities for informal consultation through meetings of the leaders.

It seems to me that would be the preferable way to proceed with it. The other point, though, that you may have in mind here, is that there needs to be considered, it seems to me, anew, the question of the item veto, the question of use by the President on his side of what might be called rescission legislation which has been used from time to time in the past, where the President specifically proposes legislation to reduce appropriations during the course of the year.

The third area, it seems to me, that might be examined further, is the possibility that as Congressman Mahon was referring to, that Congress in enacting the law would specifically give the President some discretion as to the level of spending within that law.

It seems to me there are many possibilities here that need to be looked at from the point of view of the give and take between the legislative and executive branches, of levels of spending without getting into the basic issue of confrontation as to whether the President does or does not have authority to impound money.

Mr. ROTH. I want to thank you for your valuable assistance. Thank you. Mr. Chairman.

Chairman WHITTEN. Mr. Staats, we wish to thank you for your appearance here. I realize the committee has kept you quite a while and, at the inconvenience of some of our colleagues who are waiting to testify. But in view of your long service in the executive branch and in the position you now hold I do not know of anybody in a better position to give us the benefit of experience in these areas. I do hope and trust, and I know we can count on it, that people on your staff will be able to work with our staff in analyzing the vast proposals.

We will be glad to hear from you at this time Senator Stevenson and we welcome your presentation.

STATEMENT OF HON. ADLAI E. STEVENSON, A U.S. SENATOR FROM THE STATE OF ILLINOIS

Senator STEVENSON. Thank you, Mr. Chairman, for the opportunity to be here this morning.

Every member of the Congress is concerned about the need to control Federal spending and to order the Federal Government's fiscal priorities in a rational way and preserve the rightful powers of the Congress.

Like every other member, I am therefore grateful to you and to this committee and I want to commend you all for your industry and the very encouraging progress which you are making.

On February 19 I introduced with Senator Mathias, Ervin, McGovern, Biden, Javits, and Stafford a bill which is consistent with most of the broad tentative recommendations of your committee.

I thought I would just to describe it briefly and touch upon a few areas of difference between this bill and the committee's tentative recommendations.

Then if I might submit for your record a more detailed explanation of the bill——

Chairman WHITTEN. I will be glad to receive that. Without objection, it is so ordered.

Senator STEVENSON. Thank you.

In broad terms, under this proposal, as under the tentative recommendations of the Joint Committee, Congress would be required to set an absolute ceiling on spending, budget outlays, at the beginning of each year.

The ceiling would be based on the President's budget, the condition of the economy and projected revenues. Congress would then be prohibited from passing any measures which breached the ceiling.

Since there would be an absolute ceiling on the amount of Federal outlays, it would not be possible to provide funds without regard to their overall fiscal impact.

However, this proposal for a mechanism to set an annual budget outlay differs somewhat from the tentative recommendations of the Joint Committee. The Joint Committee recommends that "an organization to implement the control procedures outlined above probably should encompass the formation of permanent legislative committees on the budget. The appropriations and tax committees in the case of each House should be adequately represented in the membership of the budget committee."

My proposal does not call for quite so drastic a change in the present committee structure, nor does it call for another new committee. Rather, it would make the present existing system work better by assigning consideration of an outlay ceiling to the present Appropriations Committees which after all, are the committees charged with providing the budget authority that results in outlays.

I might add that the membership of the Appropriations Committee, at least in the Senate, of which I, of course, am most familiar, has become increasingly well balanced in terms of seniority, regional represntation and philosophy.

The Joint Committee's tentative recommendations also stress the necessity of devising a new and workable congressional system of deciding priorities.

The Joint Committee perceptively observed that "the present institutional arrangements in many cases appear to make it impossible to decide between competing priorities with the result spending is made available for many programs where the preference might have been to make choices and also spending reductions."

This proposal, S. 905, approaches this problem through the mechanism of an omnibus or consolidated appropriations bill.

Each Appropriations Committee would be required to report out only one appropriations bill containing all appropriations. The bill would not only specify the amount to be appropriated, but the permissible outlay during the fiscal year for each activity.

The present procedure of reporting out and considering individually more than 10 separate appropriations bills makes it difficult for Congress to rationally set priorities. Under the procedure which I propose, Congress would be compelled to weigh the cost and benefits of one program against those of another.

The omnibus appropriations bill could be amended on the floor of the House or Senate, but any amendment which increased appropriations for one federal program would have to provide for cuts in other

programs at least equal to the increase. The proposal includes provisions to insure enough flexibility to take account of unforeseen emergencies and sudden changes in the economy.

Congress, Mr. Chairman, has already had a favorable experience with an omnibus appropriations bill. In 1950 both the Senate and the House passed one omnibus bill. The House passed the bill on May 10, the Senate passed it on August 4, and the President signed it into law on September 6—2 months earlier than the final general appropriations bill had been enacted the previous year.

The omnibus bill cut the President's original budget request by $2.3 billion. After its passage, Senator Harry Byrd, Sr., the original proponent of an omnibus approach in the Senate commented—

> The enactment of the single appropriation bill this year required less time, promoted fuller participation in debate, and resulted in savings rather than increases.

Representative Cannon, Chairman of the House Appropriations Committee, concluded that—

> The single appropriations bill offers the most practical and efficient method of handling the annual budget and the national fiscal program. Judged by our experience, there is no legitimate reason which can be advanced against it.

Since the state of the economy may change, emergencies may occur, or projections of outlays for uncontrollable expenditures may increase, it is necessary to build a degree of flexibility into the spending ceiling and priority-setting process.

My bill allows Congress, either on its own initiative or in response to a Presidential request, to consider amendments changing the binding outlay ceiling and the composition of spending within that ceiling. In the case of a Presidential request, Congress would be required to act within 30 days or the President's proposal would become law.

Finally, under S. 905, the President would be prohibited from impounding funds for any other than technical fiscal management reasons. Under no circumstances could he impound funds if it meant that, as a result of the impoundment, the activities for which appropriations had been granted would not be fully carried out.

In short, the bill would establish a firm and carefully calculated ceiling on spending. It would then establish a process by which the Congress could rationally determine the Nation's fiscal priorities within that ceiling. And it would prohibit Presidential frustration of responsible congressional action.

I do not claim that this is a perfect bill, or the only possible means of reforming the congressional budgetary process. I commend it to you only as a beginning, as one possibility and with the belief that, if enacted, it would go a long way toward claiming for the Congress its rightful powers and assuring that they are exercised well.

Thank you.

Chairman WHITTEN. Thank you, Senator. We appreciate your presentation. It will certainly have the study of the committee. As you say, it is a beginning.

[The full statement follows:]

STATEMENT OF HON. ADLAI E. STEVENSON OF ILLINOIS

Prior to receipt of the President's budget, the Joint Committee on Internal Revenue Taxation (a joint committee consisting of members of the Senate Finance and House Ways and Means Committees) would hold hearings and

make estimates of tax revenues available for the coming fiscal year. The estimates would be based on the best available economic projections and advice.

Then, no later than 10 days after receiving the President's budget, the Joint Economic Committee would hold hearings on the President's budget, and, using the revenue projections prepared by the Joint Committee on Internal Revenue Taxation, make recommendations concerning the Federal budget surplus or defiicit, if any, appropriate for economic growth and stability .

No later than 10 days after receiving the recommendations of the Joint Economic Committee, the Appropriations Committee in each House would consider the JEC's recommendations, hold hearings and report out a bill establishing the total permissible outlays for the Federal government during the next fiscal year.

The setting of the outlay ceiling would represent an act of great importance for the economy and a significant assumption of responsibility by Congress. At the present time, Congress considers the macroeconomic impact of the Federal budget only through non-legislative hearings of the Joint Economic Committee.

Clearly, the Committee responsible for considering and reporting out an outlay ceiling will assume a vitally important function. Many have suggested a joint committee consisting of selected members of the Appropriations Committees, Ways and Means, and Finance. I have rejected this proposal for two reasons. First, such a mechanism was attempted during the abortive legislative budget effort in 1948 and found unwieldy and unworkable. Second, I do not believe Congress should delegate such an important function of all members to a body which would essentially be a committee of only the most senior members of the most powerful committees.

It would be more reasonable and consistent with present, workable Congressional procedures to consider an outlay ceiling through the present Appropriations Committees which, after all, are the committees charged with providing the budget authority which results in outlays. The membership of these Committees has become increasingly well balanced in terms of seniority, regional representation and philosophy.

Under this proposal procedures are set forth to prevent delay in the Appropriations Committee and extended consideration on the floor. In each House, floor debate, including amendments, is allowed for five calendar days during which that House is in session. If Congress has not enacted a spending ceiling within 45 days of receiving the President's budget message, the sum total of budget outlays set forth in the President's budget would become the legally binding spending ceiling.

The legislation specifies that the ceiling be on total outlays with no exceptions. It would require that all legislation considered by Congress contain estimates of projected outlays during the current and four succeeding fiscal years. The rules of Congress would be changed to specifically prohibit each House from passing legislation which would result in exceeding the outlay ceiling. However, to maintain needed flexibility a mechanism would be set up to allow for periodic Congressional reexamination and, if necessary, revision of the outlay ceiling. I will describe this mechanism later.

Setting the outlay ceiling ensures that spending will be kept under control. But it does not necessarily mean that Federal funds will be spent wisely. To do that, the present process by which Congress attempts to set priorities must be restructured.

At present, Congress faces at least two severe problems in its efforts to rationally set priorities. First, the Appropriations Committee in each House currently reports out 10 or more appropriations bills, at least one from each Appropriations Subcommittee. Each of these bills is considered separately in Committee and separately on the floor of Congress. This process makes it difficult to rationally set priorities.

Since the very essence of setting priorities is to compare the benefits of an extra dollar spent for purpose A (say a public works project) with spending that dollar for purpose B (say a health program), it is impossible to make this decision rationally if program A (public works) and program B (health) are not considered together and at the same time. Instead, the tendency is to spend more money for each worthy program to come along. The tendency should be to weigh the cost and benefits of one program against those of another. This proposal would allow such comparisons to be made by requiring that all appropriations be considered in a single appropriations bill—an omnibus appropriations bill.

Second, the Appropriations Committee now can exert effective control over less than one-third of budget outlays in any one fiscal year. This is because the appropriations process does not directly affect budget outlays. Instead, it controls budget or obligational authority, and only one type of budget authority at that—

appropriations. It does not control contract authority or authority to spend from debt receipts. The Appropriations Committee does not control contract authority which accounts for a substantial amount of budget authority. Programs such as mass transit capital grants, water pollution control, and the highway trust fund bypass the Appropriations Committee through contract authority. Nor are a large portion of appropriations controllable in any meaningful sense by the Appropriations Committee. The Committee cannot—and properly so—cut social security, unemployment insurance or other similar payments. It must appropriate sufficient funds to cover the amount of payment set by law for all eligible recipients who apply.

My proposal addresses this problem by requiring that all new budget authority excepting those for activities with permanent appropriations such as social security, unemployment insurance, payment of interest on the national debt, etc. be made available only through appropriations bills. It also specifies that the appropriations bill shall specify the amount of unobligated contract authority existing at the time of passage of my proposal (contract authority already provided but which the Executive branch has not yet obligated) which may be obligated during the fiscal year. The same provision would apply with respect to unobligated budget authority already available through the State and Local Financial Assistance Trust Fund (general revenue sharing).

Of greater importance, however, the present appropriations process deals only with budget authority rather than with budget outlays. Budget outlays remain the most important measure for any fiscal year in terms of impact on the economy, since outlays represent the actual amount of Federal dollars disbursed from the Treasury into the economy that year. Budget outlays, of course, result from obligations of budget authority (including appropriations), but the actual expenditure may not come until several years hence.

My bill would strike directly at the heart of this problem by requiring the appropriations bill to specify the amount of outlays each year for each Federal program and activity. The amount of outlays for many programs and activities will remain uncontrollable because legal obligations already entered into must be honored as will legal entitlements that have been created. Thus Congress—like the Executive—can properly do no more than project estimates of outlays for the fiscal year which will be necessary for social security, unemployment insurance, civil service retirement and other such programs. These estimates will, of course, be subject to later revision. But in many other cases Congress will achieve effective control of program outlays.

With the above reforms Congress as an institution will be on the same footing as the President and his Office of Management and Budget in their consideration of the budget.

The Appropriations Committee would report out only one appropriations bill, and that bill would specify the amount of outlays for each Federal program and activity during the next fiscal year. The total of these outlays must match the total set forth in the spending ceiling set previously.

The Appropriations Committee would follow any procedure it wished, although two possibilities seem most obvious. It could begin its deliberations, after initial full committee hearings, by assigning a target outlay level to each of its subcommittees, which, after their own hearings, would allocate that outlay target among the various programs and activities under the subcommittee purview. Or it could let the subcommittees submit their proposals first, without reference to an outlay target and then, when all subcommittee proposals are submitted, let the full Committee determine which subcommittee proposals to cut or add to in order to equal the outlay ceiling. In either case, the full Committee could report only one bill to the floor. The bill could be in any form. Each subcommittee allocation might constitute a separate title. It must also contain, as part of total outlays, a contingency allowance for unforeseen outlays. These funds would be available pursuant to future appropriations by Congress specifying the programs and activities for which they could be spent.

The bill would have to be reported out of the House Appropriations Committee by May 15 and out of the Senate Appropriations Committee within 15 days after it had passed the House, though it is to be assumed that the Senate Committee consideration of appropriations would begin far before formal receipt of the House bill, as is presently the case. If portions of the bill were not ready at the appointed times, those programs and activities for which specific appropriations and outlays were not included would be reported out with outlays at the same level as the previous fiscal year. This device would provide a strong incentive for appropriations

subcommittees to be ready with their portions by the time the bill must be reported out.

The reported bill would contain outlays at the same level as provided for in the outlay ceiling. Floor amendments to the omnibus appropriations bill would have to be "strike out and insert" and the amount inserted could not be greater than the amount struck out. Such an amendment could either specify the activities and programs and the amounts for and by which outlays would be reduced, or it could mandate the Appropriations Committee to recommend the appropriate places for cuts subject to floor amendment and approval. Congress could exceed the existing outlay ceiling only by passing an amendment increasing that ceiling.

As I have already observed, it is necessary to build a degree of flexibility into the spending ceiling and priority setting process. The state of the economy may change, emergencies may occur, or projections of outlays for uncontrollable expenditures (such as social security or unemployment insurance) may prove inaccurate. At any time after signing of the omnibus appropriations legislation, the President could submit a request to Congress for a change in the outlay ceiling, or Congress could initiate such action itself. The President would specify the activities for which outlays would be increased or decreased to correspond with the change in the outlay ceiling, and he would have to state his reasons for both the change in the ceiling and the changes in specific outlays. The President could also recommend that outlays for specific activities be changed while keeping the total spending ceiling constant. Congress itself could, of course, initiate such changes in the ceiling or in specific outlays without a Presidential recommendation.

Congress could disapprove the President's request completely or it could amend his proposals. However, if Congress did not act upon the President's request within 30 days, it would automatically became law. Provisions would be made for expedited consideration of the President's request through a mechanism similar to that provided for in considering executive reorganization proposals.

The procedure I have just described provides the needed flexibility. Let me illustrate with an example. Suppose Congress had projected outlays of $4 billion for unemployment insurance in the omnibus appropriations bill, but the economic situation had deteriorated and it becomes apparent that outlays for unemployment insurance would be $6 billion. The President could request a $2 billion increase in the outlay ceiling to take account of the increased unemployment insurance outlays. Or he could ask for an increase in the ceiling of less than $2 billion and recommend a corresponding decrease for other controllable outlays. He could request no increase in the spending ceiling, but instead request a $2 billion decrease in controllable outlays to match the $2 billion uncontrollable increase in unemployment outlays.

If this legislation is enacted, Congress will have institutionalized a means of considering the budget in a fiscally responsible manner. The President will no longer be able to contend that he must impound funds, regardless of the legality of such an act, in order to assure economic stability. The bill would prohibit the President from reserving (impounding) funds except for technical reasons as provided for in the Anti-Deficiency Act. Under no circumstances could funds be reserved if it would result in impairing the efficient operation of the activity for which obligational authority had been provided or if it would result in not fully carrying out that activity.

Chairman WHITTEN. Mr. Stratton, it is a pleasure to have you before us.

STATEMENT OF HON. SAMUEL S. STRATTON, A U.S. REPRESENTATIVE FROM THE STATE OF NEW YORK

Mr. STRATTON. I appear here this morning, Mr. Chairman, primarily to express my strong support for the preliminary work already done by this Joint Committee as contained in House Report 93–13 and to urge you to continue your work with all possible speed.

Nothing, it seems to me, is more important today to the continued survival and vitality of the Congress as the people's branch of the Federal Government than that we should find the means to achieve absolute control over the Nation's budgetary practices.

As we are all well aware, we have been sharply challenged, if not in fact defied, on this very point by the President of the United States. He is, in effect, betting that we can't do the job.

As long ago as 1946, Congress recognized the need for finding a means of establishing congressional budgetary control, as spelled out in the reorganization act of that year. Yet though the need was clear, those Congresses were unable to develop the procedures to do the job.

Today the need is far greater and more urgent. This time, as every Member of the House and Senate is aware, we simply cannot fail.

Having spent some time of my own since November 1972, in trying to devise procedures to meet this need, I am intimately aware of just how difficult and complex a job this is.

After some struggle, I submitted legislation of my own, H.R. 2443, which has been referred to the Rules Committee and which I trust has also been brought to the attention of the committee.

I am aware that it does not represent a complete answer to the problem, but I believe it points at least in the general direction we ought to be moving, and I am delighted to see that it does, in large part, coincide with the tentative recommendations set forth in your own Interim Report.

As I see it, there are four basic parts of this problem. The first is to agree, as you have pointed out, on some overall spending ceiling for the fiscal year very early in the congressional session.

The trouble with the 1946 act, and the reason it could never be implemented, was that it required agreement on a whole, detailed congressional budget, similar to the executive budget, early in the session. That, obviously is impossible.

It would require us to go through the whole complex appropriation process to get such agreement, and by then the legislative year is over. Obviously we can't get early agreement on all the details, but we can get agreement at least on the overall ceiling.

This has apparently been demonstrated very clearly in this year of dramatic fiscal confrontation and showdown by the fact that both Senator Mansfield and Speaker Albert have accepted President Nixon's $269 billion spending ceiling for 1974. The quarrel is only over where we allocate the money within that ceiling, with the matter of priorities. We would have moved a great step toward solving our problems if both Houses today could agree formally and officially on a $269 billion ceiling.

We have something of this sort available today, if you know where to find it, but it is not really adequate for the job.

Thirdly, as you point out—and this is the toughest part of all—we need some device at the end of the legislative year for bringing all these separate appropriation totals into line under the previously adopted ceiling.

My bill offers one such device—holding up the final bill until the total of them all fits the ceiling. Obviously we can make the cuts all in one bill, we can prorate them through the earlier bills, or we can even raise the ceiling if changed circumstances warrant it.

Fourth, and finally, and this is not touched on in your recommendations unless it is implied in recommendation No. 10, we will obviously need more time to do this more complex and certainly controversial job.

I provide that we slip the fiscal year back to coincide with the calendar year, and thus we will have all 12 months to work out our answers rather than just 6 months plus the chaos of continuing resolutions.

Mr. Chairman, I am well aware that many additional aspects of this overall budgetary problem of which your committee is well aware have not been touched on in my own bill—the attention to revenues, for example, and debt limits; and the problem of backdoor spending and pipeline spending.

These do need thought and I have simply not had the time to work them into my procedural suggestions. But this, of course, is now primarily the job of your committee, and I am confident you have an excellent grasp of what is required.

I am well aware, of course, that the job is not an easy one. Like yourselves, I have for that very reason recommended that this Joint Committee be continued on a permanent basis.

One final point. In the current confrontation between Congress and the White House, the Executive is pictured as clear, precise, exact, and prudent when it comes to budgetary matters.

Congress, on the other hand, is pictured as profilgate, bumbling, inexact, sloppy, and devoid of any capacity for tight management control. Obviously it is the easiest thing in the world for one man to draw up a budget and decide on his priorities. It is quite another matter for 535 men and women, all with firm convictions of their own, operating in two separate bodies, and through involved and complex parliamentary procedures, to agree on a specific budget and a precise set of priorities of their own.

The lean, hard, fast boxer can often outpoint the slow, heavy, ponderous slugger. This is the problem we face in dealing with the Executive today and it is a problem not unknown in other parliamentary bodies over the past few decades.

The answer, I believe, is that we must find a way for 535 men and women to make a clearcut, precise decision with reasonable speed. The way to do it probably will be for us to delegate a fairly large share of the responsibility to a relatively small group.

Possibly this approach will fly in the face of a new current reformist pressure for open rules and participatory caucus democracy. But the ability of the legislature to act with force and speed is what is at stake here. If parliamentary government goes down, we all go down.

Congress can and Congress must solve this problem. And if it requires that all of us yield a little bit in making it possible this will be a very small price indeed to pay for winning the victory we all seek in the current constitutional crises.

Chairman WHITTEN. Thank you, Mr. Stratton. We appreciate your presentation.

As I pointed out earlier, about 56 percent of the total expenditures do not flow through the annual appropriations process.

If you have a chance to work that out, the committee would be interested in a solution for the 56 percent.

Mr. STRATTON. I recognize that I have not touched on that part of the problem.

Chairman WHITTEN. We appreciate your statement.

Mr. STRATTON. Thank you very much.

Chairman WHITTEN. Now, we have with us Senator Percy. We wish to express our regrets at being caught in a situation which delayed your appearance here.

STATEMENT OF HON. CHARLES H. PERCY, A U.S. SENATOR FROM THE STATE OF ILLINOIS

Mr. PERCY I would like to say at the outset I followed the proceedings of this committee with great interest.

I originally asked Senator Scott to be assigned to the committee but because I was on a trip in Asia I yielded to Senator Roth who could begin work immediately.

I have, however, participated as a ranking Republican on the Government Operations Committee of the Senate in the creation of a new subcommittee for the first time this year, a Subcommittee on Budgeting, Management, and Expenditures. That committee is under the chairmanship of Senator Metcalf and ranking Republican Senator Saxbe, the subcommittee on which I serve.

We held our organizational meeting this morning and I am pleased to report to you, Mr. Chairman, that the first order of business in this committee which will have jurisdiction over any legislation in this field for the Senate, the first order of business was unanimously agreed to be to implement the recommendations and reports that come from this very important committee. We have assigned staff. They have been requested to study immediately all of the hearings that you have been conducting and will be anxiously awaiting your final recommendations and, of course, we have already gone over very carefully the preliminary recommendations.

I have a prepared statement and I would ask that the statement in entirety be incorporated in the record.

I would like to say that we hear a great deal about the Congress. We sit here as sort of a helpless giant.

We have seen over a period of years, I have over fewer years than you have, Mr. Chairman, the erosion of power and a part of that erosion is due, I think, to our own fault.

We have the business of running a great Government and we have not conducted ourselves in the Congress, certainly not in the Senate, as a great business should.

I reminded my own colleagues one night in a late session in the Senate that we sometimes remind me of a family with a hundred members in it all sitting there with a family checkbook writing checks, not looking to see how much is in the bank account and not telling each other how much we are writing out.

We don't face up responsibly to the fact that we have to match our outgoing with our incoming to know ahead what we are going to do with that difference.

It has an impact on the economy. We have been mistaken. I think this Joint Committee is one of the most important things that I have seen in my relatively brief experience here, to take a good hard look at our procedures now.

I was delighted that Elmer Staats, a man we all respect greatly, in his testimony this morning seemed to concur with many of the principles of the legislation that I have introduced and have cosponsored with Senator Cranston and Senator Harry Byrd.

When you can get Senator Cranston and Senator Harry Byrd on the same bill together with Charles Percy, it is either awfully good or awfully bad. I hope in this case it is awfully good. We are all after the same thing, to find an orderly process in which Congress can reassert itself, but in a way that would be welcomed by the executive branch of the Government.

To my friends in business who have joined the executive branch of Government, I would like to say, because I have the feeling that some of the executive branch might have representation here this morning to hear the testimony, I was confronted by a businessman who recently joined the administration and he said if I could just operate down here the way I do with my board of directors back in business, I would have no trouble, and I had to remind him, in my judgment, though, there is a whale of a lot of difference. You don't have the autocracy that you have in business.

All the authorization goes to one man who can be thrown out in midyear or midmonth if he does not perform. You don't do that in Government.

We can't look to the Congress to be a board of directors, to be dealt with like a board of directors. I have served on them; fellows jet in, I have done the same thing, for four, five meetings a year.

They arrive at 10 in the morning. They want to leave at noon. They want everything presented in capsule form and the annual budget submitted by management is rarely changed. It is changed when the red ink at the bottom persists and when you get too many cries from stockholders, but for the most part the board of directors of a company can't be compared to the Congress of the United States.

Many Members as they sit and have heard testimony through the years from so many different Secretaries, so many different department heads, they begin to think that these men are the phasing part of government that comes in and goes out, but the Congress persists and stays here, and I think the Congress has a tremendous knowledge and a tremendous expertise that if properly marshaled can contribute to this whole budget process.

So the bill that I have introduced—we introduced it last year with Senator Cranston and myself and this year Senator Harry Byrd joined us. We have formed it to conform to what we saw in the recommendations.

This would establish a congressional budget process that I think would work. It sets up a Joint Committee on the Budget of 28 members, seven from each of the four committees, the House and Senate Appropriations, the House Ways and Means, and the Senate Finance. Four members to represent the majority, three the minority.

They meet at the beginning of the session of Congress and after considering the overall budget situation, the state of the economy, taking into account the President's annual economic report and budget recommendations and the annual economic review of the Joint Economic Committee, the joint committee would make a report to each House of Congress by March 30.

The report would contain a recommendation for the maximum amount to be appropriated or authorized for outlays in the coming fiscal year. This recommendation would be based on an estimate of expected buget receipts during the coming fiscal year, and on this basis the joint committee would also make recommendations regarding any necessary increase in the national debt or in Federal income taxes.

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The report would be accompanied by a joint resolution which would be introduced in each House or Congress. The joint resolution would fix an amount for all outlays and budget authority for the coming fiscal year. If the recommended outlay total were to exceed the estimated receipts, the joint resolution would authorize an increase in the public debt.

The joint resolution would also provide for a division of the total amount of outlays among the subcommittees of the Appropriations Committee and all other committees have the authority to authorize outlays.

This provision is intended to implement the important recommendation of the Joint Study Committee on Budget Control that the appropriations process should be coordinated with the authorizations process.

It also deals with another important problem stemming from the fact that there are several committees of the Congress other than the Appropriations Committees which have the authority to create new spending.

In brief, this bill would attempt to solve two problems that have been very troublesome for some time. One is that appropriations are made by a number of committees in addition to the Appropriations Committees.

The second is that the authorizing committees often authorize amounts for programs in current and future fiscal years that have little relationship to the real funding needs of such programs, or to the ability of the Nation to afford them in any given fiscal year.

By assigning to the new Joint Budget Committee the authority to determine amounts both for budget outlays and for authorizations, the bill would provide for the first time a congressional system of assigning priorities among programs.

We would be creating a new discipline on our budget and authorizations processes and we would be linking planned expenditures to available revenues.

The joint committee would not, however, have the ability to create such priorities in a vacuum.

Then I go on to outline—and I won't take the time now because it will be incorporated in the record—the reasons why I believe that this procedure we have outlined would adequately fill the bill and implement the work that this committee has carried out.

Chairman WHITTEN. We appreciate very much your attitude and your statement and the fact that you have made arrangements so that this may be the matter of highest priority in your committee.

I was intrigued by your statement of experience on boards of directors, that they quit promptly at 12 noon. I don't know that the public realizes you and I are here at 12:30 p.m. with another committee meeting at 1 p.m., and we have to eat sometime in between.

[The full statement follows:]

STATEMENT OF SENATOR CHARLES H. PERCY

Mr. Chairman, first I would like to commend you and the co-chairman and members of this Committee for proceeding with dispatch to design a new budget system for the Congress.

As you may know, Senator Cranston and I introduced a legislative budget provision as an amendment to the debt ceiling bill last year. Senator Cranston, Senator Byrd of Virginia and I revised and reintroduced the proposal as S. 846 on February 8.

Our purpose was to design a bill that would implement, to a substantial extent, the tentative recommendations that the Joint Budget Committee issued on February 6.

The bill would esablish a Congressional budget process that would work as follows:

A Joint Committee on the Budget would be created consisting of 28 Members, seven from each of four committees—the House and Senate Appropriations Committees, the House Ways and Means Committee and the Senate Finance Committee. Four Members from each committee would represent the majority, and three the minority. This joint committee would meet at the beginning of each regular session of Congress. After considering the overall budget situation and the state of the economy, and taking into account the President's annual economic report and budget recommendations and the annual economic review of the Joint Economic Committee, the Joint Committee would make a report to each House of Congress by March 30. The report would contain a recommendation for the maximum amount to be appropriated or authorized for outlays in the coming fiscal year. This recommendation would be based on an estimate of expected budget receipts during the coming fiscal year, and on this basis the Joint Committee would also make recommendations regarding any necessary increase in the national debt or in Federal income taxes.

The report would be accompanied by a joint resolution which would be introduced in each House or Congress. The joint resolution would fix an amount for all outlays and budget authority for the coming fiscal year. If the recommended outlay total were to exceed the estimated receipts, the joint resolution would authorize an increase in the public debt.

The joint resolution would also provide for a division of the total amount of outlays among the subcommittees of the Appropriations Committees and all other committees having the authority to authorize outlays.

This provision is intended to implement the important recommendation of the Joint Study Committee on Budget Control that the appropriations process should be coordinated with the authorizations process. It also deals with another important problem stemming from the fact that there are several committees of the Congress other than the Appropriations Committees which have the authority to create new spending.

In brief, this bill would attempt to solve two problems that have been very troublesome for some time. One is that appropriations are made by a number of committees in addition to the Appropriations Committees. The second is that the authorizing committees often authorize amounts for programs in current and future fiscal years that have little relationship to the real funding needs of such programs, or to the ability of the Nation to afford them in any given fiscal year.

By assigning to the new Joint Budget Committee the authority to determine amounts both for budget outlays and for authorizations, the bill would provide for the first time a Congressional system of assigning priorities among programs. We would be creating a new discipline on our budget and authorizations processes and we would be linking planned expenditures to available revenues.

The joint committee would not, however, have the ability to create such priorities in a vacuum.

The joint resolution embodying its decisions would be reported by the Joint Budget Committee after it had received the views of many experts and organizations, including the authorizing committees. More importantly, the joint resolution would be subject to approval by a record vote of both Houses. At this point, early in in each session of Congress, the Members of both Houses would have the opportunity to debate and decide on the budget priorities for the coming year. These would not be decisions on line-by-line, or item-by-item programs. Rather, they would be decisions about broad program categories, defined by the number of appropriations subcommittees—and the categories or programs over which they have jurisdiction—and other committees with the ability to appropriate, such as Ways and Means and Finance. Parenthetically, I would note that the subcommittees of the House and Senate Appropriations Committees are not similar in number or subject matter. The two committees would probably have to agree on a new, similar structure of subcommittees and jurisdictional areas.

During this process the Members of both Houses would have the opportunity to amend the joint resolution, so that they could change the priorities established by the Joint Budget Committee, and even change the recommended outlay ceiling. Differences in the House- and Senate-passed resolutions would be reconciled in conference according to standard procedures.

However, until this process had been completed, and the joint resolution

adopted, no bill appropriating money or otherwise authorizing budget outlays for the ensuing fiscal year could be passed by either House. Neither could any committee report a bill authorizing budget outlays or authorities in excess of the limits provided in the joint resolution. And each bill would contain a limit on outlays under that bill for the coming fiscal year.

The bill realistically contemplates a situation in which changes would have to be made in the initial joint resolution. An appropriations subcommittee or other committee might find that it urgently needs more money for some existing program or for some unforeseen need. A natural disaster, such as Hurricane Agnes, or a need to create an international famine relief program are good examples. In such cases the bill would provide a procedure whereby the joint committee would meet again and agree to assign additional amounts of money for such outlays in the current fiscal year. It would do so by recommending an increase in the total amount for outlays in the current fiscal year, or by recommending a reduction in the budgeted amounts for other subcommittees or committees. Its recommendation would be embodied in another joint resolution which would be submitted to a vote in both Houses.

Finally, the bill authorizes the creation of a new joint committee staff, which would include the staff and the functions of the present Joint Committee on the Reduction of Federal Expenditures. At present, the principal function of this Joint Committee is to issue scorekeeping reports on receipts and authorized and appropriated expenditures during the year. The new Joint Budget Committee staff would continue this function. In addition it would be directed to make projections of the effect on future expenditures of existing and proposed legislation, to analyze the budget, to become expert in estimating budget receipts and in problems of debt management and fiscal policy, and in all respects to become a major, highly professional joint budget staff for the Congress.

CONCLUSION

Gentlemen, I believe that this proposal, and other legislative budget proposals you are studying, are the key to the solution of our conflicts with the Executive Branch over impoundments. Were we to establish a rational, orderly new budget process in which Congressional outlays are related to available expenditures, we would not have the undisciplined budget deficits that the Administration has used as the main justification for its impoundment of appropriated funds.

There has been some criticism of S. 846, and I am sure other proposals, on the ground that Congress somehow lacks the necessary intellectual resources to create a budget for the Federal Government.

I suggest that the particular art of budget-making does not reside solely in the Executive Branch. All of us have created budgets—either personal household budgets, business budgets, or budgets for operation of our committees. The skills are essentially judgmental ones—the ability to make judgments about the relative importance and merits of different, perhaps competing programs.

We have left the budget job to the President, and over the years he has developed and become entrenched in that role. If we provide the necessary institutional framework and support it with skilled staff, there is every reason to expect our spending decisions will be as good, and perhaps better, for the country than his.

This Congressional process would certainly not operate in a vacuum. We would have the President's economic and budget recommendations and all the advice and information his officers may wish to supply. But we would rely on our own system, and our own experts, to weigh and decide for the Nation, as the Constitution intends, the amounts and priorities for the Nation's spending.

For some time now we have ceded the powers and prerogatives of the Congress to the Executive Branch, until today we are faced with the very real prospect of becoming increasingly irrelevant to the Federal budget process. Today we are told that a President may refuse to spend funds the Congress appropriates. At some future date we may be told the President has the power to shift funds arbitrarily from one program to another. From there it is but a step to asserting that the President also has the authority to raise the revenues to support the programs he deems worthy. That is why reforming the budgetary process in Congress is more than responsible or desirable. It is absolutely imperative.

Chairman WHITTEN. We are adjourned until 10 o'clock tomorrow morning.

[Whereupon, at 12:30 p.m., the committee was adjourned, to be reconvened at 10 a.m., Thursday, March 8, 1973.]

IMPROVING CONGRESSIONAL BUDGET CONTROL

THURSDAY, MARCH 8, 1973

U.S. CONGRESS,
JOINT STUDY COMMITTEE ON BUDGET CONTROL,
Washington, D.C.

The Joint Committee met, pursuant to notice, at 10 a.m., in room 1114, the Dirksen Building, Hon. Al Ullman, presiding.

Present: Representatives Ullman (presiding), Schneebeli, Davis, Griffiths, James Broyhill, and Senator Bennett.

Chairman ULLMAN. The committee will please be in order.

We are privileged this morning to have as our first witness. Robert P. Mayo, President of the Federal Reserve Bank of Chicago, who is better known to most of us on the Hill as the Director of the Budget for a considerable period of time. He is very experienced in coping with fiscal problems and has had great experience working with the Congress on the budget. We certainly look forward to your testimony.

If you wouldn't mind, Paul, are you in somewhat of a hurry? Would it take a great deal of time to present your testimony?

Mr. FINDLEY. My only problem is about 11. My part would perhaps take 15 minutes, something like that.

Chairman ULLMAN. Perhaps we could hear Mr. Mayo and then hear you before we get into questioning. Then we would get you out of here before 11. Your testimony would be probably not more than half an hour, would it?

Mr. MAYO. It will be less than that.

Chairman ULLMAN. Why don't you go ahead and proceed.

Then we will hear Mr. Findley and come back to questioning.

STATEMENT OF ROBERT P. MAYO, PRESIDENT OF THE FEDERAL RESERVE BANK OF CHICAGO

Mr. MAYO. Thank you, Mr. Chairman.

I appreciate the opportunity to appear before you today to add a few words of further encouragement as you undertake the difficult task of finding the most appropriate way for the Congress to reorganize the structure of its Federal Government fiscal policy responsibilities.

My appearance before you today is in the role of a concerned citizen, growing largely out of my experience as a Treasury official, as staff director of President Johnson's Commission on Budget Concepts, and as President Nixon's first director of the Bureau of the Budget.

My views do not express any official position of the Federal Reserve System. Nevertheless, as a Federal Reserve official, it is appropriate for me to note that whatever success the Federal Reserve may be able

to achieve in its economic stabilization effects through monetary policy obviously will depend to a large degree on the effective use of fiscal policy.

Even though the Congress fell just short of enactment of a specific Federal spending ceiling last fall, those of us who are concerned about better fiscal control took comfort in the establishment of your Joint Study Committee on Budget Control.

As your interim committee report points out succinctly, "* * * if Congress is to effectively maintain and carry out its constitutional power over the purse, it is evident that it must establish an effective permanent mechanism for budget control which will assure a more comprehensive and coordinated review of budget totals and determination of spending priorities and spending goals, together with a determination of the appropriate associated revenue and debt levels."

I heartily applaud that statement of your convictions.

I agree with it entirely. Your present endeavor, if successful, could provide the Nation with an outstanding milestone of progress toward congressional budget reform.

I am reminded immediately of the relationship of your objectives to President Johnson's Commission on Budget Concepts, which had its initial meetings just 6 years ago this month.

Rather than aiming at procedures of budget enactment, as you will recall, the Commission on Budget Concepts aimed at eliminating the confusion surrounding the use of many different concepts of the budget, administrative budget, cash budget, national income accounts budget, et cetera, and proposed the use of the unified budget which has been adopted by President Johnson and Nixon and by the Congress.

That Commission also made great strides, I believe, toward a better definition of the scope of the Federal Government, toward a better appreciation of a need for greater reliance on accrual accounting, toward a more logical redefinition of Federal securities and the public debt limit, if, indeed, we must have one, and toward better public information on the budget, not only with regard to interim revisions, but with regard also to the preparation of longer-range budget estimates as have been presented in all four of President Nixon's budget messages.

These accomplishments provide a much better base than we would have had otherwise. That Commission, chaired by former Secretary of the Treasury David M. Kennedy, included former Treasury Secretaries Anderson and Fowler, former Budget Director Charles Schultze, Comptroller General Elmer Staats, Paul McCracken, and the chairman and ranking minority members of both the Senate and House Appropriations Committees, as well as many other distinguished citizens.

To me, it is an important thread of continuity that the Joint Study Committee on Budget Control includes both of the living congressional members of the 1967 Commission on Budget Concepts, Congressman George M. Mahon and Senator Milton R. Young.

Turning specifically to your current inquiry, I think we can all agree that there is much to be done if the Congress is to reorganize

effectively so as to give much more concentrated attention to overall goals of fiscal policy than in the past.

A strengthened determination by the Congress to exercise positive leadership with regard to the whole budget—rather than just its individual parts is absolutely essential.

I believe the Congress has a mandate from the American people to take timely appropriation action before the fiscal year starts.

I also believe it has a mandate to avoid bickering with the executive branch which forces the President to take actions he feels he must take in the interest of overall fiscal soundness despite programmatic difficulties and great unpleasantness.

Undue prolonging of legislative-executive dissension only creates widespread mistrust among the American people in the entire financial structure of the central government and the ability of their elected representatives to get things done.

Your committee has wisely adopted a list of tentative recommendations which, at this stage of your proceedings, are sufficiently general that I have no reservations about giving them my wholehearted support.

I am not a great lover of ceilings. They are arbitrary. They are bound to limit flexibility at times when flexibility is needed.

Yet, I see no alternative to the provision of overall ceilings, both on expenditures and budget authority, with appropriate targets assigned quite firmly to individual functional categories, or perhaps more practically, to individual departments and agencies.

The patient needs discipline, not just another aspirin or a peptalk.

I would urge that these targets and ceilings be set far enough in advance of authorizing committee and appropriations committee hearings so that virtually irrevocable decisions are not made before overall agreement is reached.

I would add parenthetically, Mr. Chairman, that I think it might be a good idea to put a little contingency reserve in the structure of these ceilings so you suddenly aren't faced with "Gee, here is something we just have to do and we have no room for it. What do we do?"

There must be tough ceilings and tough targets. The extent to which they are adjustable later on in the session the adjustment should be held to an absolute minimum and be related only to legitimate changes in circumstances, otherwise the whole system will break down.

No one's crystal ball is perfect, of course. Even with all of its experts, the executive branch has time after time failed to predict very satisfactorily the rate of spending on many open ended programs.

With all of the best intentions in the world, I doubt if the Congress can do any better. So some allowance must be made for deviation from expenditure targets in their eventual administration where strict adherence could produce gross inefficiency in program management, either because the flow of spending exceeded a prescribed rate even though authorizations were still available, or, conversely, because programs get started much more slowly than expected.

Funds should not be spent just to make poorly designed targets look good.

Therefore, one of the most difficult challenges facing the committee is how to provide for enforcement of ceilings and targets as time progresses.

Unless there is adequate enforcement and respect at both ends of Pennsylvania Avenue, whatever system you set up will collapse.

I have urged for some time that if a centralized congressional committee is assigned responsibility for budget and fiscal policy coordination, that committee must be adequately staffed in a way that does not now exist.

One of the most satisfying experiences in my career as Director of the Bureau of the Budget was the confidence I developed in a highly professional and dedicated staff who were able to provide timely answers to tough questions objectively, with what I believe to be a minimum of bias reflecting the positions of self-interest deeply entrenched in each department and agency of the executive branch.

A highly professional group, beholden to no one except its own dedication to objectivity of budget policy could do wonders for congressional budget decisionmaking.

The legislative committees now have expert staffs, of course, but they, like the departments downtown, are strongly oriented to their particular missions, and only secondarily to the overall fiscal health of the Nation.

I applaud, also, your interim report recommendation to broaden the conceptual coverage of your endeavors to include the entire budget regardless of whether appropriated funds are involved or whether the authority to spend derives from other sources.

I assume that this includes all trust funds since from a broad economic point of view a dollar is a dollar and they are just as much a part of the unified budget as are so-called Federal funds.

The American tourist couldn't care less whether the road he is driving on is paid for out of the highway trust fund or the Treasury general fund.

And, if the new system which you develop works smoothly and effectively, it might be well to consider after a year or two whether we should phase out the public debt limit.

Perhaps I am premature in saying this. To my way of thinking, the only rationale for a public debt limit at the present time is that it is perhaps the only place in congressional procedure where the focus of the revenue and expenditure sides of the budget currently comes together before a legislative committee for appraisal, except for the brief introductory fiscal policy sessions conducted by the Appropriations Committees.

If the Congress can design a system to fulfill the principles outlined in your interim report, you will have locked the barn before the horse is stolen. You will then have substituted fiscal planning for what I call fiscal autopsy.

Fiscal planning is a rocky road under any circumstances. The yearlong path to each budget presented by the President to the Congress is strewn with injured feelings, accusations of bad advice, and bureaucratic frustrations and outbursts.

The Budget Director isn't called the "Abominable No-Man" for nothing. Yet the President's budget always miraculously appears on time, even complete with appendix detail requested by congressional committees, material which should be handled some more efficient way.

If the executive branch can crank out the budget with reasonable efficiency and in timely fashion, I have no doubt the Congress can do its part too.

I know it won't be easy. I am quite aware of the sensitivity of the prerogatives of individual committees and the understandable pride of their chairman.

A new joint committee set up to perform basic resource allocation and to authorize specific fiscal policy goals can easily become the most powerful committee in the Congress.

It is absolutely essential, therefore, that whatever you come up with has the enthusiastic support of the leadership of both parties—in both Houses.

If that is not forthcoming, you might just as well erect another tombstone in the cemetery of broken hopes alongside of the monument to the Legislative Reorganization Act of 1946 and the gravestone of ill-fated efforts in the midfifties.

You are now presented with a rare opportunity. It is an opportunity to restore the congressional share of overall fiscal responsibility to its rightful place in the balance of governmental powers.

But even more importantly, it is an opportunity in the broader sense to build a new confidence among the American people, plus our concerned friends abroad, that Washington does indeed have a strong sense of fiscal responsibility and, furthermore, that it has the methodology as well as the will and determination to accomplish its goals.

Thank you, Mr. Chairman.

Chairman ULLMAN. Thank you very much. In a few minutes—you have a little time leeway, do you, Paul?

Mr. FINDLEY. Sure.

Chairman ULLMAN. I have to leave to testify before another committee very shortly.

I would like just to commend you, Mr. Mayo, and to maybe clarify a point or two. You know the problem. You were down there putting the budget together.

The system of obligation authority that we have, programing that authority into the future, pretty much puts the whole burden on the executive branch for putting it all together, does it not?

Mr. MAYO. Yes.

Chairman ULLMAN. In putting it together, you had to face up to the annual budget problem.

Did you have much leeway in moving into pipeline funds when you were putting together an overall budget?

You established a ceiling for yourself, did you?

Mr. MAYO. Yes. We started with our own internally constructed ceilings in the spring, prior to the appearance at the January budget, close to a year ahead in terms of internal analysis within the Bureau of the Budget, Mr. Chairman.

We then proceeded to have inquiry with the individual spending departments and agencies during late spring, which produced then, overall targets which were presented to the agencies during the summer, August.

Their response to those targets, with the expected wailing and anguish, depending on the decibels of temperament of the individual

agency heads, took place in September and October with budget hearings within the Executive Office of the President.

The procedure then moved to a determination, usually cooperatively, between the budget director and the agency head as to where we were going and what was to be in the budget in considerable detail, to be followed in the budgets which I was concerned with with the right of appeal by the agency head to the President—I, having reviewed all of these with the President individually in the interim.

There was a right of appeal to go to the President to dispute what I thought was the appropriate fixing of the targets and the President heard them and we went ahead and put the budget to bed.

Chairman ULLMAN. One of the real problems we ran into in 1967, when the Congress attempted to impose on President Johnson a ceiling which he strongly resisted, the best we could do was pretty much narrow the budget down to those expenditures that we had some control over, and there was just no mechanism for determining priorities.

We kept exactly the same priorities. It seems that the budget procedure down there is pretty well locked into a set of priorities. You build this year's budget on last year's and the agencies come in and say, last year we spent so much and we have all these new requirements and therefore we have to have more.

It seems also the same is true at present in our appropriations process on the Hill. We have to base it on what we did last year, and all we do is to justify additional funding needed to carry on.

If we were able to establish a budget procedure in Congress, it seems to me we would be in a better position to avoid being locked into the spending priority system of the Executive and could take a better overall look at priorities and functions ourselves.

We have never, in the past, been able to. At least, we haven't been willing to do that. I am satisfied that in large part that is due to the fact that we don't have the procedures for doing it.

I am completely convinced that unless we commit ourselves to some new procedures which, in effect, will force us to bite the bullet on programing of expenditures and revenues and then divide up our own priorities within those expenditure limitations, unless we lock ourselves in with that kind of a system, we are never going to be responsible.

Would you agree to that?

Mr. MAYO. I certainly would, Mr. Chairman. May I suggest that what you have described is, I think, completely accurate.

We have engaged both at the executive and legislative levels in what you might call incremental budget. Can we cut 2 percent? Do we have to add 7 percent? So forth and so on.

There has been precious little attempt in the executive branch—and I know of none in the Congress—to sit back and think out the budget.

I am not suggesting that we can, in a practical world, Mr. Chairman, sit back and adopt what is called zero base budgeting, where you have a clean sheet of paper every year and start to build everything from scratch as to how you would like it. The world doesn't permit us that luxury. And yet, I think if there are more people both in the Executive and certainly on the legislative side who can sit back and develop what they think would be a more ideal structure of Federal authorization and spending and priorities if they were starting from

scratch, I think a service would be performed to help guide you so that you are looking—so you don't feel their sense of frustration, "Well, we couldn't possibly change the veterans' benefits program for these reasons."

Suppose you were to start from scratch and you determined there were some changes you would like to make. Maybe look at it 10 years from now. What do you think of the system—what might be a more reasonable system?

If agreement could be arrived upon on that sort of thing, you could, in effect, weigh your incremental budget with the idea in mind of some goal, even though that goal may change every year. I think you would be better off. I think the executive side would be better off if more of this was done.

Chairman ULLMAN. Thank you.

We were extremely frustrated, as Mrs. Griffiths will remember, when in 1967 we were doing our level best to establish some new priorities. You can't have all of these domestic programs and fight a major war at the same time. Most people agreed with that. There was no way we could get the Bureau of the Budget to put any new priorities on. There was no way to get at the programing processes.

Of course, ultimately this impounding operation that is going on now is probably aimed against the executive agencies as much as the Congress.

It is the President moving also against his own Bureau of the Budget, which has become a great monolithic monster that just keeps moving along and only direct intervention by the President can even interfere with those priorities.

Mr. MAYO. I think you give more power to the Bureau of the Budget than it actually has. As a practical matter, sure, the President doesn't make every detailed decision in there, but he is making the program decisions.

Chairman ULLMAN. If there are going to be any new priorities under our existing system he has to make them. The Bureau of the Budget can't.

Mr. MAYO. That is correct.

Chairman ULLMAN. The Bureau of the Budget can cut back overall by presenting cuts, but it has no mechanism for revising priorities. That must be done by the President.

Mr. MAYO. It can suggest and recommend. That is a power; I won't deny that.

Chairman ULLMAN. It should be in the hands of the President rather than an agency, because the priority decisions are the fundamental decisions of the country. Even the President shouldn't be making them. The Congress should be making them. That is what this whole issue is about.

If we are going to live within our means, either the Congress is going to decide these fundamental priorities or the President will do it.

Under the existing system, we have no way of doing it up here. Therefore, the President has to do it if we are to live within our means. That is why this procedure we are attempting to establish is so important. It would give Congress a mechanism for determining these limits and priorities ourselves as they constitutionally should be.

Mr. MAYO. Yes. The President's budget is, let's all remember, a financial plan recommended to the Congress. It was never intended to be the final result. But that is why I emphasized the need of a highly talented staff that could focus on the entire budget up here so that you can do this.

You have a harder job to do it than the President does. He is one man. You are 435 plus 100. That is why leadership is the key to this whole business.

You must have that leadership or forget it.

Chairman ULLMAN. Thank you.

If you don't mind, we will ask you to stay where you are and continue the questioning a little later.

We have with us our distinguished colleague, Paul Findley, who has, as all the members know, been actively interested in this problem, promoting his own recommendations with respect to congressional budget for a long time.

I have to leave shortly Paul. That doesn't mean I won't be studying your testimony. I will take a copy along. We value your judgment and your advice on this.

We are very pleased to have you here at this time.

Senator BENNETT. As I told you, Mr. Chairman, I must leave, too. I would like to say to Mr. Findley that I read his statement hurriedly, and am taking it with me for further study.

Mr. FINDLEY. Thank you, Mr. Chairman.

Chairman ULLMAN. I will turn the hearing over to our distinguished colleague from Michigan who is my colleague on the Ways and Means Committee and is extremely dedicated to this Budget Committee.

Mrs. Griffiths will take the Chair.

STATEMENT OF HON. PAUL FINDLEY, A U.S. REPRESENTATIVE FROM THE STATE OF ILLINOIS

Mr. FINDLEY. First, let me thank you for the opportunity to appear before you and present a statement on the urgent need for budget control.

Second, I want to commend you for the courage each of you has displayed in accepting this assignment and the effective way in which the committee is proceeding to meet its responsibilities.

Establishing at long last businesslike control by Congress over the purse strings of Government is no small task. In fact, when I first began my own intensive study of the problem 18 months ago, I was astounded at how little study and understanding of the problem has been apparent over the years.

No doubt much was done in the past which escaped my attention, but inquiries I made of long-time professionals in the appropriations and tax-writing field disclosed almost no literature on the problem.

Almost everyone familiar with congressional procedures has recognized the existence of the problem for many years, but hardly anyone sat down, studied the problem and put the results of his study on paper. Rare indeed has been the person in public office willing to venture into the field of actual drafting.

I, therefore, tip my hat to you with special feeling and appreciation.

In my view, nothing is more worthy of our time and best efforts this year than the task to which this committee has set itself.

The power of the Congress has waned substantially and, I think, dangerously in this field. All of us must share the blame. We have tended to take the easy way out. It is easier to appropriate money piecemeal from the President's budget requests than to adopt a budget ourselves.

Fifty years ago, the Congress established the present appropriations system. The purpose was to bring under a single committee's discipline management of the expenditure process. Today, however—at least on the House side—the Appropriations Committee functions not as a single entity, but as 13 separate ones.

Whatever the reasons, the waning of congressional control of the purse strings has also caused public confidence in the Congress itself to wane.

For this reason, I was delighted with the work that this Study Committee has already done.

Your tentative conclusions are quite excellent, in my view. They get to the very nub of this vexing problem.

I have read and studied them thoroughly and agree with just about everything that is included. In fact, a proposal upon which I have been working since the fall of 1971 fits almost all of the guidelines suggested. The bill has gone through several evolutions and is now before you as House Resolution 17.

I wouldn't want to leave the impression this is my bill alone. Mr. Ken Sprinkle is the one who really kindled my interest initially and worked with me over a long period of time.

Officials of the Office of Management and Budget, of the Parliamentarian staff of the House of Representatives and Dr. Arthur Burns, Chairman of the Federal Reserve Board, all of these people have taken a keen interest in this and made valuable suggestions.

The fact that it is only a House Resolution and applies only to the one chamber, may bother some of you. Federal Reserve Chairman Arthur Burns who commended it to you on Tuesday, also added that he felt it should be expanded to assure participation by the Senate.

That could be accomplished. House Resolution 17 is an amendment to the Rules of the House of Representatives. The Rules of the Senate could similarly be amended if you decide that this approach is worthy. My reason for limiting this approach to the House is the constitutional provision that "each House may determine the rules of its proceedings."

It would hardly be appropriate for me to introduce a resolution to amend the rules of the Senate, although this committee might make such a recommendation.

How would my proposal function? It is best explained in the language of the resolution. Let me read the important sections:

> Not later than sixty days after the President's annual budget message has been received at the beginning of each regular session of the Congress, the Committee on Appropriations is authorized and directed to report to the House a resolution containing a House-authorized federal budget for the ensuing fiscal year.
>
> The budget shall include:
>
> 1. The total of estimated federal receipts from all sources;

2. The maximum amount to be provided in obligational authority in each appropriation bill or resolution and in such other legislative provisions of obligational authority as may be specified, and the estimated budget outlay related to each, including those outlays from funds provided in prior years.

3. A table showing the relationship of total estimated receipts as shown in (1) to the aggregate of the maximum amounts to be provided in obligational authority and the aggregate of the estimated budget outlays as shown in (2).

Skipping over to the next page:

2. No bill or resolution carrying appropriations or otherwise providing obligational authority for the present or ensuing fiscal year shall be in order for consideration by the House until the House-authorized federal budget for such year has been approved, and the resolution required by Section 4 of this rule has been approved.

Section 4 reads:

4. Within fifteen calendar days after adoption of the House-authorized federal budget, the Committee on Ways and Means is authorized and directed to report a resolution containing recommendations as to the levels of public debt and aggregate federal revenues necessitated by figures on outlays and receipts contained in the House-authorized federal budget.

Any bill or resolution carrying appropriations or otherwise providing obligational authority whose report fails to include a statement in the first form, or which, in its amended form, fails to comply with the requirement as stated in the first form, and any amendment which causes the bill or resolution to fail to comply with the requirement as stated in the form, shall require in the House the approval of two-thirds of those members present and voting, a quorum being present.

To review, my proposal requires two preliminary steps before the House can consider an appropriation bill:

First, the adoption of a resolution from the Appropriations Committee containing a comprehensive budget for the ensuing fiscal year. The budget would require for each appropriation bill category and for each nonappropriation action, a ceiling on obligational authority and a ceiling on outlays. It would relate these figures to estimated revenues from all sources for the year.

Second, the adoption of a resolution from the Ways and Means Committee containing recommendations as to the levels of public debt and aggregate Federal revenues necessitated by figures on outlays and receipts contained in the first resolution.

Then and only then can the appropriation process begin. Then and only then can nonappropriation measures be considered which have the effect of authorizing outlays and/or obligations.

And each such measure must be tested against the budget as adopted by the House. First, it must be tested against the budget provision for obligational authority, and second, it must be tested against the budget provision for oulays.

If it exceeds the budget provision on either point, the measure may pass the House only by the approval of two-thirds of those present and voting.

This same discipline would apply to conference reports and motions in this agreement under conference report to review. Amendments, motions, and, disagreements, and conference reports must also pass the same test. This approach is strikingly simple. It relies upon the existing institutional structure of the House. I think that is an important distinction.

Existing committees are used rather than establishing new ones and adding to the burdens already imposed upon members. I heard

unofficially that your committee is seriously considering recommending that a new committee be established in the Senate, a new committee be established in the House. My proposal would instead, require that the Appropriations Committee function as a single unit, as it was intended to function, and that it take on the full appropriation responsibility in the formation of the budget resolution instead of shifting this responsibility to a new entity.

I would also propose, by means of my resolution, my recommendation, that the Ways and Means Committee, which, under our system in the House, at least, is charged with the responsibility of raising—recommending measures to raise the necessary revenue, also be charged with the responsibility of coming forward with recommendations as to what changes in revenue are necessitated—changes in revenue and debt limit—are necessitated by the budget resolution which has been just adopted.

So the effect of my proposal would be to really, in a sense, reactivate the central committees in the financial field to the responsibility that I think was originally intended for them rather than to bypass them and shift this responsibility to new entities in both the House and Senate.

By relying upon Appropriations and Ways and Means Committees, those members who now have the greatest expertise in this area are called upon to formulate budgetary proposals for consideration of the entire membership. The 13 subcommittee chairmen from Appropriations Committees and their minority counterpart would retain their important role in setting national policy.

In fact, in a sense, their role would be enhanced, as it should be. This is one of the few areas of difference between the Study Committee's recommendations and House Resolution 17.

Also, this proposal of mine will allow appropriation practices to proceed as they have in the past. Each appropriation subcommittee can begin to hold hearings on budgets within its jurisdiction as soon as Congress convenes. No delay is necessary on the beginning of the hearing process.

These hearings can take place before and during full committee consideration of the budget proposal. Then, once the budget and revenues resolutions have been adopted, the full committee can begin to report out the individual appropriations bills for consideration by the House. Here I talk of the House, but the same procedure could apply as well in the Senate.

If the judgment of this committee is to require that the same discipline apply to both bodies, it could work that way. There are no unnecessary delays, no marking of time, while one committee decides what another committee may and may not do.

This approach also fulfills the urgent need to establish national priorities within the framework of estimated revenues and expenditures. One of our gravest shortcomings has been the total inability of Congress to decide, as Chairman Burns puts it, "Whether expenditures for a particular category are desired strongly enough to raise taxes, or to cut back on another category." Until votes can be cast on such questions, Congress will not be setting national policy, and the American people will not be well served. House Resolution 17 provides an opportunity to do just that.

At the outset, I mentioned that effective control of appropriations is frustrated by the fragmentation of the Appropriations Committee into 13 separate entities. My proposal would in effect force the Appropriations Committee to function as a unit. It would have to function as a unit in order to put together the budget resolution.

I also mentioned that Congress naturally takes the easy way out by never facing up to the whole budget picture. My proposal would require comprehensive decisionmaking on all essential aspects of the fiscal picture before spending can begin.

As this committee and many prominent witnesses have pointed out, one of the chief budgeting problems is due to the unlimited back-door spending that Congress permits.

Even if the Appropriations Committee keeps a tight lid on its expenditures, other committees may break the budget by obligating expenditures outside the framework of the appropriations process. Under House Resolution 17, back door spending could continue only to the extent provided for in the House authorized budget or by a two-thirds vote of Congress.

I would like to comment on two further points.

The suggestion has been made by several witnesses that any reform procedure must provide for a final appropriation review step to adjust revenues to outlays. This is very appealing, but I believe it entails serious complications.

To be meaningful, it requires that no appropriation bill could be considered really final until all such measures had been enacted and until this final review step has been considered and disposed of.

All would be subject to adjustment, some of them long after their initial enactment. The executive branch would not know until rather late in the fiscal year just how much money would be available for any department or agency.

Furthermore, the uncertainty that this adjustment step would eventually occur would strongly impel certain parts of the establishment to inflate their positions early in the year, in order to minimize the adverse effect of any final adjustment downward.

Expecting that they would be cut back, they would ask for more at the outset.

For example, the Department of Agriculture would understandably argue before the Appropriations Subcommittee for some extra dollars during the early hearings, hoping that these would cushion any cutback that might finally be ordered.

The Appropriations Subcommittee, mindful of the importance of executive department activities it supervises might tend to press for the extra cushion itself.

In my view, and in the view of many with whom I have spoken, a year-end wrap-up bill which might adjust the level of expenditures by the Federal agencies would result in poor and inadequate planning, in efficient and wasteful use of tax dollars.

Already Congress fosters that situation on the executive branch every time we delay certain appropriations bills until well after the beginning of the fiscal year. To expand that practice for all agencies can hardly be a good management or budgetary practice.

Second, a final appropriation bill to adjust the levels of spending would also result in turmoil on Capitol Hill. Already, once each year

we are besieged by a thousand interests seeking money for special purposes, all of them worthy.

If there is a real threat that an end-of-the-year appropriation bill may change the levels contained in previous bills, we may find all of those who feel their program may be cut by a wrap-up bill converging on the Congress to try to protect appropriations for their own special projects while others are cut. That is certainly not the path to constructive legislation.

To be sure, the proposal I have made does not guarantee that the House-authorized budget adopted at the beginning of the year will remain inviolate throughout. It is not leakproof. It wouldn't bring about a balanced budget perhaps though I think it will be a major step in that direction.

I will frankly forecast that the House on many occasions would muster the necessary two-thirds margin to outflank the budget.

But it does establish, I feel, an orderly business-like procedure under which the House must make fundamental decisions on priorities and financing early in the business year, and it does also establish, by means of the two-thirds provision, some discipline to hold to these fundamental decisions.

Thank you very much.

Mrs. GRIFFITHS. Thank you, Mr. Findley.

Do you have any questions of either witness?

Mr. Davis.

Mr. DAVIS. Thank you, Madam Chairman.

On these questions I think I would welcome the comments of either of you in connection with them. Because we do have these bills coming up on the floor at different times during the year. I think this is a practical necessity.

I remember back in the fifties we did try to bring the whole thing out in one package and it didn't work. We couldn't keep the sustained interest of the members and it was just too big a thing.

Second, it encouraged what you might call the ganging up of the various groups to do a little log rolling and suggest to one "If you support my amendment on this part of the bill, I will support yours on the other." So I think nearly everyone concerned decided it was not a workable procedure.

Now what would be the reaction, in order to attempt to keep this thing in perspective as we proceeded from one appropriation bill to another, to establish individual spending ceilings or expenditure ceilings in connection with each separate appropriation bill?

Mr. MAYO. On the first instance, Mr. Davis, I think the reaction would be to lengthen rather than to speed up the process.

I would give the opinion, for what it is worth, that by the 8th of March in any given year you probably should already have finished the authorizing legislation and be well into—if not have determined—your overall target, your overall ceiling, so far as the fiscal 1974 budget. You are already very late.

But to abstract from that, I think in the longer run this can be done. Again, it is a question of leadership and discipline, I think, within the Congress. I don't think that is expecting too much to in effect set these targets early in the beginning.

Mr. DAVIS. Well, what I think basically I am trying to get at is this: Suppose you set an overall ceiling on expenditures and then we proceed from bill to bill. Defense appropriation usually is one of the last to be considered. Aren't we going to jam the thing up unless we have individual expenditure ceilings?

Mr. MAYO. You will have to have individual expenditure ceilings, in my opinion, to make it work.

Mr. FINDLEY. May I respond to that?

My proposal provides explicitly for a maximum amount to be provided in obligational authority in each appropriation bill or resolution and in such other legislative provisions of obligational authority as may be specified.

So it is implicit in my recommendation. I think it is essential. I can't see much value to a total expenditure ceiling. It is just absolutely necessary to have subtotals within that grand total.

Mr. DAVIS. But running this through the Appropriations Committee, as we do, how are we going to cope with these various commitments and, in fact, appropriations, as such, as we now have in the general revenue sharing act that do come from these other committees where the Appropriations Committee has no jurisdiction?

Mr. FINDLEY. If I may respond. This would become a new responsibility of the Appropriations Committee. I admit the difficulty the committee would face in getting absolute facts on it, but there are resources within the Congress and certainly even greater resources within the executive branch that the committee could tap. Part of its responsibility under my proposal would be to include in the budget resolution language the estimate of outlays that would be required as a result of the action of prior Congresses as well as the effect of obligational authority that may have occurred beyond the Appropriations Committee itself.

So it would have to be comprehensive to be of maximum value and the burden of the gathering of this information would be exactly where it belongs, on the Appropriations Committee itself.

Mr. DAVIS. Well, if I recall correctly, we heard figures here—I think they are borne out—that for 1974 only 44 percent of the estimated outlays of the Government will come through the Appropriations Committee.

The other 56 percent is going to be entirely outside their control. How is the Appropriations Committee, for instance, to do anything other than to say "all right, the law says $5.5 billion for general revenue sharing. It also says so many billion dollars for this and that, things that have come under the jurisdiction of other committees." What can you do except to total those up and say, all right, these things are committed. They are there. The authorization is there for them. They are not subject to limitations by law, to action of the Appropriations Committee.

Therefore, we simply add those up and then set our ceiling and say, well, the Appropriations Committee is now going to set priorities on the remaining 44 percent? How do we get away from that?

Mr. FINDLEY. In my opinion, there is no way to get away from it. I don't see anything the Appropriations Committee at that stage can do to alter the obligations for outlays that have been previously authorized by the nonappropriation process.

My proposal says that the budget resolution to be reported by the Appropriations Committee shall include the estimated budget outlays related to each legislative provision of obligational authority, including those outlays from funds provided in prior years.

Your responsibility in this field will be that of reporting the facts to the Congress. I don't see how you can really effect changes. But if you don't report those facts, the budget resolution doesn't have much meaning. It only is worth 44 percent instead of 100.

Mr. SCHNEEBELI. Will you yield?

Isn't one Congress allowed to change the action of a previous Congress?

Mr. FINDLEY. Of course. I would hope that we would take another look at revenue sharing.

Mr. SCHNEEBELI. So would I.

Mr. FINDLEY. I tried to make it clear that the Appropriations Committee at that stage would be pretty well obligated simply to report the facts. It could, of course, recommend a lot of changes.

Mr. SCHNEEBELI. Unless the legislative committee made the change?

Mr. FINDLEY. Of course. I would hope that would be done.

Mr. DAVIS. One other question and I would not detain you any further. I noticed in your proposal—incidentally, is House Resolution 142 that we have before us identical with House Resolution 17?

Mr. FINDLEY. Yes.

Mr. DAVIS. How do we deal with where there is an absolute prohibition until this particular action has been taken—it is a contemplated action of a magnitude that would not want to be hastily done. How do we deal with these urgent supplementals that we do have as a matter of necessity from time to time?

In other words, there would be a hiatus here where there simply couldn't be anything such as an urgent supplemental.

Mr. FINDLEY. There could be. The budget adopted by the House could very likely include an item for supplemental or for contingencies or for both.

I dare say it would be trimmed down to a rather low figure, but that is one place where that could be taken into account.

If it is amply provided for there all that would be needed is a simple majority vote to approve a supplemental or contingency action. But if it does not provide ample resources in the budget resolution, then it could be approved by a two-thirds vote. I can imagine circumstances in which the President would ask for emergency action, perhaps dealing with some unforeseen national disaster. Not only authority but funding. And want it fast.

Under my proposal, that could be taken into account under the contingency or supplemental item in the budget resolution but more likely it would get a two-thirds vote, and many an action cohesively musters a two-thirds vote and thus bypasses the budget.

Mr. DAVIS. I would like to make this comment.

Maybe I am a little too parochial, being on the Appropriations Committee, but I think you, in essence, refer to the fact that we do have no real overall view of this thing in the Appropriations Committee. I think it does somewhat overlook the fact that while we do hold the hearings and make recommendations in these 13 subcommittees,

that everyone of those must be cleared by the full committee before they can go to the floor.

I think it is also of interest that over the past several years the cuts made—obligational authority contemplated in the budget—have just about exactly balanced out the increases in backdoor spending that we had during that period of time.

So somewhere we have got to get at this problem. I don't know whether we can effectively do it with the Appropriations Committee as the mechanism for doing it.

Mr. FINDLEY. Well, the Appropriations Comimttee is the logical point at which information is gathered and it is the logical committee, in my view, to report the resolution on the budget.

I can't think of how you would be better off to create a new committee for that purpose. The Appropriations Committee logically has the resources for the job.

Mr. DAVIS. Thank you.

Mr. SCHNEEBELI. Thank you. I am sorry I wasn't here when you gave your testimony, Mr. Mayo, because I recall the great service you rendered to our Government. You certainly must be objective in your approach because you served both Democratic and Republican administrations.

I am sure that the contribution you have made here will weigh heavily in our deliberations.

I would like to say to my colleague, Congressman Findley, that I doubt if there is another Member of Congress who has spent as much time in the past year-and-a-half on this subject as you have, and with your usual acute perception you have given us a lot to think about.

When we had a special order on the floor the other day, I did at that time mention the great contribution that you are making. You certainly add to the diversity of our approach because your recommendations are different from some we have had to date. I refer particularly to your opposition to the yearend wrapup approach.

Certainly it is too early to gauge who is right or wrong, but we are grateful to you for the recommendations you have made, which I am sure were very well thought out.

Thank you very much for coming.

Mrs. GRIFFITHS. I would like to commend both of you, too. I certainly do appreciate you being here, Mr. Mayo, and the opportunity to see you again.

I appreciate Mr. Findley's well-thought-out suggestions also.

I would like to ask you, Mr. Findley, wouldn't it be possible for the Appropriations Committee and for the Ways and Means Committee to make their suggestions to this committee?

Mr. FINDLEY. By using the words "this committee" you mean the proposed new committee?

Mrs. GRIFFITHS. Yes.

Mr. FINDLEY. Yes, that certainly would be possible. Yes, indeed. My answer is "yes".

Mrs. GRIFFITHS. Now, I would like to ask Mr. Mayo. In Ways and Means the last few days, we have had the suggestion for the Federal financing bank.

Personally, I can see great merit in this suggestion, but it seems to me that if we are to have a Budget Committee which does the things

that either Mr. Findley has suggested or others have suggested, that we ought to consider credit. Don't you think so?

Mr. MAYO. Yes, as part of the overall picture.

Mrs. GRIFFITHS. That is right. Before we give away this power to the Treasury this year, we should wrap it up within the Budget Committee, if this is what we are going to have—a total Budget Committee.

I would like to ask you something along Mr. Davis' lines, Mr. Findley.

Wouldn't the effect of the Budget Committee, which is largely made up of Appropriations and Ways and Means Committee members with other committee members added—wouldn't this really give a bolstering effect to the Appropriations Committee?

Mr. MAYO. Definitely, I think it would. I spent quite a bit of time talking to Chairman Mahon about this very problem of eroding—not in the last year or two, but before that—of the authority of the Appropriations Committee. This is why, Madam Chairman, I find that although I agree with most of what your colleague from Illinois had to say in his proposal, I feel that a little stronger medicine is required here that will, indeed, bring together—I hate forming another committee to do something, but in this case I think we are obliged to do that, to sweep away some of the, shall we say, deeply entrenched positions of individual legislative committees and the Appropriations and the Ways and Means, to be blunt about it, and creating something new, which will start off in a position of shall we say a different relationship of respect on this particular problem, so that this committee is not like Ways and Means, where you have "Well, we have to get at the President's trade bill. We have these changes in social security and so forth before we can touch the other." Appropriations will be considering some of the details, perhaps, of the 13 different bills.

This new committee would look straight at the problem of the budget, and that would be its single purpose. I think you could do better that way.

Mrs. GRIFFITHS. It would bolster not only the appropriations process, but it would also bolster the taxing process.

Mr. MAYO. Yes.

Mrs. GRIFFITHS. Because the real truth is, at the present time, when we arrive at that moment where the budget committee says, "In our opinion, now you must levy a tax, you shouldn't continue with the borrowing. You have to have the appropriations.

Our suggestion is that you levy a tax to increase the income. Either to increase the income to stay inflation or do whatever you choose."

The real proof is that it would give added help to the taxing committee because you do have an entrenched position and one of the things that I think you have to prepare for in this committee is that the House, itself, is going to have to have some rights to speak.

We cannot assume that any of these committees will be given the sole power to speak. You can watch what is happening now in the House and what they are really demanding is that those who come lately to this Congress have a right to speak and I think they should have.

I personally think if we end up with either the first view or the final view we will say to a member, "If you want to increase the expenditure in any category, you must show the place where you will reduce it in another category."

I think that is an excellent suggestion.

Mr. MAYO. It is a good discipline.

Mrs. GRIFFITHS. Of course. Then you really let the people of the United States understand how the situation works.

I think that it is going to lessen the power of a lobbying group. They will not be as effective as they have been in the past. When you say to the entire United States:

> Here, for instance, are the salaries being paid schoolteachers all over the country. This is the cost per child now of educating a child. Now, for those of you who want to add $4 billion here, please name the spot where you want to take it out. Are you going to take it out of social security? Are you going to take it out of medicare?

Of course, one of the answers in every situation is that the Defense Department would be one of the real whipping boys. I have a bill in here that will correct that, though.

Just as quickly as they set up purchasing procedures out there, they will be able to take care of that themselves. Purchasing procedures that are meaningful.

But, nevertheless, the Defense Department will have to have some people who come at last to their rescue. But I think people would do that anyhow.

Mr. MAYO. I would like to perhaps illustrate the point that you are making, Madam Chairman, by an analogy to the way the Ways and Means Committee literally handles the Old Age and Survivors Insurance program.

You look at the revenue side. You look at the expenditure side. You decide that two-tenths of a point increase in the tax schedule will produce money that will provide these benefits and give this much cushion left over. You have this as a whole.

Now, if that same principal can be applied to the Federal Government, you have got it made.

As you understand, I am one of these unified budget guys that is all for putting social security in the overall picture. I feel very strongly about it. But I think this illustrates a good one because here is a committee of the Congress that right now does this equating of both sides of the ledger in one committee and it works.

I am not saying I agree with everything that has been recommended, but the procedure works. The procedure works. And I think there is enough lesson in this that it can be applied by the whole Congress to the whole Federal budget.

Mrs. GRIFFITHS. I think so, too.

Are there further questions?

Would you like to say anything further, Mr. Findley?

Mr. FINDLEY. Thank you, Madam Chairman. Just two points.

In my study of this proposal, I, of course, considered the possibility of new separate committees.

One reason I came finally to the recommendations of using the established committees was to maximize support for the resolution that finally emerges from committee when it reaches the House floor.

There are I believe 50 members of the Appropriations Committee—55 now. If the resolution from the Appropriations Committee recom-

mending a budget for the ensuing year is typical of bills that come from the Appropriations Committee, it will have broad support.

There will be a great deal of unanimity on it. In other words, it will arrive on the floor probably with pretty well coordinated support of 50 members, or nearly so.

Now, if the budget resolution emerges from a new and smaller committee, can you be assured of the breadth of support that would occur otherwise?

I simply mention that as something to consider.

The other point I would like to mention is: This Budget Committee—this new Budget Committee—undoubtedly would draw from the senior experienced members of both Ways and Means and Appropriations Committees.

To what extent would that process tend to immobilize these two committees in the year? If it does tend to immobilize them, what have you gained?

Those are two thoughts I add for your consideration.

Mrs. GRIFFITHS. I would think that this committee will draw so heavily upon the knowledge of the Appropriations Committee and their abilities and their suggestions and Ways and Means that you should go in with a nice little block of 80 votes as you enter.

Nevertheless, I think everybody else should be permitted to speak, and I think we should come out of this whole thing with our set of priorities.

One of the things I like about what Chairman Burns pointed out, and I don't think so either, is that if we can do this you will not have any big hassle between the executive department and this committee and the Congress.

I think that the executive departments will be delighted, absolutely delighted, to have this done. I don't think they will raise any big objection and I don't think you will have a perpetual controversy. I think it will be far more cooperative than the President particularly seems to believe.

I think President Nixon would be delighted if we did something like this. I can't believe he would say, "I want to decide all this by myself." I think it is a huge burden.

Mr. FINDLEY. My proposal is so close to the one I feel is actively under consideration here that I think my comment is appropriate.

The Office of Management and Budget, under Caspar Weinberger, was overjoyed with the thrust and detail of my proposal, and I have every reason to believe that Mr. Ash feels the same way. Every sign I have indicates that the administration is pleased to see this process occur.

Mrs. GRIFFITHS. I feel so, too. This administration, or any administration.

Any other questions?

I would like to thank both of you. You have been very kind and very helpful. We are happy to welcome you back. It is very nice of you to be here, Mr. Findley. You have done a great service.

Congressman Alphonzo Bell.

STATEMENT OF HON. ALPHONZO BELL, A U.S. REPRESENTATIVE FROM THE STATE OF CALIFORNIA

Mr. BELL. Madam Chairman, and members of the committee, it is a pleasure to have the opportunity to testify before this committee.

The very fact that these hearings are being held is, to me, one of the most encouraging aspects in the hope shared by all of us that the constitutional powers conferred on the Congress can be restored, and when restored, that they will be exercised responsibly. This cannot be accomplished without substantial reform of the present system of authorizing and appropriating Federal expenditures.

I intend to present today a conceptual outline of the reforms I believe should be made. Because of the very magnitude and complexity of the task you have undertaken, however, I plan to submit a detailed explanation for the record.

Even those details submitted will not pretend to answer all potential questions, but hopefully will contribute usefully to development of a workable system.

I would like to emphasize two points which I believe are absolutely essential to any reform of the budgetary process, and then I will propose two mechanisms which are essential to implementing those two points.

First, Congress must set the priorities in the Federal budget. Now that a spending ceiling has become a necessary fact of life, it is anachronistic and irresponsible for the Congress to continue to treat each appropriation bill independently of all others.

As long as worthy programs continue to be presented to the Congress individually and are permitted to stand or fall on their own merits, we will not be able to control the skyrocketing infringement on the Congress' budgetary prerogatives by the executive branch.

Congress can no longer treat each Federal program in a vacuum; given our finite Treasury, the decision on each program must be made in the context of all other equally worthy Federal programs.

If Congress is to resume its role in governing our country, it must act responsibly in setting the budget, and that means that every decision to finance one program must come at the expense of another program.

That is a hard fact of congressional life, and it is one that this committee has recognized in its recommendations, which I firmly applaud.

The second point I should like to make concerns the traditional distinction the Congress makes between the authorization process and the appropriations process.

I thoroughly believe in the advantages of that distinction, and I believe that it must be retained in any reform of the budgetary process. Budgetary reform recommendations which would place the responsibility and the burden of making the hard decisions on priorities solely on the Appropriations Committees would sacrifice the very real benefits of our present two-step spending process.

These benefits come from the combination of indepth expertise and broad overview which the authorization appropriation distinction provides.

The members of our authorization committees have accumulated a unique mastery of the operations of the programs within their committee jurisdictions.

They know those programs extremely well. They know what is right with them and what is wrong with them; where errors were made in the past and where changes could be made in the future.

That sort of knowledge must have a role in the decisionmaking process which establishes the budgetary priorities and which increases the funding of one program at the expense of another.

As a practical matter, members of authorizing committees have become effective advocates of programs within their purview.

As in our legal system, the use of expert advocates of competing concepts results in judges and juries who are fully informed and thus able to make better decisions.

The members of our Appropriations Committee, on the other hand, have a far broader responsibility than their colleagues involved in the authorizing process.

As a result, they have a unique perspective on the fiscal consequences of their actions. That crucial perspective must continue to serve its vital role in the establishing of budgetary priorities.

I therefore propose that Congress establish a priority-setting process which retains the two-step authorization-appropriation procedure. This would require two central alterations in the present system.

The first would be to set up a committee to create a master budget authorization resolution. This committee would undergo the give-and-take priority setting process.

The second change would be to modify the current procedures of the Appropriations Committee to assure that it undertakes the same priority setting process which the Master Budget Authorization Committee has undergone.

These two alterations would assure that Congress makes use of both the indepth knowledge and the broad overview available to it which are essential in enacting a responsible budget. It would require at each step the overt, conscious comparison of priorities across departmental and programmatic lines.

The Master Budget Authorization Committee would be charged with the responsibility of writing the master budget authorization, which would include a spending ceiling. That ceiling would be binding on appropriation bills.

In addition to the ceiling, the authorization resolution would contain guideline limits for each of the broad program areas. These guideline limits would add up to the total spending limit.

Although I have not yet worked out the details of the composition and appointment of the Master Budget Committee, I believe that it should be composed primarily of members of the authorization committees, and that each authorization committee should be represented. Also chairman or ranking members on the Appropriations and Ways and Means Committees.

Only in that way can the cross-program comparisons and priority-setting be accomplished with the benefit of the authorization committees expertise.

The analogy for the appropriations process to the priority-setting of the authorization process would occur within the Appropriations Committee.

I propose a change in Appropriations Committee procedures which would force the same hard cross-program comparisons and priority-

setting which occurred within the Master Authorization Committee to be undertaken by the Appropriations Committee.

This could be accomplished by requiring that before any appropriations bill is permitted to be reported to the floor, the entire Appropriations Committee must have considered all the appropriations bills, and must make certain that the total spending to be appropriated falls within the authorized spending limit.

This would force the committee members to decide among themselves which programs deserve increases at the expense of decreases in other programs.

A series of new House rules requiring a two-thirds vote for bills which exceed the spending limit and subtotal guideline limits would help to assure enforcement for the spending limit while still allowing some discretion and flexibility.

Thank you.

Now, Madam Chairman, I would, in my proposal, prefer obviously that this radical proposal that the system be changed be accompanied by changing the budget system to a calendar year basis.

I think that it could be done. I think that it should be done.

Now, I have spoken only from the standpoint of the House of Representatives. This program could also apply to the Senate. I think it could be combined.

I have spoken primarily, as has Mr. Findley, from the standpoint of the House of Representatives.

Mrs. GRIFFITHS. Thank you very much.

I think one of the major changes we could make in the whole procedure is to appropriate for 2 years, put out some continuing resolutions, and adjourn this Congress and all go home and find out how the laws work we have already passed.

Mr. Schneebeli.

Mr. SCHNEEBELI. Thank you very much.

The gentleman has spoken to me several times about his concern and proposal in connection with this Master Budget Authorization Committee and the whole subject of budgetary control.

I recognize the great effort and study in this regard. I would like to ask one question.

On this Master Budget Authorization Committee, which is going to have great influence and should be able to act with good judgment and immediacy, you suggest that each authorization committee should be represented in addition to possibly more than one member each from Appropriations and Ways and Means.

I am afraid it would get unwieldy when we get into the forties and fifties in one committee.

Mr. BELL. Isn't the Appropriations Committee about 55? It would not be much in excess of that, I don't believe.

Mr. SCHNEEBELI. They deliberate all year. I think some previous witnesses have shown concern about the possibility of the committee getting too bulky.

Mr. BELL. If the gentleman will yield. You notice that I didn't say specifically each one had to be specifically represented. I would think that could be flexible.

In other words, it would be a number of them or most of them but maybe perhaps not all of them. I would be somewhat flexible on the concept of the committees under the Authorization Budget Committee. I would be flexible on the makeup of it but I would be less flexible on the fact that we should have it.

I agree with the Chairman when she said there should be another committee. I feel that is a very important feature. I think you should have one committee made up from the others.

When you analyze the facts, you have to recognize that you have to give the Authorization Committee key people some role in determining these priorities.

Some know these priorities quite well, even better than members of other committees.

Mr. SCHNEEBELI. The present Study Committee is composed of 32 members of the House and Senate and four come from the authorization committees.

On the House side it is Mr. Reuss and Mr. James Broyhill. They have a lot to contribute. Most people think we should give considerable weight in the composition of the committee to Appropriations Committee members, because they have so much experience and so much expertise they can lend to the whole process.

Mr. BELL. Their position would not be dramatically changed. They would still be in the position of passing on the final appropriations and they would obviously, hopefully we would have the appropriation below the ceiling set up by this other committee, but they would still determine what the total bill would be.

Mr. SCHNEEBELL. I appreciate you coming and presenting your fine study of this problem.

Mrs. GRIFFITHS. Mr. Davis.

Mr. DAVIS. I am bothered by one concept. That is, that overall this looks like a situation in which the various authorizing committees would get together and hammer out some sort of compromise and then it would be left to the Appropriations Committee the privilege of reducing those if they saw fit, but in no way to increase anything over what the authorizing committees had gotten together and cut up the pie.

Mr. BELL. Well, the authorization committees—if you are concerned about the authorizations committees maybe being too flexible with the Treasury's money or whatever you want to call it, I don't believe that is true.

I think that the members on the authorization committees, when placed with this responsibility, would act extremely responsibly. I think that they would provide a budget that would be a budget—a budget that would be useable, workable, and I would think the Appropriations Committee could meet and reduce it or whatever they chose to do, that they would certainly put a ceiling just like the authorization committees today put a ceiling.

I don't see that that would be any great difference. You are not changing the system. That is the important thing. You are still residing within the system that we have today, which I think is good.

Mr. DAVIS. Fifty-six percent of next fiscal year's expenditures don't even come to the Appropriation's Committee. What are we going to do about them?

Mr. BELL. Of course, you are talking about the uncontrollables—this, of course, would have to be——

Mr. DAVIS. Not uncontrollable. It means through backdoor spending, general revenue sharing and things of that kind. The Appropriations Committee can't do a thing about them.

Mr. BELL. I appreciate that. This, I think, should be, of course, placed in the overall picture. Both committees would have to understand this. This would have to be clearly understood. This would be part of the package.

However, they would have to make it clear to the House exactly where the guidelines are and where their areas of expenditure could be.

Does that answer your question?

Mr. DAVIS. Thank you.

Mrs. GRIFFITHS. Mr. James Broyhill.

Mr. JAMES BROYHILL. Part of the problem as you know it and have lived with it these many years is that we tend to cut up the budget into several pieces and operate on these different appropriations separately. We never really pull it back together and apply it to some budget ceiling or budget target or estimate.

Then we have the other problem of where the authorization committee have either extended legislation or have voted for legislation putting large authorization figures on these different programs.

If we fully appropriated for all of the top limits of authorization we would have a budget this year in excess of $300 billion.

It seems to me if anything would work out here, we would need to have, of course, maximum input from the legislative committees, but to make it work I would think we would need to have a maximum input as well from the Appropriations Committees—we have to relate the expenditures to revenues. They have to be involved in this process as well.

Mr. BELL. But if I may comment, I think one of the things that you have to bear in mind is that the priorities will be argued on the authorization budget committee, whatever you want to call it.

This will be discussed by people that know the priorities, what the priorities should be. I think the responsibility, the onus of responsibility that they hold would hold them somewhat in check. If that didn't, you still have the Appropriations Committees' final decision which would put it where it belongs. They have also operated very effectively, I think, in the past and I don't see why they would change.

In fact, this might make them even better, if that is possible.

So, I think, Jim, you have the opportunity of the experts on each of these bills arguing with each other and having to realize that they will have to take from Peter to take care of Paul, and you will have to set your priorities.

I think there is no better place than on such a committee, on a budget committee.

As I said, they still have the check of the Appropriations Committee stepping in and—another argument I could make, there might be some concern that one committee has too much power over another, and so forth.

This somewhat bypasses that because all the committees would be fairly well represented.

Mr. JAMES BROYHILL. We do appreciate your ideals and, of course, this does point up the problem of how to come up with a plan that is not only workable, but one where we can get the maximum cooperation from all the Members of both the House and Senate.

Mrs. GRIFFITHS. A plan that will prevail.

Thank you very much.

Congressman Ogden Reid.

We are happy to have you here this morning.

STATEMENT OF HON. OGDEN R. REID, A U.S. REPRESENTATIVE FROM THE STATE OF NEW YORK

Mr. REID. I am delighted to be with you and this distinguished committee.

I know time is short and I ask unanimous consent that my remarks as prepared be included in the record at this point.

Mrs. GRIFFITHS. If there are no objections, they certainly will be.

[The statement follows:]

STATEMENT OF CONGRESSMAN OGDEN R. REID

SUMMARY OF RECOMMENDATIONS

(1) Implementation of the Joint Study Committee's tentative recommendations contained in its Interim Report (House Report No. 93–13) relating to procedures for comprehensive Congressional planning of the budget.

(2) Enactment of legislation (H.R. 2403) to prevent Presidential violation of Congressional intent through the non-expenditure of appropriated funds (impoundment) and the unauthorized expenditure of funds not appropriated; such legislation providing for—

(a) GAO review and evaluation of all budget and legislative proposals of the President, with reports to Congress on the consistency of such proposals with the legislative programs of Congress;

(b) No impoundment of funds without prior approval of Congress acting, initially, through the Comptroller General;

(c) Cutoff of funds from the Treasury by the Comptroller General whenever he determines, subject to direction from Congress, that the President is spending funds without authorization or in violation of Congressional intent.

Mr. Chairman, permit me first to compliment the fine work performed by the Joint Study Committee on Budget Control in coming to grips with the difficult problem of Congressional control over the budget. I am confident that out of your work will emerge significant reforms which will go far toward restoring the Constitutional prerogatives of Congress in this critical area.

Your work to date has been concerned primarily with establishing mechanisms and precedures by which Congress can fashion overall and interrelated priorities for the expenditure of Federal moneys. The importance of this goal cannot be overstated. Comprehensive budgetary planning by the Congress has been virtually non-existent in the past and has contributed measurably to the loss of Congressional power vis-a-vis the Executive Branch. Budgetary decisions in Congress tend to be haphazard and accidental rather than rational and coordinated. It is imperative that a system of uniform comprehensive budgetary planning and control be created within the Congress so that we will know each year very simply how much money we intend to spend and what we intend to spend it on. Toward that end, I fully support development and implementation of the tentative recommendations contained in your committee's Interim Report (Hse. Rpt. No. 93–13), and I pledge to do all I can to aid this effort.

Having said that, I would like to focus on a related problem of perhaps even greater implications for the position of Congress in our Constitutional scheme of things. Stated briefly, that problem is: once the budgetary decisions of Congress have been translated into law, how can Congress ensure that its will, and the law itself, will not be flagrantly violated by the President?

This is no idle question.

Whenever it suits him, the President impounds money appropriated by Congress for programs it established and intends to carry out. Presently an estimated $12 billion is under impoundment, much of it for vital housing, education, and environmental programs, even where expenditures are mandated by statute and passed over the President's veto.

Not only does the President condescendingly refuse to expend funds mandated by Congress, he sometimes goes to the opposite extreme and expends funds from the Treasury for purposes never approved or authorized by Congress, as in the case of the 1970 invasion of Cambodia.

Unless Congress is prepared to deal with these twin problems of under-expenditure and over-expenditure by the President, it will remain a permanent occupant of second place in our government no matter what internal reforms it adopts concerning budgetary planning.

The Constitutional proprietary of these Presidential abuses is unlikely to be settled by the courts in the foreseeable future. Thus if Congress is to regain its rightful position of equality in our Constitutional system—and to regain control over the expenditure of America's money—it will have to do so through its own enterprise. Help from other quarters cannot be counted on.

No weapon in Congress' arsenal is more effective for this purpose than its power of the purse—the power to cut off funds. Without action by Congress, the President cannot get money. Without money, he cannot function.

Moreover, in order to insure the implementation of its legislative programs which a recalcitrant Executive threatens to kill, the Congress must consider using whatever power the Constitution gives it to make expenditures itself.

That the Constitution vests the power of the purse exclusively in Congress is indisputable:

"All legislative powers herein granted shall be vested in a Congress of the United States . . ." (Article I, Section 1).

"No money shall be drawn from the Treasury, but in consequence of appropriations made by law . . ." (Article I, Section 9).

"The Congress shall have power to lay and collect taxes . . ." (Article I, Section 8).

"The Congress shall have power . . . to coin money . . ." (Article I, Section 8).

"The Congress shall have power . . . 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, or in any Department or Officer thereof." (Article I, Section 8).

Therefore Congress need not search for means by which to guarantee itself an equal voice in the government of this country. It merely needs to exercise the means which the Constitution very intentionally placed at its exclusive disposal.

In blunt terms, this means cutting off the President's money when he flagrantly violates a mandate of Congress. Any mechanism established by Congress to oversee and control actions by the Executive Branch must include this kind of sanction, for without it the President can act with impunity.

Under its present cumbersome structure and procedures, Congress lacks the capacity to apply such a sanction on a systematic basis in response to Executive Branch abuses.

What must be institutionalized is a simplified procedure which facilitates effective response by Congress to specific acts of the President.

The first step in this direction is for Congress to delegate to the Comptroller General, who should be appointed by Congress and afforded expanded authority, the job of gathering and analyzing all the information Congress needs to oversee Federal expenditures. Congress itself has neither the time nor the resources for this enormous task. If it burdens itself with this responsibility, the work will never get done and Congress will not come close to getting a handle on the administration of the Budget. It simply has too much else to do to take on this added volume.

Second, in order to provide for swift and decisive action when necessary. Congress must also delegate the initial exercise of its power to cut off funds to an institution capable of acting with one mind, while reserving to itself authority to ratify, modify, or rescind such action by its delegate by concurrent resolution.

Centralization of the initial decision-making authority in another institution is essential if Congress is to make any system of sanctions against the Executive Branch work. The great advantage which the Presidency has always enjoyed over

Congress is the absolute decision-making authority possessed by one man at the top. Unless Congress creates a similar system for itself, it will always be trying to fight the President with at least one hand tied behind its back.

To accomplish the reform necessary to permit Congress to exercise effective oversight and control over the expenditure of Federal funds by the Executive Branch, I have introduced H.R. 2403, the "Congressional Oversight Act of 1973." This legislation establishes the following structure:

An Office of Budget and Expenditure Oversight (OBEO) is constituted within the General Accounting Office, with duties to analyze all legislative and Budget proposals submitted by the President and report to Congress thereon, evaluating the consistency of such proposals with the legislative programs of Congress;

The GAO is expressly stated to be an agency of Congress, the Comptroller General is expressly stated to be an officer of Congress, and the Comptroller General is made subject to appointment by the Congress for five year terms;

It is unlawful for the President or any officer or employee of the Executive Branch to impound funds appropriated by Congress, except when required to do so by law, without obtaining the *prior approval* of the Comptroller General for each proposed impoundment (beyond even this, Congress should explore its possible power under certain Constitutional provisions to write checks itself when the Executive refuses to expend funds);

The Comptroller General is required to disapprove a proposed impoundment if he determines it would not be consistent with the legislative programs of Congress;

Either House of Congress can itself render an impoundment unlawful by stating its disapproval thereof, and both Houses acting concurrently can render lawful an impoundment previously disapproved by the Comptroller General;

The Comptroller General, subject to any direction by Congress, is empowered to cut off the disbursement of funds from the Treasury when he determines that such funds are being expended by the President for purposes not consistent with the intent of Congress.

With a structure of this nature, Congress will be able both to ensure sufficient expenditure of funds to serve the programs it has enacted, and to prevent the expenditure of funds for purposes it has never authorized or intended.

In either case, centralization of the preliminary decision-making in one man is an essential ingredient. As an agent and officer of Congress, the Comptroller General is well equipped to perform this assignment, subject always to overriding action by the Congress, which retains ultimate responsibility.

Only in this manner can Congress make effective use of its power of the purse to check the President when he abuses his authority or discretion.

The provisions of my bill are, of course, subject to amendment and can no doubt be improved. However, such legislation, passed over Presidential veto if necessary, would permit the Congress to act expeditiously by concurrent resolution thereafter.

The real question of restoring coequal powers to Congress is not the Constitutional question, but more fundamentally, a question of will. If Congress has the will and the independence it can restore checks and balances to our government.

Further, a thoughtful and powerful Congress would be in a position to encourage, indeed to insist on, cooperation by the Executive Branch. What is needed in our system of government is a capacity of both the Executive Branch and Congress to work together in the national interest, with a clear understanding by both of their accountability to the American people.

Failure by the Congress to act in this area can lead only to a one-sided confrontation which the Congress would lose—an outcome which would be inimical to the best interest of the American people.

Mr. REID. First, permit me to compliment the committee for the fine work performed.

I fully support the development and implementation of the tentative recommendations contained in your committee's interim report and I pledge to do all I can do aid this effort.

Having said that, I would like to focus on a related problem of perhaps even greater implications for the position of Congress in our constitutional scheme of things.

Stated briefly, that problem is, once the budgetary decisions of Congress have been translated into law, how can Congress insure that its will and the law itself will not be violated by the President?

The President currently impounds money appropriated by Congress for programs it established and intends to carry out. Presently an estimated $12 billion to $15 billion is under impoundment, much of it for vital housing, education, and environment programs, even where expenditures are mandated by the statute and passed over the President's veto.

Presently, Madam Chairman, as you know, there are several bills before the Congress trying to touch on the constitutional question of the purpose of the purse.

Chairman Mahon's bill requires the President to notify Congress within 10 days of any impoundment.

Second, impoundment is permitted to stand unless Congress disapproves it within 60 days.

Senator Ervin's bill, S. 373, requires the President to notify Congress within 10 days of any impoundment and, second, impoundment is permitted to stand only if Congress approves it within 60 days.

Third, our bill, H.R. 2403, which now has some 40 sponsors, including some members of the Appropriations Committee, has several features.

One, it prohibits any impoundment without the prior approval of the Comptroller General, who would be an officer appointed and approved by the Congress.

Second, it empowers the Comptroller General to cut off disbursements from the Treasury by revoking warrants and funds being spent for purposes not consistent with the intent or statutes of Congress.

Third, gives subpoena power to the GAO.

Fourth, requires the GAO to analyze and report to Congress on all budget and legislative programs submitted by the President to the Congress evaluating the consistency thereof with the existing legislative programs of Congress; and,

Fifth, requires all department and agency heads to submit to the GAO and the Congress duplicate copies of their budget requests to the OMB.

Let me start, Madam Chairman, by touching on the first point.

I have served long with John Moss and now Chairman Moorhead for considerable time on the Freedom of Information Subcommittee.

It is clear that there is an increased tendency to use economic privilege to deny to the Congress information not that is merely sensitive in terms of the needs of the President or as between heads of state, but fundamental information in my judgment central to the constitutional responsibilities of Congress itself.

Accordingly, I think, in my own view, that executive privilege does not lie certainly in any area where information is central to the Congress carrying out its constitutional purposes.

In this case, we give the Comptroller General nominated and approved by the Congress the power to require relevant documents in the fiscal budgetary area central to the carrying out of our responsibilities under the Constitution.

It also gives the Comptroller General the power of subpoena, power that as you well know he presently lacks.

Second, the legislation sets up a budgetary office in the GAO with the capacity to much more thoroughly and completely analyze what is happening in the Congress and in the executive branch, putting together relevant facts and figures and evaluations.

Third, it touches on the question of impoundment.

Let me just read briefly from some of that.

Section 6 of our bill says no officer, including the President or employee of the United States having authority to expend or obligate funds shall impound an appropriation unless, one, prior to impounding such appropriations such officer or employee transmits to the Comptroller General a proposal to impound such appropriation. The Comptroller General approves such proposal in accordance with subsection b.

The Comptroller General shall approve a proposal to impound an appropriation only if, one, written justification for the proposal to impound has been transmitted to him and each House of Congress by the person proposing such impounding, and, two, he determines that such proposal to impound is consistent with the legislative programs of Congress and would not result in the failure of a program adequately to achieve its legislative purpose.

Three, neither House of Congress has passed a resolution stating its disapproval of such proposal to impound by the end of the 30th calendar day of the session of Congress after the date on which written justification therefor is transmitted.

In other words, one House can block impoundment but both Houses are required to approve impoundment.

The constitutional questions I know are complex. I have spent a little time trying to talk to some constitutional authorities.

The Speaker, as you know, is sending out several bills to get the judgment of constitutional authorities as to precisely where our powers lie.

Having looked at all of this, I am clear about one or two constitutional points. It seems to me that our Founding Fathers believed there should be checks and balances between the Executive and the Congress.

Clearly the Executive didn't intend the Congress to be powerless in certain areas.

Specifically it didn't envisage the President having the authority to set and implement national policy without congressional authority. It didn't envisage a President with the power to pick and choose among the congressional programs implementing some and ignoring others even when passed over Presidential veto.

Finally, it didn't envisage an Executive with the power to refuse to provide information that Congress in its wisdom has determined to be necessary and proper to the discharge of its legislative responsibilities.

In another sense, I believe our Founding Fathers believed in checks and balances, co-equal branches of government, and I think it is plain, effectively plain and clear today that over a period of time we have seen a serious erosion of powers between the Congress and the Executive and that the balance has shifted drastically toward the Executive and that the people's branch of the government—notably the House—can increasingly become irrelevant if we don't have certain powers of the purse refurbished and restored.

Now, I merely call to the attention of the committee several basic parts of the Constitution.

Article I, section 8. Specifically the Constitution vests the power of the purse exclusively in Congress in the following respects:

"All legislative powers herein granted shall be vested in a Congress of the United States." That is article I.

"No money shall be drawn from the Treasury but in consequence of appropriations made by law." Article I, section 9.

"The Congress shall have power to lay and collect taxes." Article I, section 8.

"The Congress shall have power to coin money." Article I, section 8.

"The Congress shall have power to make all laws which will be necessary and proper for carrying into execution the foregoing powers and all other powers vested by this Constitution and the Government of the United States."

I might also mention section 8 says the following:

"The Congress shall have power to lay and collect taxes, duties, impose excises, to pay the debts and provide for the common defense and general welfare of the United States."

Now, while there is some constitutional authority to the contrary, it seems to me the Constitution does vest power to pay the debts in the hands of the United States, namely, in the hands of the Congress.

What happens if debts legally contracted by states and other parties are not paid by the President? Is the Congress then powerless to act? What I am talking about are contractual obligations, pre-financing, the commencement of a housing project where the hole was dug, a variety of things that could be considered contractual debts of the United States.

In any event, I believe the Congress has got to restore to itself and to the American people the power both to get information and the power in some cases to cut where funds are being improperly spent as well as the power to, in a sense, direct the President or to make illegal—which is one and the same—impoundments that he has made improperly and inconsistent with congressional statute and intent.

We believe that the mechanism established in this bill would right the balance. I believe there are a number interested in it in both the House and the Senate.

The question is not whether the bill in its present form is ideal. I am sure it can be improved. The question ultimately is whether we have the will to restore appropriate powers to Congress so there will be a thoughtful balance not in the interest of seeking confrontation between the Executive and the Congress.

I think most of us are anxious to work with the Executive. But I do believe, unless certain powers are refurbished and strengthened by the Congress, we could be treated to further condescension on the one hand by the White House or to a running confrontation on the other. Neither would serve the interests of the American people.

I believe some institutional reforms strengthening the power of the purse would be relevant and germane to our present constitutional crisis.

Mrs. GRIFFITHS. Thank you very much.

Any questions?

Mr. DAVIS. Yes.

Mr. Reid, I gather the import of your statement here is that you are concerned because we aren't spending enough money rather than spending too much, is that correct?

Mr. REID. No, sir.

I am concerned first, Mr. Davis, with the congressional question—the constitutional question of whether or not the Congress is going to have relative powers over the purse. This works both ways. I think there are areas where the Congress should have the power to cut funds that the Executive does not, and equally should have the power to see that funds are spent when congressional intent and mandate—particularly when the Congress overrides the veto—is clear.

I would hope out of it would come, in the first instance a very clear and firm and prudent ceiling on expenditures in programs consistent with our balance of payments problem and our inflationary problem here at home, but within a ceiling I would hope that there would be a fair exchange and thoughtful cooperation between the Executive and the Congress in the constitutional sense, a cooperation that I don't believe pertains now.

Mr. DAVIS. Are you an attorney?

Mr. REID. No, I am not.

Mr. DAVIS. I was somewhat interested in your constitutional interpretations here, which happen to differ very sharply from mine.

That is all.

Mrs. GRIFFITHS. Thank you.

Any questions?

Mr. SCHNEEBELI. Congressman Reid, you seem to want to give a lot of authority to the Comptroller General. I think it will be difficult enough to sell to the Congress any legislation written. I would doubt that we would be able to sell to the Congress all the authority you recommend for the Comptroller General, particularly where he is made subject to appointment by the Congress for 5-year terms.

I merely raise this point because proposing any sort of budgetary control will be difficult, and if we propose to farm out a lot of our present responsibilities to some other agency, I question whether the Congress will buy it.

I don't know. It is an interesting observation.

Regarding impoundment, you certainly raised questions that other Members of the Congress have raised.

Thank you for your ideas.

Mr. REID. If I may just comment on that question.

The powers in our bill are vested exclusively in all major areas with the Congress itself. The only power we really vest in the Comptroller General is to take and make certain decisions on the minor impoundments that might occur.

I don't think Congress can sit and examine every single budgetary change that the Executive might make. But wherever the Comptroller General does act, he is subject either to a blocking by one House or the approval of two Houses, so the thought was to get the Comptroller General to handle the detail work but present to the Congress all major questions.

I don't think the Congress could necessarily sit down and take a look at each and every instance of the Executive trying to——

Mr. SCHNEEBELI. You state specifically that the Comptroller General would be required to disapprove a proposed impoundment if he determines it would not be consistent with the legislative programs of Congress.

Mr. REID. That is subject to the action of Congress itself.

Mr. SCHNEEBELI. Thank you very much.

Mrs. GRIFFITHS. Thank you very much for your very thoughtful testimony.

Congressman Barber Conable of New York.

STATEMENT OF HON. BARBER B. CONABLE, A U.S. REPRESENTATIVE FROM THE STATE OF NEW YORK

Mr. CONABLE. Thank you, Madam Chairman, and members of the committee.

In view of the lateness of the hour, I shall be mercifully brief.

I do not appear today to urge approval of any special technical suggestions for recapturing our sense of priority and balance here in Congress.

I have sponsored the Findley proposal, House Resolution 141, as a possible mechanism for doing this. I commend it to your attention, but I am not unalterably bound to any single solution.

The members of this committee are more experienced than I, and I am encouraged by the quality of earnestness which has characterized your labors to date.

I know that you approach this subject with every intention of using your experience in deliberate and realistic ways. I wish only to emphasize the sense of urgency many of us among your colleagues feel at this time. We have passed the point of no return.

Unless you can give us a plan which will essentially reform our budgetary processes to permit us to put it all together, Congress will cease being merely ineffective and will become a national laughing stock.

This issue is sharpened, of course, by the daily confrontations, reported in the press between Congress and the President on a constitutional, institutional, and political level. But as in other confrontations, the underlying significant dispute is one of policy.

Congress can express its policy views effectively only by its overall view of the relative importance with all the other unmet needs afflicting our complex society. Unless we do more than identify those needs year after year, it is inevitable that the real priorities of Government will be established in the only other part of the Government capable of relative judgment, namely the executive branch.

The establishment of priorities as a Government function is not properly vested there, but it must be done somewhere and if we fail to do it ourselves, the President ultimately has no choice but to assign comparative importance to the various programs we have asked him to administer. He is required to do this, using the limited resources which we also provided him.

In short, I do not view this issue so much as a struggle between the Executive and the legislative, as I do the more basic question of whether the legislative branch will perform its particular responsibility in Government. We cannot continue to ignore the overall impact of the separate program actions we take.

I realize that you are struggling only with the development of a mechanism for putting it all together. The best techniques in the world cannot make an effective governmental agency out of an institution that does not have the will to govern.

I personally think the American people want the Congress to be an important part of the Government, and once you have devised a technique for the improving of our priority setting function, I believe the American people will insist upon our using it. It will be more difficult to avoid the tough decisions of Government once the work of your committee has underscored the necessity of our doing more than considering each program in a vacuum.

Unless you are successful in promoting such an overall approach, I can see only a continuing erosion of our institutional capacity to function as an effective part of the Government, a further atrophy of our governmental muscle and an increasing reliance on the executive branch as the real priority setter, however much we may disagree with the priorities it sets.

I wish to lend my encouragement to your work, to pledge my support to a reasonable mechanism for the establishment of legislative priorities and to repeat my feeling that this is the most urgent business Congress can undertake in terms of institutional reform.

Thank you.

Mrs. GRIFFITHS. I would like to thank you.

I think that is an excellent analysis of the exact problem and is a very thoughtful, well-considered statement.

Do you have some questions?

Mr. DAVIS. Somewhat different than the previous New York opinion that we received on these matters.

Mr. CONABLE. New York is a diverse State. There are many viewpoints there. We are proud of our diversity, among other things.

Mr. DAVIS. I think it is a good pinpointing statement and very realistic.

Thank you.

Mr. SCHNEEBELI. I agree with you wholeheartedly that we passed the point of no return. I am amazed at the cynics in Congress who say we have been up this road before but we failed, and after experiencing futility also, we will come to the same conclusion. We can't possibly come to the same conclusion.

I don't look forward to the day when I have to write my constituents and say that unfortunately we couldn't control our expenditures. The cynics who persist in this attitude certainly don't have the right concept of what the public demands.

I think you underscored this very properly as you always do.

Mr. CONABLE. We can't afford cynicism at this time. This is too serious an issue. My purpose in coming here today was to encourage you with your work.

Mr. SCHNEEBELI. I agree wholeheartedly.

Mrs. GRIFFITHS. That is wonderful. The real proof is that the problem 25 years ago was not the acute problem it is today.

They began with a situation that was totally unwieldy. I understand they had more than 100 members of the committee, which would have been almost a quarter of Congress working on it. They didn't have a chance when they began. But they didn't have the pressing problems and they didn't have the backing of really the rest of the country.

I think the country is demanding it.

Mr. CONABLE. Madam Chairman, I think the urgency of this is the result of the proliferation of programs we have. We have so many

programs that it is virtually impossible for the individual Congressmen to assign any relative importance to them. They are all addressed to worthy purposes.

I commend to your attention the valedictory press conference of Elliot Richardson when he left HEW. It was a fascinating discussion of what is wrong and what an overpowering necessity we face for putting it all together somehow. Otherwise, we will continue to identify national needs, propose a program for dealing with them and then thereafter demonstrate our lack of capacity to assign it any relative scale of importance with respect to all those myriad other programs that we have to consider.

Mrs. GRIFFITHS. Nothing exemplifies this better than the welfare study we are engaged it.

Mr. CONABLE. I think that is very important, too, what you are doing on that.

Mrs. GRIFFITHS. Ten different committees are passing out welfare. They don't call it that. They call it rehousing America, giving pensions to veterans, doing this and that, getting rid of our slums.

In truth, it is all welfare. It is now the largest expenditure of Federal Government.

Thank you very much.

We stand adjourned.

[Whereupon, at 12 m. the committee was adjourned.]

IMPROVING CONGRESSIONAL BUDGET CONTROL

FRIDAY, MARCH 9, 1973

U.S. CONGRESS,
JOINT STUDY COMMITTEE ON BUDGET CONTROL,
Washington, D.C.

The Joint Committee met, pursuant to notice, at 10 a.m., in room 1114, the Dirksen Building, Hon. Jamie L. Whitten presiding.

Present: Representatives Whitten (presiding), Davis, and Senator Fulbright.

Chairman WHITTEN. The committee will come to order.

We have first today, a longtime public servant of both sides of the Congress, the Senate and the House, one of our outstanding Members, Claude Pepper, of Florida. We are proud to have you appear.

STATEMENT OF HON. CLAUDE PEPPER, A U.S. REPRESENTATIVE FROM THE STATE OF FLORIDA

Mr. PEPPER. Thank you, Mr. Chairman and members of the committee. I am grateful for the opportunity to appear here before you this morning on this very critical matter with which you are concerned, and which confronts our country today. It is a subject that reminds me of something attributed to the distinguished Senator after whom this building is named, the distinguished Senator from Illinois, Mr. Dirksen.

They tell the story that on one occasion Senator Dirksen in Illinois had a big button on his coat lapel that had the letters "IAK" and some fellow addressing the Senator one day at a public meeting said, "Senator, what is that button you have there with those letters 'IAK' on it?" and Senator Dirksen replied, "That means I am confused," and the man looked at the Senator and studied it a minute, and said, "You don't spell confused with a K," and he said "That is how confused I am."

I think contrary to what appears to have been the expression of some of the scholars who perhaps testified before this committee recently, that there is a constitutional crisis involved in this controversy.

I have been looking back lately over various materials from the Library of Congress having to do with the fashioning of our Constitution and I can't find anywhere in any of the papers relative to that historic event where there was any controversy or serious debate over what the role of the Executive was to be in carrying out the laws of the Congress.

Imagine the shock that would have come to those men who were framing the Constitution if somebody had raised the possibility that in spite of their providing that all of the legislative power, not part

of it, was invested in the legislature and the Executive power invested in the President, that the President could elect to determine what laws he would carry out, the degree to which we would execute the laws enacted by the Congress, the manner in which he would do it and the like, and the instances in which he would totally terminate or repudiate the laws enacted by the Congress, some of which he signed and consummated into law.

The references are very meager. They simply say, of course, the Executive's duty would be to carry out the law and they made it very clear in at least three instances in the constitution. In article II, they said the Executive power should be invested in the President of the United States. It is easy to see the Executive's power: to execute, carry out, administer, discharge, not determine what the laws should be. He does that in another capacity, by making recommendations as to what the content of the law that he shall execute shall be.

The next thing in the Constitution is the taking of the oath of the President. It is well to remind ourselves that the constitutional oath required to be taken by the President is that, I do solemnly swear or affirm that I will faithfully—not with mental reservations, not with ambiguity, not with duplicity, not with deceptiveness, not in a way to hamstring the authority of the Congress—I will faithfully, in good faith, with good faith, honestly, execute the laws enacted by the Congress, as construed by the Court.

Senator FULBRIGHT. And support the Constitution too, isn't it?

Mr. PEPPER. I was just coming to that.

And the next thing to the best of my ability, preserve, protect, and defend the constitution. And a part of that Constitution, of course, is all legislative powers shall be invested in the Congress of the United States.

Now the President takes that oath when he enters upon the performance of his duty. The President that we have recently took such an oath. He didn't tell the people in his inauguration address here in front of the Capitol in January, "Fellow Americans: I want you to know that while I am taking this oath, Mr. Chief Justice, I have some serious reservations about some aspects of this matter. And I want to tell all of you right now before I complete this oath, I am not going to do all of these things that Congress said."

There would have been consternation among all of the people of the country: "What is the matter with the President; we never heard this before."

Now, in section III of article II, it refers to the President: he shall from time to time give to the Congress information of the state of the Union and recommend to their consideration measures as he shall judge necessary and expedient.

That is the constitutional provision under which the President may recommend to the Congress legislation that the body that has all legislative authority shall promulgate.

He has ample opportunity, therefore, to advise with the Congress, to argue with them, either directly, personally, or to appeal over their heads to public opinion or to send them a formal recommendation as to what the contents of legislation should be.

But there it seems to me his authority ends, because a little later, in section III of article II, come these most significant words, "he shall

take care—be solicitous, be very careful, very conscientious, be very diligent, take care; not just casually execute, take care (as if I give a man a mission, and I say take care, I want you to do this exactly as I told you to do it, take care of the responsibilities that you have—he shall take care that the law be faithfully executed (means carried out.)"

Now it seems to me that the President is provoking a very dangerous psychology, a very dangerous attitude in the Government and the people who make it up.

This Government of ours, this tripartite system that I believe was never established for any other nation in the world—certainly never any nation in the world previously had such a government as this Government of ours. It has many virtues, among them to have these three powers, legislative, executive, and judicial, each having a separate responsibility. However, they were not to live in a vacuum with respect to each other. They have to work together. It is like one of these Russian troikas drawing a carriage: if one goes in one direction and the others in another direction, you would never have the moving of the vehicle. Each is a separate horse, with a separate rein on it, but they are all supposed to be driven and work together toward the same common objective.

What the President is doing is exercising raw power. That is provocative, in my opinion. When the President exercises raw power, what alternative or what prospect is left to the Congress? Are we going to have to resort to an effort at impeachment? We clearly have the power in the House of Representatives—to initiate it.

Are we going to be forced to tell the people of the country that we have come to the solemn decision that the President ought to be removed from office and submit the matter to the Senate for adjudication in an effort to get the Constitution observed, not out of any personal or political or partisan motive, but in order to get him to try to keep his oath to preserve, protect, and defend the Constitution.

What is the other prospect open to us? Some say openly, "we can't make the President do it"; there seems to be an inference that the courts can do it. That hasn't been resolved yet. If the President is going to follow the same attitude toward the Court as he has toward Congress (if the Supreme Court should order him to carry out these laws, and he says I am not going to do it) they have but one little marshal over there to enforce their decisions, and what they can, they do.

Of course, if we are going to resort to impeachment, which is objectionable to us, we can say, "Well, Mr. President if you are going to exercise raw executive power we are forced to exercise raw congressional power." We can say, "Mr. President, you sent a budget up here, we are not going to appropriate any money to carry out that budget unless we have assurance before hand you are going to carry out the laws enacted by the Congress."

If you want to bring this country to a stalemate, because you are not discharging your congressional duties——

Mr. WHITTEN. May I say this to my good friend, who is making a forceful statement. There is much in the Constitution to support the viewpoint you express here. I would like to bring to your attention another phase that has bothered me through the years, and that

is the use of special power by the Supreme Court. The Court assumed the right to determine congressional districting, when the Constitution says the House of Representatives shall be the sole judge of the qualifications of its Members. I introduced a resolution at that time thanking the Court for its advisory opinion, stating it had some merit, and would have the attention and study of the Congress. Admittedly at that time we did have congressional districting that had gotten out of proportion.

Instead of that the Congress accepted the opinion. In the State of Missouri, for example, there were six different realignments. If the Supreme Court is going to upset the distribution of the Members of Congress, it leaves a Congressman, and I have never suffered from it personally, sitting on a teterpole of uncertainty of what his district will be tomorrow.

This did not start with the President's action in this instance. The Congress stood by and let the Supreme Court say who is going to sit in the Congress. That was a clear violation of the Constitution, except that they had a right to render the opinion. The mistake was made when Congress took it. I say that here, so the gentlemen might address themselves to that too, because I think it is part and parcel of this matter of having three branches of Government.

The only way in the world government can work, as you mentioned, like the three horses, is for the three branches to pull together, not each trying to get in front of the other.

Mr. PEPPER. The able chairman has pointed out how relevant the question of degree is to the Constitution. I think Justice Holmes once said, everything up to the 12 tables is a matter of degree. In that particular case, I do not recall the Congress ignored the Supreme Court decision but instead passed its own redistricting law, which some suggested we had the authority to do.

To carry further the analogy the able chairman has suggested, that may be one case. There may be other cases, where the Congress conscientiously feels that the Supreme Court has transgressed further than it should maybe on the legislative power, but——

Mr. WHITTEN. Would you not agree that the people are in a weakened position, because their representative may not know what his district will be say, next week. I say we made a mistake in accepting the opinion of the Court at face value instead of accepting it as advisory only.

Mr. PEPPER. There is no doubt, there have been in recent years many decisions of the Court in which Congress did not concur. If the Supreme Court were to carry their authority that you have spoken of as far as the President has carried executive power, they would practically say that "We are going to decide, not only on the basis of the Constitution but on the basis of policy and the like; we are going to strike down relatively arbitrarily a great volume of some of the most critical legislation the Congress enacted."

Now, if the Court were to go to the degree of just setting itself up to exercise raw judicial power, and say "We just do not like what this Congress is doing, it is Democratic and we are Republican, or vice-versa," then we have power to declare that unenforceable.

That would present a constitutional crisis because then Congress could either move the impeachment of these jurists or it could exercise its raw power and say, "Very well, gentlemen. If you want to sit

over there and meditate and adjudicate in your marble palaces and not get any pay, we are going to cut off your pay, we are going to cut off your telephone, cut off your clerks and so on."

That is a good example of how if each branch determines to use raw power, not power deferential and respectful of the other independent branches of the Government, we would have a failure of this great Government of ours. It would not function. If each part of the Government does not show a due respect for the prerogatives and authority of the other and if either forces the other to resort to the exercise of raw power and by the exercise——

Mr. WHITTEN. I know you support my view that the concept of this Joint Committee is to reestablish the power of the people through the Congress. We must recapture the control over the power of the purse. This is probably digressing, but I believe the gentleman was here when the Congress refused to pay two employees in the Interior Department because of a controversy with Secretary of the Interior. For several years there was a provision in the appropriation bill that no part of the money should be used to pay the salary of these two individuals.

Later the Court held they should be paid and Congress yielded to the decision.

I think we certainly want to avoid having to reach that stage under any circumstances in the future.

Mr. PEPPER. May I add just a word or two, Mr. Chairman and members of the committee?

In the first place, whatever the precedents of the past are, they, in my opinion, do not justify the actions that the administration is now taking. First, let me refer to the emergency argument.

A lot of people cite the example of what Lincoln did after Fort Sumter and before Congress convened that year. I don't think anyone can suggest that is a fair analogy. I don't think even from the view point of the President, he is doing this to preserve the Union and to keep it together.

Nobody is complaining about the power of the President to protect his country in an emergency. The legislation that we have proposed and I hope the Congress will adopt, now that it looks like we have terminated the South Vietnam war, does not. We all recognize if the Russians are fixing to shoot a missile at us, we do not have the time to debate it in Congress. We give the President the power to respond.

If somebody attacked us as, the Japanese did at Pearl Harbor, he could start right away, and call upon the Congress for a declaration of war.

What is happening now is not analogous to what Lincoln did. It is more analogous to what Truman did when he grabbed the steel mills.

Mr. WHITTEN. We will yield now to Senator Fulbright.

Senator FULBRIGHT. Our witness today was my professor back in 1935, and he taught me a very great respect for the Constitution. He was professor of law at the University of Arkansas in 1935. By coincidence, didn't he also used to be on the Foreign Relations Committee in the Senate before I was.

He has had a very broad experience in the academic field and in the Senate, where he absorbed all of this knowledge and respect for orderly government.

I agree with everything the Congressman said. I think the Court has gone very far in cooperating with the Department of Justice in the Gravel and Brewster cases. For the first time they infringe on the constitutional provisions that Members of Congress are to be subject to discipline by their own bodies.

If it is connected with their activities, their votes, speeches and actions in the Congress, the Constitution says the Congress shall have the responsibility for discipline.

Now, here we have a procedure which can intimidate anybody. All the Department of Justice has to do is call up any Member of Congress, and say, we are going to indict you unless you get in line on our bill here.

It is a terrible thing for any Member of Congress to have over him the power of the Attorney General to haul him up before a grand jury and say, well look, you have had a contribution from Company "X" lately, didn't you, didn't that influence your vote?

That is what in effect they have established in that precedent. Senator Ervin has gone into this in great length. What you have said is exactly what has been happening.

Now, this committee to reestablish the proper place of Congress, and other similar efforts are of great importance. It is not just the Congress or the Senate or the House that is involved. It is the Government as a whole, the whole system. If we do not do something about it and do it pretty soon, we will have an authoritarian government.

I cannot overemphasize how important it is to reestablish this congressional responsibility.

The President has no respect for Congress. Frequently Congress has not deserved any respect because we have laid down and played dead.

If we can develop a new budget of our own and emphasize our priorities and deny the President the ones he wants, then we have the confrontation and I believe the Congress will prevail.

Mr. PEPPER. I could not agree more heartily with my long and distinguished friend. You have already referred to the fact we have allowed it to happen over the years. Some say Jefferson exercised it a little too much, and now this President. Where is the stopping point going to come, if we allow our authority to become eroded? I think this is the time to stop it.

Mr. DAVIS. Senator, am I to interpret your remarks, and you focused on an occupant of the White House, if a President sees fit to fail to spend funds which have been appropriated by Congress, that he thereby willfully violates his oath of office and the Constitution of the United States?

Mr. PEPPER. Yes. I do.

Mr. DAVIS. That is a very serious charge, Senator.

Mr. PEPPER. If we ordered him to buy 1 million tons of titanium or some rare metal he could not find anywhere in the world, it perhaps would be justifiable if he did not spend it. But if it is something that can be carried out, then it ought to be carried out because it is a law, and if he does not like it he should veto it, and if it is made law over his veto, he can denounce the Congress to the country politically, and say it is a grave mistake, but the President is not the protector of the country against the Congress. The Constitution did not give him that prerogative.

Mr. DAVIS. Obviously this is not the first President that has willfully violated the Constitution and his oath of office.

Mr. PEPPER. An appropriation is a law.

Mr. DAVIS. Do you feel a president violates his oath of office and the Constitution if he fails to spend all of the funds that the Congress appropriated?

Mr. PEPPER. If we made a mistake in not asserting our prerogative properly in the past and I think we have, this is no reason we have to continue. We do not lose constitutional power by failure to exercise it, in my opinion.

You see the implications (and I am not talking about the present President, I respect him) but the implications are, if you can do what the President is now doing, what will the next President be able to do?

If you can terminate a law, if you can determine what part of the law you will carry out, what law you will execute, how much you will execute a law that you accept, what is the power of Congress? It has lost its prerogative to make precise determination as to priorities and needs of the people.

Our judgment is gone. We do not know what we are doing. We are not doing anything for sure, as long as we permit that executive policy to be pursued.

Mr. DAVIS. Just one further question. You referred to the work of our Constitution makers, and if my recollection of history is correct, the entire history of this struggle about the purse in our mother country, and this was the atmosphere in which our Founding Fathers worked, of course, was the struggle of the Executive, in that case the King, to spend more and the reluctance of the Parliament to provide it to him.

Wasn't this what the Founding Fathers had in mind when they wrote our Constitution? They did not say the Executive shall spend all of the money they appropriate, they said in the negative, there shall be no withdrawal from the Treasury except as appropriated by law.

How can you say, then, that an Executive has violated his oath of office, if he fails to spend every dollar appropriated. There is no mandate that says he has to spend it.

Mr. PEPPER. One of the reasons that the President has given to the country and the Congress for his actions is that he wants to spare the people against excessive taxation to be imposed by the Congress.

Let us suppose Congress says, "Very well, we think we should raise an additional $3½ billion from revenue with new taxation, in order to meet some of these needs." And Congress passed a bill, levied certain new or increased taxes and the President could say, "I am against any new taxes" and vetoes the bill. Let us suppose Congress should override the veto, and then suppose the President said, "I told you I am against that; I am not going to collect those taxes," and tells the Internal Revenue Service, "You are not to go to collect those taxes."

Mr. DAVIS. I think you have gone off in another direction, Congressman, I do not think you have answered my question.

Mr. PEPPER. I was using an analogy to the stopping of the expenditure.

Senator FULBRIGHT. Mr. Chairman, I want to put one word in. It is not just spending every nickle. As a matter of fact we passed an antideficiency law and the President is supposed to save money if it is possible, in carrying out the accepted program.

What we are arguing about is not that he spend every nickle appropriated. He has taken the position of denying any funds for a number of programs.

All throughout history there have been cases of Presidents not spending every nickle, but they had some excuse for it. Jefferson is not a precedent. There was a change in circumstances between the time the money was appropriated for the gun boats and the time of the Louisiana purchase. Where the President violates the oath of office, is where he says I am not going to spend the money for the Head Start program or whatever, because I do not believe the Head Start program serves our purposes, period.

If he was operating the Head Start program, and he said look I can save some money by consolidating some programs over here, I would not object to that. I think that is his duty.

Mr. PEPPER. You will notice the able Senator mentioned the Congress itself authorized the President in some of these cases to do this. I would think the proper way to do it, would be one or two ways. Either Congress could give the President a certain discretion——

Mr. WHITTEN. I hate to interrupt, but we must move along. I think this has been enlightening. I would call attention to the fact that all of us being lawyers have decided opinions in this area and I think they are very firm. I think this has been appropriate to these hearings as illustrative of what happens if we do not retain the power of the purse or adopt some kind of budgetary control beyond what we have.

I would call attention again to the fact this is a Joint Study Committee for regaining budgetary control. I think if this committee succeeded in finding a means and method to do that, we might forestall and avoid some of these confrontations. If we have a confrontation between three equals, the country loses and that we cannot afford.

What we have said today has been appropriate to it, but that is not the prime purpose of the study we have here. This is illustrative of the needs for this committee to get on with its business.

Mr. PEPPER. I know this committee will do a good job, Mr. Chairman and I commend you for your diligence.

Mr. WHITTEN. Thank you very much. We turn now to Eugene Rinta, executive director, Council of State Chambers of Commerce.

Mr. Rinta.

STATEMENT OF EUGENE RINTA, EXECUTIVE DIRECTOR, COUNCIL OF STATE CHAMBERS OF COMMERCE

Mr. RINTA. Thank you, Mr. Chairman.

My name is Eugene F. Rinta and I am employed as executive director and research director of the Council of State Chambers of Commerce.

I am pleased to have this opportunity to present to you my views and suggestions for improving congressional control of the annual budgets. It is on the basis of having analyzed and reported on Federal fiscal issues over the last two decades that I feel I may have some contribution to make toward the objective of Congress regaining better control of the purse.

I understand that this hearing is being held with particular reference to the tentative recommendations in your committee's Interim Report of February 7, 1973. But before commenting specifically on these tentative recommendations, I believe a few general observations may be in order.

While the thoughts I present here are my own and do not necessarily represent the views of my employer-organization, I do not hesitate to state that my organization wholeheartedly supports the purpose and objective of your study.

I personally believe that there is no more important business before the Congress today than the difficult task your committee is undertaking. In my view the need for Congress to develop procedures for exercising disciplined and effective control of the budget is now urgent for both the economic and political health of the Nation.

That the Congress has relatively little annual control over expenditures through its normal procedures for considering the President's budgets is not a new development. It is only that this lack of control has become much more serious in recent years.

As far back as 1954 I wrote an article on controlling Federal spending in which I noted that only 38 percent of the $65.6 billion budget proposed for 1955 was subject to reduction through the congressional appropriations process.

In the last few years the controllable portion has fallen to about 30 percent of far larger budgets, and in the 1974 budgets it is only 27 percent. This means that $202 billion budgeted outlays for 1974 will not be affected by increases or decreases which the Congress may effect in the 1974 appropriations bills. The portion of 1974 outlays that could be affected by normal congressional budget actions is only $75 billion.

Any reductions that the Congress might want to make in the $202 billion relatively uncontrollable outlays budgeted for 1974 would require either changes in the basic authorizing legislation or legislated ceilings on these outlays in the overall total or by specific programs.

Actually, however, a relatively small part of the $202 billion total would be subject to legislated ceilings as a practical matter unless the ceiling were accompanied by appropriate change in the enabling legislation. This applies to all of the social insurance trust funds with estimated 1974 outlays of $80.4 billion. It also applies to interest, $27.7 billion, and in substantial degree to public assistance, medicaid and food stamps, $17 billion and to housing subsidy payments, $2 billion.

All of these program outlays on which legislated ceilings would be impractical without accompanying changes in the laws authorizing them total $138 billion. This leaves $14.6 billion of open-ended programs on which legislated ceilings would be practical without formula changes. Of these programs, the largest is revenue sharing with $6 billion budgeted outlays in 1974.

An estimated $45.5 billion in relatively uncontrollable 1974 outlays relate to prior year contracts and obligations. The Executive can control these outlays somewhat by adjustments in timing of delivery of goods and services. Likewise, the Congress could exert similar control over these outlays by legislating ceilings on them.

The remaining $75.2 billion of estimated 1974 outlays is largely subject to congressional control through its normal procedures. Of this

$75.2 billion total, $52.3 billion is for national defense and $22.9 billion is for civilian programs.

These facts point up the limitations under which Congress now operates in dealing with the annual Federal budgets. Clearly, improvements in control procedures and practices are necessary if Congress is to adequately discharge its constitutional responsibility for control of the Federal budget.

I shall now turn to the tentative recommendations in the Interim Report. My comments and suggestions follow the numbering of the recommendations in the report.

One, the first of the tentative recommendations is, of course, central to the whole series of recommendations. I fully agree that the Congress needs a mechanism for determining the proper level of expenditures for each budget year, for providing an overall ceiling on expenditures and on budget authority for each year, and for determining the aggregate revenue and debt levels to be associated with the expenditure and budget authority limits. I also agree that the mechanism for these purposes should be accompanied by a system for making decisions on budget priorities within the ceilings for budget authority and expenditures.

I have advocated legislated budget ceilings from time to time ever since 1953. In testimony which my organization presented for the August 1967 hearings of the House Ways and Means Committee on President Johnson's income tax surcharge proposal, we not only recommend an expenditure ceiling, but we also urged establishment of means for congressional determination of budget priorities. Accordingly, I believe the direction in which your committee is moving in this first and major recommendation is essential if Congress is to regain realistic control of the purse.

But I would suggest one other spending control in addition to the ceilings on expenditures and budget authority. This would be a ceiling on obligations incurred, which is the spending action between the provision of appropriations or other budget authority and the actual expenditure of funds. The budget estimates, by agency, for obligations to be incurred in 1974, as well as amounts for 1972 and 1973, appear in table 8, page 334 of the 1974 budget.

While budget authority is the basis on which spending actions are taken, it is not the best measure of the expenditures that can be expected to be incurred in the few years ahead. One reason is that some grants of budget authority such as for loan guarantees and insurance, are contingency and reserve authorizations which may not have to be used in significant amounts for years, and in some cases, never.

Another reason is that budget authority for several major trust funds, such as social security, is automatically created, with the receipts of the trust funds providing new budget authority.

The incurring of obligations, on the other hand, leads directly to expenditures unless action is taken to deobligate funds previously commited to expenditure. Ceilings on obligations incurred would, in my opinion, contribute significantly to congressional control of the overall budget beyond the year immediately ahead and also to determining spending priorities within the budget.

Such ceilings would provide control over the commitment of unobligated balances from prior year spending authority as well as from

new budget authority. Also, they would give added direction to the Executive with respect to spending priorities. While they would add to the annual responsibility of the proposed legislative budget committees in determining ceilings, I believe the improved spending control would warrant it.

Two, it is proposed in this recommendation, the limitations on expenditures and new budget authority certainly should apply to mandatory and backdoor spending as well as to funding through the annual appropriations process.

If the committee decides to recommend ceilings on obligations incurred, as I have proposed, they should also apply to mandatory and backdoor spending.

Three, in the final action of the session on the budget ceilings, provision should be made for some flexibility with respect to such major relatively uncontrollable items as social security and interest. The flexibility should apply specifically to such items and not on an overall budget basis.

If, for example, social security and interest expenditures exceeded their latest budget estimates and caused total budget expenditures to exceed the overall ceiling, the budget ceiling would not be considered as having been violated so long as the increases in those uncontrollable items were within the flexibility granted for them. I would suggest that such flexibility be limited to a very few major uncontrollable programs in which an implied contract between the Government and payees exists.

As I see it, the proposal for allocating portions of the budget ceilings to the various committees according to their jurisdiction over spending legislation, and subdividing these amounts on a broad program basis, presents the most difficult procedural problem of any of the tentative recommendations.

I believe a satisfactory procedure, as suggested by Representative Reuss would be to set proposed ceilings for the appropriations committees and their subcommittees on funding through the annual appropriation bills and to set proposed ceilings for the respective legislative committees on mandatory or backdoor spending over which they have jurisdiction.

Item five, obviously, procedures to assure compliance with budget ceilings will be needed, and they should apply to both the Congress and the Executive.

Six, if Congress is to maintain effective budget control, its decisions must be based on consideration of their effects on the budgets several years ahead as well as on the budget under current consideration. The projection of the budget impact of existing and proposed spending programs up to 3- to 5-years ahead, as suggested in this recommendation, surely would help to provide for effective budget control on a continuing basis.

Seven and eight, the establishment of a permanent legislative committee on the budget in each House, with adequate representation from the appropriations and tax committees appears highly desirable if not absolutely essential to accomplish the objectives of budget control and determination of budget priorities.

In the past I had thought of this overall budget control responsibility as properly being assigned to a joint committee on the budget,

the membership of which would primarily include ranking members of the appropriations and tax committees. It may very well be preferable for each House to have its own committee.

It goes without saying that the proposed legislative budget committees should have the assistance of a knowledgeable staff. I believe a joint staff to serve the committees in both Houses would be preferable to separate staffs, not only for the purpose of economy in use of skilled personnel but also to better maintain the nonpartisan, professional character of the staff proposed in recommendation 8.

Items 9, 10, and 11. I have no comments on items 9 and 11 of the tentative recommendations.

As for item 10, it would certainly expedite consideration of the appropriation bills if authorizations bills had to be enacted at least 1 year in advance.

This proposal could be made to apply to authorizations of new programs with little difficulty. But for the ongoing activities for which Congress has increasingly in recent years been enacting authorization legislation as well as appropriations, the problem would be more difficult.

In the year of transition to this system the budget would have to include 2-year budget authority proposals for the programs which require both authorizations and appropriations. This would mean one 2-year total for each item or separate amounts for the budget year and the succeeding year.

This completes my comments relating to the tentative recommendations in the Interim Report. But before concluding, I offer two suggestions bearing on the questions of budget control and determination of budget procedures.

First, it would be desirable to develop procedures for periodically reviewing existing programs to determine if the current benefits from their continuance warrant their current cost in light of other demands on Federal revenues.

Such review, with a report to the Congress, might be required every 4 or 5 years, of the various legislative committees having jurisdiction over existing programs. What I have in mind for such review are, for example, the numerous programs providing grants, loans, subsidies, or special services to State and local governments, individuals and special interest groups.

Second, I believe it would be fruitful for Congress to review annually the large balances of unexpended appropriations provided in prior years, especially in defense and foreign aid, to determine whether the purposes for which they were originally provided are still valid in relation to present technical knowledge and international conditions. Any of these unexpended appropriations which could not be currently justified and were not committed beyond recall would be rescinded.

Thank you for this opportunity to present my views on this highly important subject of improving congressional control of the budget.

Mr. WHITTEN. Mr. Rinta, we appreciate very much your giving us the benefit of your statement, which is backed up by many years of study. I wish to compliment you for the soundness of your views as expressed here. I would say for the record that one of the major problems we have, as you can appreciate, is finding something that we can get the Congress to enact. We certainly will profit from your views in trying to come up with a practical solution.

The same goes for the many other recommendations we have had. We will study them thoroughly and try to bring such changes about as we can get it adopted.

I yield to the distinguished Senator from Arkansas.

Senator FULBRIGHT. I wish to join the Chairman in his comments about your statement. It is a very thoughtful statement.

With regard to your second point on page 8, I want to ask who would do the reviewing. My committee has jurisdiction over authorizations to foreign aid. We have never developed any effective way of deauthorizing the vast amounts carried over. What do you have in mind? How will we review and deauthorize some of those authorized carryovers.

Mr. RINTA. I have in mind the Foreign Relations Committee going back to many of these programs which have been initiated maybe 3 or 4 years ago, which are still in the works. Many of these appropriations are not expended until 3, 4, even 5 years beyond the time they were actually provided. They have been obligated but they are not necessarily fully committed beyond recall.

If the Committee should decide, why should this program be going on——

Senator FULBRIGHT. The Committee tried to cut this program and the Committee failed because of recalcitrance to get a bill at all this year. But the Appropriations Committee appropriated the money. I thought you had some new idea on how we could approach this matter to deauthorize some money.

Mr. RINTA. I certainly wouldn't exclude the suggestions of the Appropriations Committee.

Senator FULBRIGHT. The Armed Services Committee which has great pull on the Appropriations Committee in the Senate at least, I can't speak for the House, has dominated both those committees. We have got to have some better way in the Foreign Relations Committee to deauthorize some of these. That is part of the whole business, how are we going to do some of the things many of us think ought to be done.

Chairman WHITTEN. The gentleman from Wisconsin.

Mr. DAVIS. I have no questions, Mr. Chairman.

Chairman WHITTEN. Thank you very much, and because I don't effectively pursue this in more detail here doesn't come from lack of interest, but lack of time.

The next witness, Mr. William C. Conner, Johns Hopkins University. Mr. Conner.

STATEMENT OF WILLIAM C. CONNER, JOHNS HOPKINS UNIVERSITY, MARYLAND

Mr. CONNER. Dear Honorable Congressmen: I thank you for this opportunity and privilege. I come to you as a member of the public, an iconoclast and scientist. I would like to briefly outline the system and its motivations and to make five relevant comments.

What are the appropriate considerations for a modern national budgetary system? In general there are two main considerations: to what degree will the budget be in balance, and what are the relative priorities of the various national programs? At this time the executive branch, with the advice of the Office of Management and Budget, sub-

mits programs, which dictate both of the above considerations to the Congress for its review and approval. I believe that these two parts should be completely separate in origin, as the present system does not sufficiently define the specific accountability for the budget. Separation of the two parts is the most efficient way to assure this accountability.

I believe that the most appropriate division is (1) for the President to submit the figure relative to the overall balance of the budget, and (2) for the Congress, by joint committee, to dictate the relative proportions of spending and thereby the national priorities. This is close to the constitutional definition of the executive and legislative branches. If appropriations are done on a dollar amount instead of a percentage amount one can easily lose the overall view of the total balance: therefore, the obvious method is for funding to be on a percentage basis. In this manner the executive branch is accountable for the balance, and therefore cannot accuse the Congress of irresponsible appropriations with respect to this figure. The Congress will be accountable for the specific relative funding.

This scheme will cause the Congress to assume the overview of the budget that it has been accused of not taking. This initial supervision will be done by a joint House-Senate Committee. This committee is to review the needs and desires of the various funded departments. These considerations are to be presented by the appropriate individual committees. It may be desirable either to have this joint budgetary committee totally exclude or include the members of the various individual departmental appropriations committees. A member or members of the OMB and/or the executive staff may be a permanent or ex officio member.

The budget is comprised of a portion that is separable from the other departmental allocations, for example, Social Security, and basic branch salaries. This portion or first category is comparatively fixed in dollar amount, and, therefore, it is advantageous to exclude this from the proportionation of the second category of the budget. These fixed costs, while subject to legislative review, should be deducted from the overall budget appropriation prior to the percentage funding. These categories should be mutually exclusive; and, whereas each of the funded departments contain fixed costs, they should be inseparable from the overall individual departmental allocations. This would allow a correct evaluation of the relative priorities.

Each year certain appropriations with immediate need are made to enlarge the jurisdiction of a given department or to fund separate new programs. These funds, such as for disaster relief, for specific investigative studies, or for other programs, can be provided for, to some extent, by the inclusion of a buffer in the funded budget. This percentage, possibly on the order of 5–10 percent, would be available for appropriate allocations during the course of the fiscal year.

That is a thumbnail sketch of my proposal. I should like to make five short comments on this.

A. These costs are to be revaluated but not necessarily similarly re-funded each year. They are subject to close scrutiny and appropriate legislation.

B. The national priorities will be dictated by the proportionate allocations. A buffer on the order of 1 part in 10 to 20 is to be included in the total. This will allow for special programs as needed, disaster relief, research studies, et cetera.

The following are my comments with respect to a proposed budget of balanced proportional priorities (quotations are taken from Interim Report of Joint Study Committee on Budget Control) :

A. The nature of the proposal is basically an organic hypothesis. The two interdependent concepts are the separation of the consideration of the overall budget balance from the assessment, and allocation of relative priorities on a percentage basis. All other statements with respect to implementation of such a proposal are subject to modification, refinement, and synthesis.

B. Initial action taken with respect to expenditure ceilings and new obligational authority should occur early in each session of the Congress. Procedures should be developed to assure compliance with the expenditure and budget authority ceiling. To provide expenditure and budget authority guidelines which could be ignored at will does not meet the problem of requiring an examination of competing priorities.

There should be a separation of origin and determination of the degree of balance of the overall budget from the considerations with respect to the appropriation of relative priorities within this set budget level. This separation would assign accountability and dictate a balance of power as mandated by the Constitution. This ceiling, subject to congressional approval, should be subject to future revision and should take into account the taxing activities of the two appropriate committees of each House as well as the appropriate appropriations committees. This initiation of a budgetary ceiling could be the function of the executive branch, a function of a separate joint committee or an isolated function of the joint committee for budgetary control.

C. "The present institutional arrangements, in many cases make it impossible to decide between competing priorities." The Congress of its own initiative should dictate the national priorities. Appropriations by dollar amount have of necessity an inhibiting effect on the required separation, as discussed above. Percentage allocation permits and dictates an overall view of the budget as well as facilitating a proper assessment of national priorities at the time of their assignment. Those funds which are fixed and isolated from the departmental appropriations can be deducted prior to partition by priorities.

D. Each appropriation bill should include long range estimates of future funding and the relationship to the previously funded future, yearly, fixed expenditures of the related department. This would allow an assessment of the degree of commitment to future national priorities. Provision for future consideration of previously funded programs should be taken into account and defined. This would permit an evaluation of the relative effectiveness of the programs with respect to the departmental and national orientation.

E. In general, the justification and necessity of implementation of such a budgetary system can be found throughout the interim report by the Joint Study Committee on Budget Control. It is redundant to repeat the concise arguments that are presented in this document. I believe that all the conditions and considerations for budgetary reform are or can be met by the system of budgetary procedure that I have outlined.

I am available now for any questions or at any future time if you would like to correspond with me.

I thank you for your time and consideration.

Chairman WHITTEN. We appreciate your appearance here. Your presentation shows much preparation and I repeat again, as I have to others, one of our major problems in Congress is not getting sound ideas but how to get them adopted.

I am sure your suggestions will be considered as we approach our job of trying to come up with something not only sound but which we can adopt.

Senator FULBRIGHT. I have no questions. Thank you, Mr. Chairman, a very good statement.

Mr. DAVIS. No questions. Thank you.

Chairman WHITTEN. We have with us today, our colleague from Arizona. We are glad to hear from you at this time, Mr. Conlan.

STATEMENT OF HON. JOHN B. CONLAN, A U.S. REPRESENTATIVE FROM THE STATE OF ARIZONA

Mr. CONLAN. Thank you, Mr. Chairman, distinguished members of this committee, I am pleased for this opportunity to appear before you today on behalf of my 42 freshmen Republican colleagues.

As you know, 54 freshmen Congressmen from both sides of the aisle, including all freshmen Republicans, this week signed a short resolution endorsing the Interim Report issued by this committee last month. The resolution reads as follows:

> Whereas, a Joint Study Committee on the Budget has been established in the United States Congress; and
>
> Whereas, the bi-partisan Committee of Democrats and Republicans, Senators and Representatives, has completed its interim study, issued a report and made tentative recommendations favoring an overall ceiling on expenditures and budget authority.
>
> *Therefore, be it resolved*, That the undersigned freshman members of the 83rd Congress do hereby express their support for the tentative work of that Committee and do further strongly urge their senior colleagues to take all posisble steps to bring about at the earliest possible date congressional reform of the budgeting process—including an overall spending limit and provision for the necessary committee structure, staff and resources by which Congress may review and control expenditures.

Gentlemen, 80 percent of the freshman class of the 93d Congress have indicated through this resolution enthusiastic support of your initial recommendations.

And 33 freshman Congressmen, joined by 7 more senior colleagues, discussed at length the issue of congressional budget reform on the floor of the House of Representatives last Wednesday. I believe this to be an unprecedented show of bipartisan unity on an issue that should be of vital concern to all Americans.

And I know from the record of the discussions this week that I speak for all those freshmen Congressmen when I say that Congress can wait no longer to put its own house in order.

We must waste no time reforming the archaic and deficient budget procedures that encumber responsible legislating. And we must bolster public confidence in the legislative branch of government by establishing a firm ceiling on Federal spending.

There are those in Congress who have criticized President Nixon's so-called impoundment of funds appropriated by Congress for Federal programs. But the vast majority of Americans throughout this

country agree with Illinois Senator Adlai Stevenson, when he said yesterday before the Congressional Conference on Congress and the Executive that he was grateful for the President's action. Executive impoundment of appropriated Federal funds, he said, may have forced Congress to save itself.

It is a sad commentary that this body has resisted budgetary reform for so long—that it took bold action from the White House in behalf of fiscal responsibility to shake us into realizing the urgent need for a realistic taxing-spending process.

The current hodge-podge system of raising and spending money only serves to protect big spenders among us—those intent on supporting their own pet porkbarrel programs without being publicly accountable for the economic consequences to the country. The current process is to fund programs as they come along, with no chance to add up the total until it's too late.

Mr. Chairman, this body desperately needs to establish a tight ceiling on total spending early in each session. It needs a permanent effective mechanism to conduct a coordinated and comprehensive review of budget totals so that we can establish appropriate tax rates and debt levels at the end of each session. Specifically, I believe that we must establish:

One, a permanent Joint Budget Committee, composed of members from both the Senate and House Appropriations Committees.

Two, a Joint Budget Committee staff which will help the Joint Budget Committee in developing a legislative budget analysis concurrent with the executive department's budget.

Three, we should then stop duplication in assignment of annual agency budget bills which now obtains when they are sent to one committee for authorization and another for funding, when, in effect, many bills are in reality an annual operational appropriation.

Four, we need a single, general appropriation bill that will allow us to look at the spending budget as a whole and conduct a final wrap-up vote on all spending toward the end of each session. Such a bill would allow the Appropriations Committee to establish more definite priorities and to make any necessary adjustments to meet the spending limit, including possible cuts in appropriations, increased taxes, or acceptance of responsibility by each individual Congressman for deficit spending.

Five, we need to have the Appropriations Committee and its subcommittees work its annual budget bill between January and June with passage of the appropriations bill prior to the beginning of the new fiscal year. For Congress to be so far behind in schedule is disgraceful.

Only when such reforms are made will hard-working taxpayers know which real culprits among us are responsible for enormous Federal taxes and inflation that imperils the entire national economy. And only when we assume some fiscal sanity in the legislative branch will we be saved the embarrassment of executive remedial action to protect the health and strength of our economy.

As I said in my remarks on the floor last Wednesday, the current scatterbrained system of Congress taxing with its left hand and spending with its right and "never the twain shall meet" has just got to

change. No business corporation could succeed using the antiquated procedures and tools with which the Congress has been funding.

This challenge and our ability to meet it reflects directly on the viability of our legislative function. We freshmen Congressmen are up to that challenge and reform. And we urge our senior colleagues to set the example by acting now to control Federal spending and to reform the congressional budget process.

It is our constitutional duty, and we can do no less.

I am open to comments and questions.

Chairman WHITTEN. Thank you very much. I wish to also express as the Cochairman of the committee appreciation for the endorsement and support you have given our getting out the interim report. I do feel highly gratified not only at your support, but report to you that this report was adopted unanimously. I feel that that reflects the great hopes that we may get somewhere. The committee agreed we need to do something and we were able to agree on the basic principles.

There are many factors that enter into these things. One of them is that however good the proposed solution may be it is not good enough unless you can get it adopted.

It is gratifying to see that we have so much support at the beginning from the newer Members of the Congress. It at least gives you a nucleus from which to start in getting something adopted that will improve the situation.

Mr. CONLAN. We realize what you have been doing, Mr. Chairman. We know deep down in our heart it has to be done, but sometimes in any institution it takes a little bit of effort for some people to do some downfield blocking so the statesman can score those touchdowns and we would like you to score those touchdowns with some success.

Chairman WHITTEN. In case your colleagues want to submit separate statements we will accept them.

Mr. CONLAN. We have a couple of questions that have come up among some of the younger Members. For example, most of us have come out of State legislatures where we have gone through this reform process. We would urge you, Mr. Chairman, not to compromise with suggestions that will only complicate the process of pinning down the responsibility.

We could see, out of reading the Interim Report, suggestion where the Congress might be involved for 60 days early in the term on debate on amounts of the budget, and every Congressman is getting on the floor and pontificating in various ways, and pointing with pride and viewing with alarm, and we are bogged down from the beginning. Any new capital outlay or new single amount of money for building or public works or something of this nature is an individual bill area, is an individual matter for that year; but anything relating to an increase or decrease in an agency or executive department's budget for that year—we are appalled at the committee structure here where you go in and go through a so-called authorization bill which is not really authorizing a new program, it is only skimming the surface of whether the budget should go up or down. That is in the budget process within the appropriations bill for the operating budget for the year. And it frees up these committees to really do some work in the overall system. Rather than having departmental executives parading up to one committee and parading up to another and wasting time.

This may be too much to do——

Chairman WHITTEN. I appreciate the comment from my colleague. I would point out here that the lead-off witness, Dr. Arthur Burns, Chairman of the Board of the Federal Reserve System, pointed to the experience of the States dealing with appropriations.

Many of the people on this committee have had State legislative experience. I was on the State ways and means committee for 2 years, and I picked a bad time, because it was at a time when we were initiating a sales tax.

There are many things to be learned. One of the things I could clearly see is that the shortness of the State sessions historically, at least, requires many things. Certainly we must deal with the problems of delay due to the annual authorization process.

One thing we are considering which offers some hope is to provide for a special Budget Committee with a fixed jurisdiction, with representation from the legislative, appropriations, and tax committees. They could begin to meet as early as November 15. If they could, as they have in the State legislatures, have the cooperation of Executive, they could begin to gather and analyze the budget information. When Congress convenes, the special budget committee would be in a position to move expeditiously. I have offered this suggestion to several witnesses.

Mr. CONLAN. Mr. Chairman, I think you are right on the line. When we converted to it and got our joint budget committee, we did not bring in Ways and Means for Finance and Revenue, we limited it to a joint committee of half of the House Appropriations Committee and half of the Senate Appropriations. You are absolutely right, when that joint committee, with its staff is working directly with the executive department and you mandate by law the executive department budget is going to be up here by the 10th of September, and when you know about it, then you can analyze it.

Chairman WHITTEN. I am glad you agree. There is no reason why any executive branch would hesitate in the least to cooperate with us in providing advance information.

You mentioned your experience in Arizona. This report, as you know, points out that only about 44 percent of the outlay budget comes before the Appropriations Committee. So I think that any committee we come out with here should also have representatives from the legislative committees.

Mr. CONLAN. I understand that, Mr. Whitten. I would keep in mind that maybe you don't have to give as much as you might think you might have to to some of the other legislative committees. Many of us, in talking with some middle seniority members, are of the feeling that what has been happening here—you know, as every bill comes from the floor, and when you have a tough Appropriations Committee of senior members who are fairly entrenched, who can act more like statesmen, rather than responding to the pressures from their district, many Congressmen here, in reality, would just as soon be off the hook on some of these, and refer them to various Appropriations Committees. I am sure you know the thinking of people quite well.

Chairman WHITTEN. I am glad to hear you say that. I think I created the wrong impression. I think among the many legislative committees there are many folks as economically conservative as you

and I. I think we need representation from those committees to cover the full budgeting process.

I think when you try to make a change you need all of the help you can get; when you have three or four factions, you have four factions to try to help do it.

Mr. DAVIS. On page 2 of your statement you do refer to a joint budget committee, composed of the Senate and House Appropriations Committees. As you know, in our Interim Report concept, the budget committee was approved, but according to some comments of the chairman, Mr. Whitten, it contemplates having people other than the members of the Appropriations Committee serve on it and I wonder if there was any special significance to your limiting the membership to members of the Appropriations Committee.

Mr. CONLAN. Input needs to come obviously from both the executive department and the joint budget staff as to what your revenue picture is. When you are going through appropriations, and that is a special function, you can have some input, because you know when you are going for a certain amount with an overall operational budget, you know either: one, it is going to require more taxes; or two, result in a balanced budget; or three, result in a deficit with its consequent effect. And when the Congressmen have to vote on such a bill the responsibility is pinpointed then. You are going to get more citizen control then of the appropriations process. Until that is pinpointed in one overall bill, I don't think some of the areas of reforms are really going to reach the level they need to. I don't think you need Ways and Means on such a joint budget committee in working up such a legislative budget because you can get that revenue input from staff and citizens without having members.

What your political situation is is something else here and, of course, Mr. Whitten has alluded to it. We have found in both California and other State uneasiness to bring in other committees.

Mr. DAVIS. I think the problem we have here, I think next year 44 percent of the expenditures of the Government are going to come before the Appropriations Committee. We have general revenue sharing, $6 billion. It was not only authorized but it was appropriated out of the Ways and Means Committee.

We have numerous other programs that are not actually subject to the Appropriations Committee and I don't know how we are going to make really much progress by having this Budget Committee entirely an Appropriations Committee matter.

In the past few years the appropriations leading to expenditures have been reduced something over $12 billion. That just happens to be slightly less than the amount of the expenditures that have come through processes other than the appropriation process, and that was why I did question limiting the membership of this Budget Committee to Appropriations Committee members.

Mr. CONLAN. Yes, I realize that, Mr. Davis, and you are obviously going to develop with your staff material, staff documentation, and I used to do this for the Defense Department when I was a legislative lobbyist about 18 years ago, and we had all of the documentation in every area, every category, and we used to keep it under top secret guard. It is the same thing on the legislative line when your staff puts

together your executive department recommendations by category and your joint budget and legislative staff recommendation and then the Appropriations takes the knowledge and makes the decision. Your annual is fixed by current appropriations bills. If you have some other authorizing committees as to overall programs you may bring them into the discussion of what is essential for the national well being so they may go back then to their committees and change the basic authorizing laws in some areas.

Is that the thought of having them involved that they might see some of their existing ongoing authorization projects need reforming and revamping?

Mr. DAVIS. We do have a problem here really on the part of some legislative committees, and particularly true with respect to general revenue sharing, they just didn't want the Appropriations Committee to look at it, because they couldn't be sure that money was going to be available, and we are getting that philosophy among others, and behind the tentative suggestion this committee made, that we better get some of these other people involved and get them into the picture here, so the Appropriations Committee which can control less than half of it, just isn't the only source responsible for the spending.

Mr. CONLAN. Then this is good, but you ought to watch carefully, you don't diffuse the spending responsibility.

Chairman WHITTEN. The point we make here is it is already diffused. We need to bring them in otherwise we cannot have budgetary control.

Mr. CONLAN. This is right. In these areas this is tied in with the overall structure.

Mr. DAVIS. Let me say, Mr. Chairman, Mr. Conlan, we think you have very well expressed the concern you and your junior colleagues in the House have, and the concern I am sure the members of this committee have felt. I think you have given us some good input into the solution of this problem. Thank you.

Mr. CONLAN. Thank you, Mr. Davis; thank you, Mr. Whitten, for your time. We are behind you all the way.

Chairman WHITTEN. We will adjourn until 10 a.m., Tuesday morning, March 13, 1973.

[Whereupon, the hearing was adjourned, to reconvene at 10 a.m., Tuesday, March 13, 1973.]

IMPROVING CONGRESSIONAL BUDGET CONTROL

TUESDAY, MARCH 13, 1973

U.S. CONGRESS,
JOINT STUDY COMMITTEE ON BUDGET CONTROL,
Washington, D.C.

The Joint Committee met, pursuant to notice, at 10 a.m., in room 2359, the Rayburn Building, the Honorable Al Ullman presiding.

Present: Representatives Ullman (presiding), Schneebeli, James Broyhill, and Senators Curtis, Fannin, Fulbright, and Roth.

Chairman ULLMAN. The committee will be in order.

We are very pleased to have as our first witness this morning the distinguished Senator from California, John V. Tunney, who served over in this body very ably and all of us recognize his capacities. We are extremely pleased, Senator, that you have taken a leadership position over there in trying to develop and formulate this concept of budgeting which, I think, you and I both agree is one of the priorities in this Congress.

So we are extremely pleased to have you here and we are looking forward to hearing your further views.

STATEMENT OF HON. JOHN V. TUNNEY, A U.S. SENATOR FROM THE STATE OF CALIFORNIA

Senator TUNNEY. Thank you very much, Mr. Chairman. It is an honor to be before this committee under your distinguished chairmanship.

I mentioned to you a few moments ago that I had the opportunity to see you on the Martin Agronsky show with Congressman Rhodes and I was impressed by the way that you directed your attention to this critical problem of establishing new procedures so that we can get a handle on the budget.

I think that the work your committee is doing and what you are doing personally is perhaps the single most important order of business, not only in this Congress, but in this decade, because I feel, quite frankly, that if we do not get a handle on the budget that the President—and it makes no difference whether he is a Republican or Democratic President—the President will.

I think that is a subversion of the democratic constitutional process that we had in the past. There is nothing in the Constitution that gives the President the right to have line vetoes. But I can understand why the President is doing it and I sympathize with the President's rationale for it.

I just think it is wrong from the overall viewpoint of the good of the Nation, but it is the Congress' responsibility to reform its own procedures so that the President doesn't have to feel obliged to make the cuts himself, impound the funds which he feels are necessary to prevent inflation from running rampant in the country.

Now, Mr. Chairman and committee members, thank you very much for this opportunity to outline my views on establishing a budget that will meet our national priorities in a prudent and workable manner.

Shortly, I will introduce legislation to implement a firm budget ceiling and explicit congressional priorities. I should like to outline some of the procedures I believe are indispensable if we are to assure absolute responsibility for the fiscal integrity of our Nation.

We are faced with essentially two challenges. We must create timely procedures for determining and enforcing outlay and obligational ceilings. We need also to devise methods for reaching early agreement on the relative priorities of major spending programs.

Both challenges must be met. I suggest they can and should be met through processes which involve:

One, the broadly representative participation of the Members of both Houses, and,

Two, the most complete and objective information base possible.

To achieve these objectives, my legislation calls for the following:

First, establishment of separate House and Senate Budget Committees. Each committee shall have 21 members. The composition of these committees should be proportionately representative of the composition of each House with respect to years of service, political party, and geographic origin and membership on standing committees.

The decisions of the Budget Committees will be among the most important of all congressional determinations. It is thus imperative that these bodies also include members from across the entire spectrum of philosophies represented in the Congress.

Second, establishment of six parallel subcommittees within each of the full committees.

These subcommittees will have jurisdiction over broad areas such as human resources, military affairs, economic affairs, natural resources, general governmental administration, and uncontrollable outlays.

Subcommittee memberships should reflect existing memberships on standing committees and should otherwise be representative of the composition of the two Houses.

Third, several innovations in the information delivery system.

No. 1, all executive agency heads should submit their annual requests to the Budget Committees no later than October 1. These requests should include projections of future costs for the next 5 fiscal years.

No. 2, all other budget-related information sent by agencies to the OMB should be concurrently submitted to the Budget Committees.

No. 3, the President's budget should be transmitted to Congress no later than January 1.

No. 4, all standing committees will be invited to submit recommendations for outlay and obligational authorities to the Budget Committees no later than November 1 of each year.

No. 5, the existing Joint Economic Committee should annually recommend ceilings on outlays and new obligational authority no later than January 15.

Finally, we need to establish the congressional counterpart of the Office of Management and Budget. The last major section of my bill accomplishes this objective.

Fourth, procedures for determining ceilings.

Both Budget Committees will hold hearings and consider recommendations from the executive department, the standing committees, and the committees' staff. After joint consultation, the committees will report out identical outlay and obligational authority ceilings no later than February 1.

The Houses then vote within 5 working days. If both Houses fail to agree on the recommended or other ceilings within 10 working days after February 1, the ceilings recommended by the Joint Economic Committee become legally binding.

Fifth, machinery for setting priorities:

One, after consideration of all available information and hearings, each subcommittee will recommend to its parent committee a single subceiling for all programs within the subcommittee's jurisdiction.

Two, the full committees meeting individually and jointly will consider the subceiling recommendations of their subcommittees. The Budget Committees shall report out a concurrent resolution fixing subceilings for each of the six broad subcommittee jurisdictions no later than March 15.

The sum of these subceilings must equal the total ceiling agreed to earlier. If both Houses fail to agree upon a change in the subceiling by March 31, they automatically become binding. The subceilings thus established constitute the basic statement of congressional priorities.

No bills reported to the floor which affect actual outlays or obligational authorities are in order until both Houses approve subcommittee reports.

Since the process I just described is a bit complicated, let me illustrate with a brief example. Assume that the outlay ceiling for fiscal year 1 is $269 billion. The Budget Committees recommend and the Congress approves a ceiling of $279 billion for fiscal year 2. The subcommittees then consider recommendations from hearings, staff, executive agencies, and other standing committees and then recommend subceilings to the parent committees.

In this example, we might find a $5 billion increase in the subceiling for uncontrollable outlays, a $2 billion increase for human resources, a $5 billion increase for military affairs, no change for economic affairs or general governmental administration, and a $2 billion decrease for natural resources.

The net effect is allocation of the $10 billion increase in total outlays in a way which is consistent with changing national priorities and with maintenance of the total outlay ceiling.

The changes illustrated here would, of course, be tentative until approved by both Houses of Congress.

Enforcement of priorities is strengthened by a sixth section of the proposed legislation.

The committee reports which accompany bills reported to the floor should state their outlay and obligational authority impacts and the

sum total of such impacts of all bills approved by Congress in that major program category. The Parliamentarians will maintain running totals of spending authorities already approved in each category. Whenever a bill might cause the category subceiling to be exceeded, the Parliamentarians shall rule that the bill requires a two-thirds majority for approval.

Section 7 provides for midsession review of ceilings and priorities.

Each September the Budget Committees will hold joint hearings to consider recommendations from interested parties and committee staff on possible revisions of the established ceilings and subceilings.

After due deliberation, the Budget Committees may report out a concurrent resolution which changes the established ceilings, the established subceilings or both.

If either House fails to approve the resolution, the established ceilings and subceilings continue in force.

The last major section of my bill creates a Joint Budget Committee staff, a Congressional counterpart to the OMB, employing permanent and temporary professionals from the business, academic and civil service communities, and working with the help of computers and other technological assistance, this staff would have two basic functions.

One is servicing the short-term information and advisory needs of the committees and their subcommittees. The other is the long-term analysis of programs and their future cost directions.

The Budget Committees and their subcommittees will be vitally dependent upon the quality of staff assistance. We should, therefore, be generous in providing resources for the staff operation.

In closing, I would like to adjust a few additional comments. I will deviate a bit from the text I have given to you, Mr. Chairman.

To a very great extent we have heretofore boxed ourselves in by obligating a large portion of future revenues years in advance of their receipt. I suggest, therefore, that we provide for periodic and mandatory review of all permanent appropriations, authorizations and authorities.

I think, also, that a few additional words on the role of the Appropriations Committee are in order. Under the procedures I have outlined this morning, the Appropriations Committee will continue to play a vital role in determining the specific distribution of Federal outlays. The same is true of the other standing committees which have an important impact on the setting of priorities through the back door appropriations procedure.

The Budget Committees perform the critical function of providing an overview of the budgetary picture. The Appropriations and other standing committees serve the equally important function of exercising judgment and oversight at a lower level of generality.

Clearly, all of these are compatible, complementary and fully necessary if we are going to have a firm handle on the budgetary process.

I can add nothing more than to reiterate my belief that we desperately need a major overhaul of the budgetary and priority determinations processes. In summary, we need to create a broadly based informed mechanism for asserting reason and responsibility in forming our budget and national priorities.

Chairman ULLMAN. Thank you very much, Senator. You have obviously given this matter a great deal of thought and presented to us some very interesting concepts.

Generally speaking, you are following the interim recommendations of the committee, are you not?

Senator TUNNEY. Very similar to the interim recommendations of the committee and it is an interesting point. We have been working on this now for maybe 5 months ourselves and I think that the interim recommendations of the committee were good.

I think that the proposal we had developed was quite compatible, if I can use that word, not identical, but compatible and consistent with what the committee in its Interim Report had recommended to the Congress.

Chairman ULLMAN. Yet your proposal provides one system of mechanics for carrying out the basic intent of the Interim Report and the interim recommendations of the committee. Certainly this is most helpful to us, because we are in the process now, as you know, of attempting to implement procedurally the concepts that have been developed.

We are covering new grounds, introducing new procedures in the Congress, and perhaps stepping on some toes. But we are attempting to step on as few as possible because this budgeting process, as you have pointed out toward the end of your statement, would not limit committees like the Appropriations Committee. In fact it would enhance their functions and their stature in the Congress. The same would be true, I think, of legislative committees.

As a matter of fact, it probably would make backdoor spending devices unnecessary, wouldn't you agree?

Senator TUNNEY. I think so and I am deeply concerned about the backdoor spending devices. I am concerned, quite frankly, the Appropriations Committee only has control of about 40 percent of the budget.

Now, that just doesn't make sense. There is not a State legislature in the country that runs its business, which is a small-functioning system, that way. We don't have any overview of what our spending is and that is because we print the money. But I feel that we have got to have a procedure whereby individual Congressmen and the standing committees at the beginning of the year know what the ceiling is, how much money there is to spend, what money is going to be allocated for their particular area of concern and then they can establish the priorities within that particular area of concern.

But there has to be the overview. I feel strongly that when this overview is developed, it ought to be developed by a committee that is broadly representative of the Congress of each House, both as to party and as to philosophy and to some extent to years of service, although I realize that is more difficult to achieve.

But I think that particularly as to philosophy and party, it is important that it be fully representative.

Chairman ULLMAN. Thank you.

Mr. Schneebeli.

Mr. SCHNEEBELI. I think you have been very helpful by having a timetable here. I have one question.

You say the President's budget should be submitted to Congress no later than January 1. Wouldn't this be a little difficult for a new President, particularly where there is a change in parties, because if there

is a change in parties, the successor does not like to be bound by the budget of his predecessor and the successor would have a difficult time in bringing out a budget as of January 1 because he probably would not have appointed his budget committee or OMB by that time.

Senator TUNNEY. I think in the case of a change of administration, it would be most appropriate to put the date back. But the thing I am trying to do, Congressman, is make this Budget Committee as responsive to the Congress as OMB is responsive to the President.

Now, OMB holds hearings the year before or several months before. They make a recommendation to the President and before the President approves the budget each agency has to come in and has to justify why they want that much money. Now, I feel that the year before the Budget Committee of both Houses should do the same thing.

Mr. SCHNEEBELI. Do you think it could be accommodated within your recommendations if the fiscal year were the same as the calendar year? That could be helpful for the new administration as far as solving this particular timing problem is concerned.

Senator TUNNEY. I think it would be. I think that is very true. For a long time I have felt that it would probably be appropriate nowadays to have our fiscal year run on the calendar year. But I really feel that we ought to have the same information available to us through the Budget Committee as OMB has available to it within the administration. We are not going to come to grips with it if we don't.

Mr. SCHNEEBELI. Should we have OMB servicing the Congress, both the legislative committees and the Appropriations Committees? Because we have legislative committees concerned with this, too.

Senator TUNNEY. I think their main function should be to service the Budget Committee, but certainly they could be used as a reference and source of information for the standing committees. And depending upon how large you wanted to make it, I assume you could have a prime area responsibility of a portion of the congressional OMB to be directly responsive to the standing committees. But clearly, we have to have some group of experts working for the Congress that can make independent evaluations of what is going on.

Mr. SCHNEEBELI. Thank you very much.

Chairman ULLMAN. Senator Fulbright.

Senator FULBRIGHT. Mr. Chairman, I was a few minutes late and didn't hear the first part, but I think this is a very thoughtful statement.

This particular project, I think, is one of the most important before the Congress today, as I said before. The Senator from California deserves a lot of credit for giving so much attention to the subject. It is a very good statement and it will be very useful to the committee in its final judgment as to what kind of legislation we are going to have.

Senator TUNNEY. Thank you.

Chairman ULLMAN. Senator Roth.

Senator ROTH. I would like to join my colleagues in congratulating the Senator. I do have three or four questions, for I would like to try to piece out some of the details.

We seem to be talking about not only the immediate future but hopefully for a long period of time, and, if I read it correctly, is that the President would transmit his budget to the Congress by January 21,

and then he would have no further say in the establishment of the spending ceiling or its breakdown. Is that correct?

Senator TUNNEY. That's correct. The executive agency heads, I believe, should submit their annual request to the Budget Committees no later than October 1, the year before, and that would give, then, our Budget Committees an opportunity to evaluate what it was that they wanted.

The President, through the OMB, would pick his evaluations of program priority needs and then would make a recommendation to the Congress of what he considers to be an appropriate budget. At that time Congress would work its will as the Constitution provides—that the Congress will appropriate moneys according to the priorities that Congress feels are needed for the country.

Senator ROTH. I think one of today's justifiable criticisms is that the executive branch or the President is setting the overall spending of the country, but Congress is not playing a role, or so it seems to me. In a sense, we are going from that position to the other under your proposal.

Would you be opposed to sending the spending ceiling, when finally adopted, to the President for his signature? It would seem to be less of a confrontation between the two bodies and more of a joint venture.

Senator TUNNEY. I think it would have to be. I think, you know, sitting as a Senator representing the legislative branch of Government, I would like to think that we ought to be able to establish the spending priorities and ceiling according to our own judgment. But, I fully recognize that the Constitution gives the President the power to veto not only authorization bills passed by the Congress, but also appropriation bills. I therefore think that the President ought to have the right to veto the congressional ceiling.

Senator ROTH. We deal very much with the spending limitations, but the revenue side seems to me to be an equally important part of the problem. Under your proposals, how could consideration be given to the financing of the various spending proposals?

Don't you feel that when we decide how much we spend, we should also decide how we are going to secure those funds?

Senator TUNNEY. Absolutely, Senator. I think that a decision ought to be made at the beginning of the year and then again in September or any other month that the review takes place. A decision ought to be made as to whether or not we are going to have a balanced budget or deficit and if we have a deficit, how much of a deficit we are going to have. At that point, it would be the responsibility of the tax committees, the Ways and Means and the Finance Committee, to develop a tax program to raise sufficient revenues to meet the targeted figure that has been established by the Congress.

The Budget Committees recommended to the Congress and both Houses have to accept it so it is the Congress that has accepted the ceiling. I think that the revenues committees are perfectly equipped, if you had the equivalent of an OMB down here, to develop a tax program to raise the revenues needed to meet the targeted figure.

I can easily envision years in which the Congress will say that we are going to adopt the Keynsian philosophy and we are going to have a deficit. But we ought to know we are going to have a deficit and how much it is going to be. We ought to have a tax program that is

consistent with it. I must say, going back to 1965 and 1966, I still feel offended by the way in which moneys were spent for the buildup of the Vietnam war without the Congress ever being aware of it and apparently even the Treasury Department wasn't aware of it.

Senator ROTH. Then if I understand what you are saying, you would agree that we ought to spell out exactly how we are going to secure the revenues?

Senator TUNNEY. Absolutely.

Senator ROTH. One final question. You set out in some detail your ideas on the budgetary committees, their membership by years of service, political party, geographical origin, and membership on standing committees. Who would make those decisions?

Senator TUNNEY. I think you are probably going to have to use the present structure that exists in both Houses. I think in the case of the Senate, the steering committee, and in the case of the House, the Ways and Means Committee. I guess the Republicans in the House have a separate committee.

It would be the committees that are presently making the decisions, but I think it ought to be done with recognition that there should be a distribution by party and philosophy and committee, too. Committee plays a part.

Senator ROTH. And I take it the subcommittee would be made up of the same personnel?

Senator TUNNEY. Right. Like the Human Resources Subcommittee would probably encompass the activities of maybe three or four of the subcommittees of the Appropriations Committee. But with a 21 man committee, you couldn't have 15 subcommittees. It would seem to me that 6 would be a more workable number and I don't think we ought to get more than 21 people on that Budget Committee, because it then becomes unworkable.

Senator ROTH. You give significant power to the Joint Economic Committee. Would you propose that it be bound by the same standard as the present Joint Economic Committee or would you have it reorganized along the same spectrum you propose for the other committees?

Senator TUNNEY. I think you would have to have a reorganization of the Joint Economic Committee if this proposal or procedure that I have offered would be adopted. Because clearly it ought to be representative, too. The power of the Joint Economic Committee in this proposal is what I would call a secondary power. Its plan becomes operative only if the Congress fails to act on the proposal of the Budget Committee.

However, it would, of course, make recommendations to the Budget Committee as it was considering what the budget should be.

Senator ROTH. But it would have a very significant power?

Senator TUNNEY. Yes. I agree.

Senator ROTH. Thank you.

Senator TUNNEY. Thank you for your questions, Senator Roth.

Chairman ULLMAN. Thank you very much, Senator. You have been extremely helpful to us, and I hope you will continue to stay in touch with the staff and give us your advice and counsel.

Senator TUNNEY. Thank you very much, it is a great honor to be before your committee.

Chairman ULLMAN. Our next scheduled witness is Congressman John Rousselot, of California, a colleague of ours who has been most interested in this committee and we appreciate hearing your views.

STATEMENT OF HON. JOHN R. ROUSSELOT, A U.S. REPRESENTATIVE FROM THE STATE OF CALIFORNIA

Mr. ROUSSELOT. Mr. Chairman, distinguished members of this committee, I understand my statement has been submitted to you and you can review it.

This is a subject on which I have been concerned for many years because I don't feel the Congress as a whole has been very responsible in the way we have put budget controls on ourselves.

So I am grateful that you are now really bringing this issue to a clear point of decision, at least hopefully we will.

I will not review, because I know there is a time factor. I have cosponsored the proposal with Congressman Paul Findley of Illinois, House Resolution 142 to amend the Rules of the House to require approval of a House authorized Federal budget reported by the House Appropriations Committee and showing the overall relationship between anticipated revenues and expenditures before proceeding with the appropriations process.

I will not review the points I have outlined here because I am sure you are familiar with Paul Findley's proposal.

I would not object to applying that same principal, the Findley concept, to both the House and the Senate.

As you know his proposal says, well, the House shall initiate this basic control procedure, and so as I make the point in point 7 on page 2, I would be happy if you found it possible to recommend that we convert the Findley concept of rule change to apply to both the Senate and the House.

This would involve the Senate in the same procedure.

Now, I firmly believe, as do many of my colleagues that an overall budget showing anticipated revenues and limiting expenditures must be approved before we proceed with the appropriations process.

Although I realize that this Joint Committee is not directly concerned with the level of Federal spending, my view is that these two issues are so interrelated that one cannot be discussed without the other. The level of Federal spending must be considered by this committee as an important element in understanding the scope of the issue at hand.

I feel that the Congress must work toward a balanced budget in order to achieve any meaningful controls. We can no longer ask the taxpayers to bear the brunt of the whopping deficits incurred as a result of our fiscal irresponsibility.

As this committee showed in table 2 of its interim report, the largest sustained deficits have been incurred in the last 3 fiscal years totaling over $93 billion in Federal funds.

In addition, it is reported that Federal expenditures exceeded revenues by $2.5 billion in January of this year compared with a deficit of $1.87 billion in January of 1972.

This continued level of deficit spending combined with the unbelievable increase in the money supply, which rose by about 8 percent

last year, is clearly the moving force in sustaining the inflation in our economy.

One of the major problems that has contributed to the increasing deficits is that the Congress does not consider debt increase legislation until after it has already appropriated and committed funds.

Using Congressman Findley's proposal as a foundation, I would like to present these concepts for committee consideration.

It is my suggestion that the House Appropriations Committee, with the advice of the Ways and Means Committee, the Senate Appropriations Committee, and the Senate Finance Committee, submit a congressional budget to the House in the form of a concurrent resolution by March 15 of each year.

This legislation would require that:

(1) Expenditures be balanced with anticipated revenues and reflect an overall limitation on appropriations for the various functions of the Federal Government, thereby establishing spending priorities.

(2) Appropriations bills cannot be enacted until after this resolution is approved, and that these bills cannot exceed the limitations specified until agreed to by a two-thirds vote of both Houses after we have established these priorities.

(3) If such an increase is approved, and other appropriations aren't adjusted downward to compensate for the deficit, the Ways and Means Committee would then be mandated to submit legislation to the House calling for a surtax on personal income tax to finance this increase.

This surtax is necessary, in my opinion, in order to be responsive to the need of restoring control of the tax dollar to the Congress and ultimately the taxpayers.

If this surtax mandate were present, it is my opinion that members of Congress would be more mindful of each individual vote on authorization and appropriation bills, knowing that a tax to cover excessive expenditures would ultimately be forthcoming.

(4) The systematic repayment of the existing debt, along with interest payments, be handled in a separate appropriations bill that would be included in the concurrent resolution setting the budget ceiling, and within the overall limitation of expenditures and anticipated revenues established by the Congress. The Congress to date has made no provision for retirement of the public debt.

(5) A quarterly review of revenue estimates must be provided in order that the expenditure level can be adjusted as required.

(6) Each appropriation bill must show its relationship to the President's budget and the congressional budget, assuming we accepted the Findley concept for both the Senate and the House, and its proportionate relationship to anticipated revenues and expenditures.

(7) A deadline must be set specifying that congressional action on this resolution be completed by April 15.

I also support the concept proposed in this Congress, and past Congresses, by Representative Bob Michel of Illinois, H.R. 3644, to change the fiscal year to correspond with the calendar year.

It is apparent that the Congress can no longer accomplish its appropriations within a 6-month period, and the continuing resolution has become an accepted procedure.

I realize the difficulties in making this adjustment, but believe it is a more realistic way to force Congress to appropriate money on an annual basis rather than the now confusing split-year-basis.

Once this has been accomplished, a deadline of July 31 could be set each year to complete the appropriations process, thereby allowing the remainder of the session to be devoted to consideration of authorizing legislation for the following year.

The reason I think as a Congress we used to meet this deadline better is because we usually adjourned in July. Now since we have gone to really a year-round session, we tend to constantly postpone the appropriations process until the end of the year, and in my opinion, as it gets close to Christmas time we tend to rush things through, even though the committees have given a lot of thought and tend to take away the deadline idea we had when we quit in July.

At this point, I would like to mention that I was pleased to note in the Joint Committee's Interim Report that the committee is giving attention to the psychological effects which encourage overspending.

This overspending psychology is created by the many unrealistically high authorization bills we have approved in recent years.

Bills authorizing appropriations must more reasonably conform to revenue projections, to fiscal reality, and dollars actually in the Treasury.

Contrary to the views of some economists, Federal deficit spending has not been good for the economy. Unemployment was up during these years of substantial Federal deficits. That has been one of the usual justifications for high deficit spending, to alleviate the unemployment problem.

A statement by David T. Wendell which was included in an article entitled, "We Must Halt Our Runaway Budget!" originally published in the David L. Babson & Co. weekly staff letter is worthy of this committee's attention:

> Rather than being a cure for unemployment, deficit financing is just the reverse. In the long run, the rising national debt can only lead to more inflation, which hurts profits—the basic creator of jobs. The current unemployment problem is due to socio-political as well as economic factors, and a $39 billion deficit simply does not give corporate executives any new motive for hiring additional workers.

In this period of high deficits, we have seen the dollar devalued twice in world markets, wage and price controls imposed, and a shocking decline in our balance-of-payments position combined with rising costs in all segments of our domestic economy.

I have sponsored legislation along with several of my colleagues, House Joint Resolution 374, proposing an amendment to the Constitution calling for a balanced budget, and providing for the systematic repayment of the existing national debt.

This resolution would:

(1) Require that the Congress make no appropriations for any fiscal year in which the total amount appropriated exceeds the total estimated revenues.

(2) Provide that in time of war or natioal emergency, the provision could be suspended by a concurrent resolution approved by three-fourths of both Houses. This suspension would only be effective for the 2-year term of the Congress which passed the resolution.

(3) Require that the existing debt be repaid over a 30-year period at the rate of one-thirtieth each year.

And I recommend that you might consider this concept, realizing that a constitutional amendment might be too strong.

It is my sincere belief that the budgetary control and fiscal restraint are in actuality one issue. Establishing procedures for approval of a congressional budget, combined with reducing Federal expenditures to conform with anticipated revenues, is the only course the Congress can take to absolutely reassert its proper constitutional role in the budgetary process,

I very much appreciate having the attention of the committee and having this opportunity to present my view.

I would like to add this one thought.

Many people are amazed that we as a total legislative body are one of the few in the country that really have no basic restraints on the way we spend money.

Most State governments, city councils, and others have some form of general restraint to live within their moneys and consequently we then become a receptacle for every single appeal that a local government or group can't do it, we kind of become the final place to go; the Federal Government is because they just have an endless creative process for creating money.

I am amazed as to how many people are becoming somewhat disgusted that we do nothing to better discipline ourselves to live within our means.

Those are just a few of my suggestions.

Chairman ULLMAN. Well said.

Are there questions? Mr. Schneebeli?

Mr. SCHNEEBELI. From the witnesses this morning, it looks as if the State of California has a particular interest in this subject.

I would like to note for the record that Congressman Rousselot it not a Johnny-come-lately in this matter of concern for our fiscal plight. You might call him the conscience of the House as far as Federal expenditure is concerned.

I congratulate you. It has been a long-term interest you have had, Congressman, and it looks like the birds are coming home to roost.

Mr. ROUSSELOT. Yes, swallows or something, coming from California.

Mr. SCHNEEBELI. I think there is no misunderstanding on the part of anybody in the House as to where you stand.

Mr. ROUSSELOT. I am delighted to see this is a working committee and you aren't taking your responsibility lightly.

I am glad we are finally doing it.

Mr. SCHNEEBELI. As somebody said last week, we have gone beyond the point of no return.

Chairman ULLMAN. I think it should be noted in the record that there are as many Senators here as there are Members of the House, also. And it is a long walk over here.

Senator Fulbright?

Senator FULBRIGHT. It wasn't so hard getting over here, it was finding the room after we got here. That took awhile.

Mr. ROUSSELOT. Well, this building was built by a Texan and they build big things in Texas.

Senator FULBRIGHT. I don't believe they had a budget committee, either.

[Laughter.]

Mr. ROUSSELOT. No, they sure didn't.

Senator FULBRIGHT. I, of course, agree with your sentiments about it. I am not sure that it is feasible that we are going to pay off the public debt. The thing to do would be just to avoid these enormous deficits. If we did that in my lifetime it would be a great help indeed.

Mr. ROUSSELOT. Well, I think we should at least start in that direction. There are very few individuals, corporations, churches, or anybody that doesn't have to begin to make provision to try to reduce debt. We just don't make any provision.

I realize there might be exceptions to that, but I think we ought to try.

Senator FULBRIGHT. Well, I didn't mean to argue about it, it just seems to me you are more optimistic than I am and I have been here a long time. I would be satisfied with a little bit of progress, such as getting the budget in balance and some control over it.

The question as to how we are going to do it is still a very great puzzle. We are going to have to have a lot of expert advice on the mechanics, because we are going to be running into the rivalries of the various members.

You mentioned one thing, this business of delaying, particularly foreign aid and defense. These are the two biggest and least defensible programs. They deliberately held them back until we were almost forced to leave and then they got them through.

I have seen the House pass a couple of $50 billion bills in a few hours, but you had a difficult time on a $50,000 bill in Arkansas. It was psychological. The delay gave them a great advantage in getting their way.

Mr. ROUSSELOT. And you couldn't argue with the expertise of the leadership that brought them up.

Senator FULBRIGHT. And they succeeded with them. Those are things which I hope this committee can find ways to prevent.

There are a lot of psychological problems aside from the financial ones in the way the Government has been run in the last 30 years.

I remember the rumors. Your predecessor from California talked about the way money was spent in 1966 and 1967 when the administration sought to fool the country that it wasn't costing them anything. What they were really doing was to deceive everybody as to what it was costing and how they spent the money. Just as they deceived the Senate and the House on the Gulf of Tonkin.

I don't know what you do about that, but I am willing to try.

Mr. ROUSSELOT. On the issue of going to war, I am sure we all discussed that. We are going to make sure we don't get dragged into one piecemeal from now on.

Senator FULBRIGHT. Well, thank you. I think it was a good statement.

Mr. ROUSSELOT. Thank you.

Chairman ULLMAN. Mr. Roth.

Senator ROTH. I want to join my colleagues in thanking you for a good statement.

Mr. ROUSSELOT. I know many of the members of this committee, including the gentleman from Delaware and Mr. Schneebeli, too, Mr. Ullman, have been actively interested in this problem for sometime and I am glad you gentlemen on this committee are here to make sure we discipline ourselves to do something about it.

Chairman ULLMAN. John, we very much appreciate your coming before this committee. You have given us some good ideas.

Mr. ROUSSELOT. Well, as you know, Senator Fulbright has seen many of these ideas before and I know it is too optimistic, maybe, to think about changing these things, but I think we ought to try it.

It would be nice to have all of our appropriations considered by July, let's say, and I think we ought to try so we aren't put into the position of considering everything just before Christmas.

I think one thing we have done in the House is eliminating the closed rule, so that amendments can be offered and debated on the floor.

Senator FULBRIGHT. I think you have done a lot in the House in that direction. It is very hopeful. I am hopeful about this. I didn't mean to discourage you.

Mr. ROUSSELOT. No, but I think you were trying to be realistic. I join you about the problem of dealing with the foreign aid bill. It has been a big sacred cow and we have to stop looking at it that way. As have some of the educational bills, too.

Chairman ULLMAN. Thank you very much.

Mr. ROUSSELOT. Thank you, gentlemen, and I hope, with an added thought, that we discipline ourselves to do something and start taking steps this year and not wait until we get to the election year when it is more difficult to bite the bullet and make hard decisions that we have to make this year.

Chairman ULLMAN. Our next witness is the Honorable Joseph Barr, former Secretary of the Treasury, former colleague of ours.

Joe, I well remember in late 1968 your statement triggering off the tax reform bills of 1969, and maybe that is a good omen of what we might do here.

We are considering now what we regard as one of the most important matters facing Congress. With your service here, and in the Executive as Secretary of Treasury, and now in the private community, we very much look forward to hearing from you.

STATEMENT OF HON. JOSEPH BARR, FORMER SECRETARY OF THE TREASURY

Mr. BARR. Thank you, Mr. Chairman.

Mr. Chairman, that statement I made about a tax revolt didn't make me one of the world's most popular bankers in the United States, I can assure you.

I also made another statement as I was leaving office, a statement on which I worked extensively which I forwarded to the Speaker and the Majority Leader.

The gist of this statement was entitled "Improving the Financial Effectiveness of the United States Congress." This was something on which I worked a lot longer than my offhand statement on tax revolt which did run through the country. I spent a lot of time on the subject. I sent it up to the Congress. Some of the academics looked at it then, but I am delighted today to see that the Congress is finally addressing itself to this question as to how it can improve its own financial effectiveness.

In the final analysis this is where the power is and the question is how do you exercise it to make sure that the Congress is maintaining its proper place in the system of Government of the United States.

Now as for the statement, I dragged it out the other day. It was submitted in 1969. It is just as relevant today as it was then.

I am not going to bore the committee with reading the statement. I am going to submit it for the record. I would like to address myself briefly to a couple of remarks.

No. 1, the Congress can, if it wants to, take over financial control of the United States. You did it in 1968.

Senator Williams, who is behind me, and Senator Fulbright and you and Larry Woodworth, several of us joined in that action in 1968.

If you remember, we raised taxes; we slapped an absolute control on expenditures in the United States and the statistical result was truly astounding.

You remember when I went out of office, when I surrendered my responsibility as Secretary of the Treasury, I came up here and reported that domestic accounts were in surplus for the year we were in.

If we kept our surtax we could balance the next budget on our domestic accounts. I was able to report that on the international side we were in surplus, not only on the official settlements, but also the liquidity method of accounting. It was an incredible statistical performance.

Unfortunately, we were a year late or maybe 2 years late. We should have turned in the performance in 1966 or 1967 when we began fighting the Vietnam War.

I want to remind you gentlemen as you are struggling to get a handle on the problem, that you have done it before and it can be done.

That result in 1968 was a little short of miraculous and it can be done.

Now, I would like to address myself very briefly to a question that probably has not been looked at very often in your discussions.

I would like to tell you a little story. When I was a member of this body I was promptly defeated. I was a very poor politician and defeated after my first term. Before I started back to the Midwest to pick up my private businesses again I went back to Harvard for a month to write a little paper urging the United States to get itself in line with other nations of the world and submit to the Congress or to the Parliament, not only a budget expressed in dollar terms, but in terms of foreign exchange.

In other words, instead of a budget that just said we are going to spend so many dollars for defense, so many for social security, so many dollars for foreign aid, so many dollars for agriculture, somebody had better get down and translate where these funds were going to be used.

Were they going to be used onshore or offshore? Nobody had any idea what the impact of the budget of the United States was on our international accounts.

After I wrote this paper I persuaded Ken Galbraith to come down and we sold it to President Kennedy.

The Bureau of the Budget now internally prepares a gold budget which demonstrates the effect of our expenditures on the foreign exchange position of the United States.

To the best of my knowledge. it never has been presented to the Congress.

This is one area I think you should concern yourselves with. The dollar, as you know, is floating in world markets.

Senator FULBRIGHT. It is sinking; isn't it?

Mr. BARR. Well, they call it floating. It floated up a little bit yesterday, Senator, but we don't have any fixed point of reference any more. I don't know if we will ever get back to fixed exchange rates. I don't know if the Treasury or the United States has enough funds to defend a fixed exchange rate.

It seems to me in a Congress like this it might even be more important that the Congress look at the implications of what is doing on our international accounts.

For instance, you may or may not know that enormous sums of money go out of the United States because of social security. At least $1 million a year goes to Russia. We OK'd that when I was in Treasury; $1 million a year. I have no idea what goes to Mexico or Italy. They are enormous sums of money.

I don't know what you should do about this. All I am saying is that you should address yourselves to that.

Senator Fulbright knows better than I the foreign exchange costs of keeping these bases around the world are incredible.

The Japanese yen is now up 25 to 40 percent. How we can afford to keep any bases there I don't understand. The deutsche mark is up to 38 cents against the dollar. The bases we have in Germany—well, it is incredible.

You know when I left the Treasury, it is no longer a secret, at one time we decided we were going to inventory the bases we had in the world. We didn't know how many we had. I think that inventory was complete. It was labeled top secret or cosmic secret or read it and eat it. I don't know what happened to it. But that was the one document we finally got completed.

I doubt that many other witnesses will be addressing themselves to this rather esoteric subject of the impact of our expenditures on our international accounts.

This is one thing that I would hope you gentlemen would include as you are working toward a determination as to how you can get control of your rightful place as the Congress in this system of American Government.

Thank you.

[The full statement follows:]

Chairman Ullman, Chairman Whitten, distinguished members of the committee, as I was preparing to leave the United States Treasury early in 1969 I developed a document intended for the Congress which brought together my experience as a member of Congress, as a Chairman of the FDIC, and the various positions I had held in the United States Treasury. I entitled this document "Improving the Financial Effectiveness of the Congress." I submitted this document to the Speaker of the House and the Majority Leader of the Senate. It was printed in the Congressional Record and was the subject of considerable discussion in academic circles and some discussion in the Congress.

When I was invited to appear before this Committee I pulled out the statement which I prepared in 1969, and I find that it is perhaps more relevant today than it was in 1969. Therefore, Mr. Chairman, I am resubmitting it for the record.

Today there seems to be great concern in the Congress as to its place in the American system of government. In 1969 I warned that the Congress would become increasingly less effective unless it revised its own procedures. I went ahead to point out that the Congress could restore its position by exercising its constitutional control over the power of the purse. I also went ahead to point out just how this can be accomplished.

You will remember that in 1968 with the mighty assistance of Senator John Williams of Delaware, who will be following me on this panel, we raised taxes and clamped a congressional lid on spending. The statistical results was astounding. When I made my last appearance before the Congress as Secretary of the Treasury early in 1969, I was able to report that the domestic budget of the United States was in surplus for the current year and could be in balance for the subsequent year. I was able to report that we had closed out the year 1968 with a surplus in our international accounts, both on an official settlements and a liquidity basis. This was a statistical triumph, but it came too late. We should have accomplished this result in 1967 rather than in 1968. But it did indicate clearly that the Congress can, if it has the will, take effective control over the finances of the United States. It did in 1968 and it can at any time in the future.

Now Mr. Chairman, I would like to read a brief summary of my 1969 statement and I will then be pleased to answer any questions.

Improving the Financial Effectiveness of the Congress

(By Joseph W. Barr—Member of the 86th Congress, 1959–1960; Assistant to the Secretary of the Treasury, 1961–1964; Chairman of the Federal Deposit Insurance Corporation, 1964–1965; Under Secretary of the Treasury, 1965–1968; Secretary of the Treasury, 1968-1969.)

Submitted with deep affection for a magnificent institution—the Congress of the United States.

FOREWORD

In a decade of public service, I have watched the claims on the tax dollar of the Federal Government mount with inexorable regularity. Ten years ago the principal contenders for the tax dollar were Defense, Agriculture, Veterans, and Public Works, and, to a lesser degree, housing and foreign aid.

To this list has now been added elementary and secondary education, higher education, health insurance, urban programs and space. A look at the future reveals clearly that coming up over the horizon are enormous claims to combat pollution of our environment, to develop mass transit systems in our cities, to rebuild huge portions of our urban areas, and to provide some systems for family allowances or a negative income tax to replace many of our current social programs.

I can only conclude from what I can see and what I can foresee that the competition for Federal revenues will remain high and can quite probably intensify.

While the fight to get a share of the tax dollar is and will be the most visible and best understood, there will probably be an almost equally difficult struggle involving credit programs and foreign exchange.

This Nation does *not* generate unlimited quantities of savings. The current emphasis on loan programs cannot be expanded indefinitely without subjecting our credit markets to impossible strains and interfering brutally with the demands of the private economy for credit.

It is equally true that this Nation does *not* generate unlimited amounts of foreign exchange. Decisions to deploy our troops overseas with their resulting exchange costs must be weighed against the demands of travelers, investors, lenders, and importers who want to use the foreign exchange earned by the Nation for their purposes.

In summary, this Nation has enormous but not unlimited capabilities. The foreseeable demands for Federal expenditures, for Federal credit, and for Federal uses of foreign exchange will probably strain our capabilities, and may possibly exceed them at times.

It is precisely in this setting that the Congress can become enormously effective—if it wants to be. In the final analysis, the real power of a legislative body—especially the United States Congress—lies with its control over the purse strings. Its power to decide the total level of expenditures and to allocate this total among various programs, plus its power to control the supporting taxes and borrowing, give the Congress all the power necessary to become as effective as it wants to be.

The Revenue and Expenditure Control Act of 1968 is a clear example. Once the Congress got the problems of domestic credit demands, inflationary tendencies, international consequencies and those Siamese twins—expenditures and revenues—clearly in focus, it acted with surprising unanimity and stunning

results. This one act pulled the Nation back from a horrified contemplation of financial chaos to a current position of great financial strength. The only pity is that Congressional procedures were sorely strained and an inordinate delay piled up before action was taken. The cost of the delay is clearly reflected in our price levels.

This one example gives me great hope for the future. It points the way towards an increased measure of financial effectiveness for the Congress. It has inspired this ex-Member of the Club, who frankly loves the institution, to try to synthesize his "inside-outside" experience as a guide for the future as the Congress tries to find its way among the clamorous demands for tax dollars, credit and foreign exchange.

Knowing full well the incredible demands made on the reading time of Members, I am summarizing my proposals in the following two pages. Those who are interested are welcome indeed to accompany me through the full exposition.

SUMMARY

THE PROBLEM

I. Budgetary confusion

Until 1968 the Congress was confronted with four budgets—legislative, administrative, cash, and the Federal Sector of the National Income Accounts. Confusion was understandable and almost unavoidable. Fortunately, this problem has been eliminated and the new budget shows at a glance the total of the President's legislative requests (NOA); total spending and receipts and total lending and repayments, a deficit or surplus that has economic meaning, how the total program will be financed, and the pressures the budget will put on private credit markets. (See Page 10 of the Budget Document.)

II. Procedures

The Congress fragments its decisions on the budget and rarely if ever looks at the budget as a whole or considers its impact on the economy, on credit markets, or on our balance of payments position.

THE PROPOSAL

Establish a *Congressional budget* by April of each year.

How to do it:

(1) Have the Congress debate and pass by March 1 a joint resolution establishing the Congressional opinion of economic prospects for the current year.

The Joint Economic Committee after hearings starting early in January could submit just such a resolution for debate and passage by March 1.

(2) The revenue and appropriations committees of both Houses could also begin hearings and studies early in January designed to produce a legislative budget resolution for debate and approval by April 1. This legislative budget would be debated against the background of the economic assumptions approved on March 1. It would show the following:

(*a*) The Congressional target for total spending.
(*b*) The Congressional target for total lending.
(*c*) The foreign exchange costs of the spending-lending programs.
(*d*) A program for financing the spending-lending budgets.
(*e*) A program for financing the foreign exchange costs of Federal programs.
(*f*) An explanation and defense of the priorities involved.
(*g*) The impact of the total program on private credit markets.

(3) After approving a resolution embodying an economic opinion and a *legislative* budget, the Congress can proceed as usual with its fragmented approach to the budget. They will, however, be able to do so against their own target and their own budget.

CONCLUSION

This is *not* an impossible recommendation. The Congress essentially followed this very procedure in the Revenue and Expenditure Control Act of 1968.

It is responsive to the constitutional intent of vesting control over money in the Congress.

It offers some hope of a rational approach to resolving the priority of claims on Federal resources that I see looming ahead.

It will put the Congress back on a more equal posture with the President.

Discussion

THE PROBLEM

When I came to the Congress in 1959 I discovered that where money was involved, there was plenty of heat but very little light. I had a dreadful time understanding the accounting system and small wonder. At that time the Executive used two budgets—the Administrative budget and the Cash budget. The economists relied on the Federal Sector of the National Income Accounts. On the other hand, the Congress used an appropriation-designed budget to give the Government *authority* to create obligations.

The President's budgets were all in terms of expenditures—*spending*. The National Income Accounts also focused on spending. But the Congressional budget had little to do with *spending*. It was designed to grant to the various departments and agencies the authority to *contract* to spend money. The actual spending resulting from any one year's appropriations might be years in the future.

Added to all this confusion were what seemed like Alice-in-Wonderland concepts when compared with the orderly and established practices of business. For some incredible reason, a *loan* was counted as an expenditure, and a *loan repayment* as a *negative expenditure*—whatever that means.

The old familiar concepts of accruals and depreciation were almost completely absent. No one ever discussed how much credit we could safely take out of our national savings; and when anyone asked about foreign exchange costs, all they usually got was a blank stare.

I will argue that not over twenty-five percent of the Members of the 86th Congress could give a lucid and understandable description of the accounting system of the United States. I frankly doubt if that number has gone up substantially today.

I will admit that I was not one of the twenty-five percent who understood the system in 1959. Frankly this position shocked me. I did not expect to be a military, diplomatic or agricultural expert overnight. However, I had come to the Congress with an M.A. in economics, and fifteen years of solid business experience with a heavy emphasis on finance. To flounder around on money matters as I did was terribly frustrating and downright embarrassing.

This is a disgraceful situation. If the business of the Congress is money, how can the Congress hope to be effective unless it understands the rudimentary principles of the budget and our national accounts?

Fortunately today this lack of understanding is unnecessary and can be easily cured. The Budget Commission of 1967 under the Chairmanship of Secretary of the Treasury Kennedy and including Chairman Mahon and Congressman Bow, Ex-Chairman Hayden and Senator Young as members presented recommendations to the President which were adopted in the January, 1968, budget submission. They are starkly simple.

The new budget sets down clearly how much *obligational authority* the President is asking the Congress to approve. It then sets out how much the Government will *spend* and how much it will receive; and finally how much it will lend and receive in repayments. The figures from the spending-lending budget produce a deficit or surplus which quite accurately (for the first time) shows how much money will have to be borrowed or how much debt can be repaid, and also shows (again for the first time) whether the budget will tend to stimulate or depress the economy.

Under the old system, I insist, it was virtually impossible for Members fully to understand the budget and accounting systems. *Members can understand this system.*

I would estimate that two or three hours of reading and two or three hours of discussion with Budget or Treasury officials can prepare any Member to be fully conversant with the budget and our accounts.

I conclude this section with one recommendation and one offer. The *recommendation*—the Congress should order the Budget Bureau, in cooperation with the staffs of the Treasury and the Appropriations Committees, to prepare a short and simple textbook entitled "Accounting and Budget Principles of the United States Government."

My offer—I will volunteer two days of my time after February 1 to run a seminar for new Congressmen on budget and accounting procedures. To make the presentation nonpartisan, I will also volunteer to find a Republican Treasury official or Budget Director to balance the program with me.

New Members should not be forced to put up with the argument I got in 1959, "Listen, this system was good enough for General Grant, how come it isn't good enough for you!"

Now that the United States has a budget that can be understood by an average Member, what stands in the way of improved Congressional financial effectiveness? At the risk of oversimplifying, I would answer that question in one word—*procedures*. Most Members are men of intelligence and understanding, but an Einstein could not bring orderly reasoning to the chaotic proceedings of the Congress as it moves to decide on money issues.

Perhaps the best way to illustrate this contention is to contrast the decision-making procedure in the Executive and in the Congress.

In the Executive, the decision-making process starts in the fall as the departments and agencies begin their preliminary discussions with the Bureau of the Budget on their requirements for funds in the new fiscal year. About this time the Troika (staff economists of the Bureau of the Budget, Treasury and CEA) begin their estimates of the shape and dimensions of the national economy for the upcoming calendar year. As they complete their preliminary projections, the Treasury staff begins to estimate what the Federal revenues will be—given these economic assumptions.

By early in December our economic estimates are growing harder, and we have a chance to compare them with private estimates. The Federal Reserve Board is brought in for consultation and a report is submitted to the President giving him our best estimate of GNP for the coming year, Federal revenues, and our recommendation for fiscal policy.

For instance this year we recommended to the President that GNP for CY 1969 would be about $921 billion, that Federal revenues for FY 1969 would be about $186.1 billion (with expenditures at $183.7 billion, giving a surplus of $2.4 billion); that Federal revenues would be about $198.7 billion for FY 1970 (if the surtax were kept on). We told the President that all this was a picture of an economy under strain and that we should:

1. Hold down expenditures.
2. Hold down borrowing programs.
3. Take special pains to minimize our uses of foreign exchange.
4. Continue the surtax.
5. Show a surplus again in FY 1970.

From these recommendations the President was prepared to make his final expenditure and lending decisions and to transmit his budget to the Congress.

I would submit that this is a fairly orderly procedure enabling the President to make his decisions on the basis of:

1. What the country needs in the way of programs.
2. What is the best program level for the economy in terms of
   a. stimplus or restraint
   b. credit availability
   c. availability of foreign exchange.

Now let's see what happens in the Congress. First of all, the President's economic report is shunted off to the Joint Economic Committee for hearings. They then issue a report which few Members read. There is never a full-fledged floor debate on the economic forecasts which are the logical starting point for the Congressional decision-making process.

Next the budget recommendations are chopped up and parcelled out to various Appropriations Subcommittees who report these budget slices to the floor usually beginning about May. *Never once* (with the exception of 1968) *does the Congress address itself to the question of a total figure for expenditures and lending.* This overall target should be the logical second step in the decision-making process after there is agreement on the economic forecasts.

I will admit that the *total* figures are debated when a debt limit increase is requested. But the setting of the debate is so ludicrous that it has little relevance. In essence these debt limit debates revolve around the question of whether the Congress will let the Secretary of the Treasury pay the bills (by borrowing) which they have already authorized.

The debt limit and a tax request are also the only opportunities the Ways and Means and Finance Committees have to bring the question of revenues and their relation to expenditures before the Congress.

It is small wonder that in August a Member can be confused as to just what he is doing when he votes for or against an appropriation. He has not heard a debate on the economic assumptions. He has not heard a debate on *total* spending and lending levels; he has not heard a debate on revenues and their relation to

the budget. All he *has* heard has been a lot of sound and fury over various *slices* of the budget.

When I contrast this predicament with the orderly flow of recommendations, assumptions and planning that is spread before the President as he moves toward a budget decision, I am inevitably moved to sympathy for the Member and wonder that the system works at all.

The Proposal

To become fully effective in finance, the Congress needs to take three basic steps:

(1) Organize its procedures so that early in every session it can establish a *Congressional* budget which can be used as a guideline and a target along with the President's budget.

(2) Recognize and spell out the financial consequences of the Congressional budget—does it require an increase in the debt limit, an increase in taxes, or can debt be paid off or taxes reduced.

(3) Establish clearly the *priorities* involved in the allocation of tax dollars, Federal credit and guaranties, and foreign exchange.

Let's assume that the Congress sets a date of April 1 as the date for establishing a legislative budget. (This date incidentally could be fairly realistic because it is about the time that the authorizing committees and appropriation sub-committees get down to work.)

What steps would be involved? Let me outline a possible course of action.

(1) The place to begin is with the economic projections for the calendar year just beginning. The President's economic report comes up between the 15th and 20th of January, and the Joint Economic Committee should begin examining Government and private witnesses at once on the economic report. The J.E.C. could complete hearings and recommend to both Houses a resolution to be debated and acted upon by March 1. This resolution sets forth the Congressional opinion on gross national product, personal income, corporate profits, the condition of the credit markets and balance of payments prospects.

The chief difference between this proposal and current procedures is that now the J.E.C. proceeds leisurely with its hearings and then files a report which is never read except by a few professional economists. I am proposing that they proceed promptly with hearings which will result in a resolution that will be debated, possibly amended, and then reconciled by both Houses.

These economic projects are the starting point of the budget process and all Members, not just a handful on the J.E.C., should be involved.

(2) While the J.E.C. is examining the economic report, the Appropriations Committees of both Houses should begin their study of *total budget* expenditures. Their target date for final recommendations should be March 15.

Their final recommendation should include the Committees' best judgment of what the total new obligational authority and expenditures for the next fiscal year should be. They should be prepared to break down the total by budget functions (national defense, commerce, health and education, etc.) and be ready to defend the priorities they have established for the allocation of the tax dollar.

The Appropriations Committees should also be prepared to recommend and defend the impact of the spending-lending totals on the balance of payments position of the United States. They should spell out clearly what the budget will cost in terms of Deutsche marks, French and Swiss francs, Italian lira, Japanese yen, etc. as well as in terms of tax dollars. I realize that this is a *complete innovation, but it is long overdue.* For example, when the Appropriations Committees vote the funds to deploy our troops and ships and aircraft around the world today, it costs about $3.5 billion in foreign currencies. The Defense appropriation is silent on this crucial point.

These foreign currency costs must be anticipated and spelled out as clearly as tax dollar costs and some plan must be established for either earning or borrowing them. Action may be required to limit the access of travelers, importers, bankers and investors to the projected pool of foreign exchange earnings. But, *first of all,* the foreign exchange costs of federal programs—defense is by far the largest—must be identified and explained. This is clearly the responsibility of the Appropriations Committees.

In this regard I would advise the Congress to request that the President in his budget spell out clearly how much each program will cost in terms of

foreign exchange. This information has been compiled and developed in the Bureau of the Budget since about 1961 and will pose little additional workload.

(3) Some committee—either Appropriations or Banking and Currency—should begin early in January to examine the lending and credit guarantee programs in the President's budget. Direct lending and guarantee programs have expanded rapidly in recent years and may well be better suited than appropriations to meet the pollution, urban, and housing problems of the Nation. However, simply because there is no expenditure of tax dollars in these programs, it should not be assumed that there is no cost to the Nation. If undue strain is placed on our available credit supplies, interest rates can rise to a point where the cost is huge.

(4) The examination of the revenue side of the legislative budget can begin early in January in the Ways and Means and Finance Committees. They can call government and private witnesses to test the accuracy of the Treasury's projections. They can begin a preliminary study of how the President's budget should be financed—is an increase in the debt limit or a tax increase necessary? Or conversely, after the Congressional economic projections have been established, whether debt should be repaid or taxes reduced.

It seems to me that the Ways and Means and Finance Committees should also address themselves to the question of how the *foreign exchange* costs of the President's budget should be financed.

I realize that foreign exchange earnings are not taxes, but they are the *revenues* that finance the Nation's foreign exchange *expenditures*—private as well as Federal. So the two revenue committees are the logical place to undertake this study.

Unless I am badly fooled, the nation will need some sort of balance of payments program for several years. The revenue committees seem to be the proper place to consider these programs and to see to it that pressure is maintained on the Congress to hold down to a minimum the foreign exchange costs of the Federal Government.

(5) The final step in the process would be for the Appropriations and Ways and Means Committees in the House and Appropriations and Finance in the Senate to join in a resolution to be submitted for debate in each House that would spell out:

(a) The Congressional target for totaling spending.
(b) The Congressional target for total lending.
(c) The foreign exchange costs of the spending-lending programs.
(d) A program for financing the spending-lending budgets.
(e) A program for financing the foreign exchange costs of Federal programs.
(f) An explanation and defense of the priorities involved.
(g) The impact of the total program on private credit markets.

If this joint resolution were submitted by March 15, it could be debated in each House against the action taken by March 1 on the economic projections for the current year. Any difference between the two Houses should be reconciled by April 1, and a final legislative budget established.

I can already hear the cries of those who would insist, "This is impossible—it is incredibly unwieldy." May I simply reply that these proposals are precisely what the Congress did in 1968 in the Revenue and Expenditure Control Act of 1968. In that Act the House established a legislative target $10 billion below the President's January 1 recommendation for *new obligational authority* for FY 1969; and $6 billion below the President's recommendation for *expenditures* for FY 1969. It decided that economic projections called for a budget close to balance if inflation were to be restrained, credit markets protected from heavy federal borrowing, and our balance of payments position protected. It provided for an increase in taxes to finance the legislative budget totals.

Furthermore, the Congress met its targets. The new obligational authority finally enacted into law showed a reduction of $13.2 billion—$3.2 billion more than the original target for the covered programs. Expenditures covered under the Act are projected to show a reduction of $8.3 billion—$2.3 billion more than the original target.

So the real essence of these proposals is not visionary—they were accomplished in 1968. Only two elements of my proposals were absent from last year's action—a formal debate and passage of a resolution establishing the view of the Congress on economic projects for the year. And secondly, a formal examination of the balance of payments costs of Federal programs and formal recommendations on how these costs should be financed.

A more telling argument against these proposals could go like this, "Yes, but 1968 was a year of financial crisis. In a more normal year the Congress might simply refuse to act—just as they junked the Monroney-Lafollette Act of 1946 which contained much the same principles."

This might be the case, but times and committee Chairman have changed. Chairman Mahon and Ranking Member Bow have conducted extensive hearings on the *total* budget for the past four years late in January or early in February. It would be a simple step to move from hearings to a resolution such as I have described.

Secondly, Ways and Means has been studying the total revenue and expenditure picture in depth for two years—1967-1968. These two Committees last year did get together and submit a Congressional budget in the Tax Act.

Thirdly, a Congressional budget need not be a *mandate* as it was in 1968. A budget is a *plan of action.* But no plan is absolutely binding, and a Congressional budget should not be considered so. It should be considered as a target figure to give Members a point of reference as they vote the individual slices of the budget.

Therefore, I believe that the times and the men may well be right to try just such an approach. Certainly there is nothing to stop the try except the *will.* The staffs of the J.E.C., Appropriations and Revenue Committees are competent and adequate. The proposed timing comes at a slack period of Congressional activity. We now have a comprehensive budget and finally there are mountains of statistics available on the hitherto neglected foreign exchange costs of Federal programs.

If this procedure of establishing a Congressional budget—or some similar proposal is not adopted—I can only conclude with some sadness that the power of the Congress over money will continue to decline.

As claims for the Federal dollar mount in intensity and complexity, the Congress will be increasingly exposed to the battle cry of the pressure groups, "Divide and Conquer." The opportunity to "single shot" Members as they consider money bills on the old fragmented approach will be irresistible. When education bills are up, for example, these bills will be pushed for a week or so as the most important item in the budget. (And it may well be.) Then the focus shifts to defense and defense for a time is the crucial budget figure. As each new appropriation bill is reported out that particular appropriation gets top priority from the people who want the money.

While I would not knowingly impugn Presidents, I must admit that it is very clear from the Treasury end of the street that the best way to get the most money out of the Congress is to follow this "single shot" approach. If it has occurred to me, I am certain it must have also been even more apparent to the occupants of the White House.

Conclusion

Frankly, my heart goes out to Members of Congress who are trying to fulfill their Constitutional duty to control and to allocate the revenues of the United States. The responsibilities they bear and the pressures they encounter are enormous. This paper is submitted with the hope that it may stimulate useful thought and discussion. I do not contend that it is the "last word." It is simply the result of my decade of experience and observation.

However, my recommendation is not an impossible one. The Congress followed almost this recommended procedure in the Revenue and Control Act of 1968.

It is responsive to the Constitutional intent of vesting control over money matters in the Congress.

It offers some hope of a rational approach to resolving the claims on Federal resources that I see looming ahead.

It will put the Congress back on a more equal posture with the President.

To all Members I can state with feeling that I leave office with great affection and deep admiration for the Congress of the United States. I also offer my services in any way that may be helpful.

Chairman Ullman. Joe, you have added another extremely important dimension to these hearings.

Wouldn't you agree, considering what we have talked about, that a debate early in each session on the budget could be by far the most significant debate of the year for a Congress?

Mr. Barr. I do indeed. This is what I recommended in 1969. My recommendations almost parallel yours with the possible exception that

I did have this one provision, that the Congress should look at not only total spending, total lending, total borrowing, they should also look at the foreign exchange cost of the spending-lending program.

I would agree completely that unless the Congress does undertake its own system of priorities, precisely the way the President is forced to do, then the debate up here is going to be shrill, it is going to be not as useful as it can be and the President, I am afraid, is going to look much better than the Congress. Because he has his system of priorities which he has been forced to think out.

The Congress then takes the President's message, slices it up like a salami, never looks at the total picture and as a result I think it is apparent to the country that the President knows what he is doing, the Congress isn't certain.

You have to get back to a system where you are establishing your own priorities. So if you disagree with the President, then you can disagree in a total context, not just in little fragments and pieces.

I quite agree, sir.

Chairman ULLMAN. Mr. Schneebeli.

Mr. SCHNEEBELI. I remember the good advice you gave us in 1968 and 1969. I remember one of the first questions I asked in 1961 when Treasury officials came before the Ways and Means Committee.

I asked then Secretary Dillon if there weren't a better way of coordinating the activities of the taxing and spending committees. He agreed it was quite a problem, but everybody was rather patronizing, saying that after you have been around here for some time you will find out that it can't be done.

Well, as you indicate, it has to be done. The subject of foreign exchange is depicted as being esoteric; I think it is a very practical question.

I would like to ask you a question. What are we going to do about the continuing purchase of foreign oil? We are advised that in 1980 it will amount to $20 billion, whereas it now is less than half of that, probably 4 or 5 billion.

My point is that the foreign oil producers are not going to buy that many automobiles and refrigerators from us, so what do we do? If we have a problem now with devaluation, it is going to get worse, isn't it? I don't understand how we solve this problem.

Mr. BARR. The answer, I think, can begin this way. We are either going to sell more in the world—what are we going to sell, probably agricultural products? That is probably the best market we have.

Mr. SCHNEEBELI. That is a low-employment industry.

Mr. BARR. That is true. We will sell agricultural products, high technology products or there is a second way these countries will buy more and more from the United States.

I told some of my colleagues that we may some day end up working for—the chairman of the board will be a foreigner. This is a problem we face.

There is a third alternative. We will be looking at a greatly reduced standard of living in the United States. I think the latter is more probable.

Mr. SCHNEEBELI. Well, we should anticipate these problems. Because by 1984 Saudi Arabia may own more than 50 percent of our oil companies. We don't even know if we have the supply and if we do, I don't know what we are going to do about the devaluation of the dollar.

Mr. BARR. I am reluctant to speak in this area. All of my colleagues have missed the boat so far in this latest international upheaval.

Three months ago all of us—I don't exclude myself in that distinguished profession, I was out on the limb, too—were saying the dollar was strong as a bull and everything looked favorable. I came back from Europe and every banker I talked to said you are the admiration of the world. How did you manage to get your inflation under control. They couldn't wait to get more dollars.

Then all of a sudden this thing blew up overnight. I think it was a speculative fever and none of us could put our fingers on it.

So when I make these long-term projections, I do it with considerable caution because a lot of us looked pretty foolish in the last few months.

Mr. SCHNEEBELI. Certainly the inflation that has been engineered by our unbalanced budget hasn't helped the problem.

Mr. BARR. No question about it. But you are aware that the record of the United States last year and the report the United States is currently turning in is probably the best in the world. It is equaled only by Greece, Spain, Malaysia—the democracies don't seem to be doing very well.

Mr. SCHNEEBELI. I am glad we are on top in one area. There aren't too many where we are.

Chairman ULLMAN. Senator Fulbright.

Senator FULBRIGHT. Mr. Barr, we are glad to have you back. We have all followed you for a long time and now that you are a big banker many of us have as much respect as when you were in Congress.

Mr. Schneebeli referred to the energy problem and I can't help recall that in 1956 Congressman Harris and I sponsored the natural gas bill. It passed in both Houses and the then President vetoed it.

We said then if you veto this we are going to run out of gas and this will distort our whole domestic situation.

There are other things I would suggest. We are very wasteful in our use of oil. You go down the street and see these huge dinosaurs of automobiles that use four or five times as much gas as they ought to use. The only car that I have seen in the papers that has been certified as meeting the emission standards was a little Japanese car called the Mazda. General Motors is pleading for an extension of time. I read they already approved the Mazda. Why can't we do some of these sensible things?

Also I hate to see a thing like gas burned under a boiler when you can use coal for it. It is purely a luxurious, affluent attitude that everything is unlimited.

In a way this whole thing is good for us. We have been absolutely spoiled by the idea that we are the richest and biggest and strongest people in the world. We have been hearing that so long now, I think it is a very good lesson for us.

There is one thing you can say for austerity—people stand it a lot better than prosperity.

I hope this committee, under the leadership of two very fine Congressmen, Mr. Ullman and Mr. Whitten, can help us get back on the track.

This is one of the most encouraging things that has happened.

Talking about debate, the reason the debate collapsed was the feeling of hopelessness, that we weren't going anywhere. Now, if we can do

what we are undertaking here, all of us, I am sure, will have a revised interest in debate because then we will be getting control and doing what we are supposed to do as Congressmen.

Many people have been commenting that for a number of years we have been spending so much on nonreproductive activity such as bombs in Vietnam. This is like a blood-letting of any other body, organic or otherwise.

Since the end of World War II we have spent about 1,400 billion on military affairs, which aren't noted for contributing to the wealth of the country. It gives an immediate shot in the arm to the people who receive the contracts, but it doesn't create the kind of wealth or activity that agriculture production does.

You mentioned when you were in the Treasury what fine things you did. You started off in 1968. It is too bad you hadn't done it in 1966 and 1967. I have heard that in 1966 and 1967 under the administrations of Mr. McNamara and Mr. Johnson that a great deal of money was spent without letting anybody in Congress or the Treasury know about it.

Do you know anything about that period?

Mr. BARR. Yes, sir.

Senator FULBRIGHT. Would you mind informing us briefly about it and are those rumors true?

Now, this is an opportunity to come clean with us. It is a good thing for us to know and it fortifies the arguments and the justifications for what this committee is trying to accomplish.

Mr. BARR. I will remind you of something that is on the record, if I may.

Senator FULBRIGHT. I wanted something beyond the record.

Mr. BARR. This is bad enough. You will find then that Secretary Fowler, in the fall of 1965, in November or September was saying there was a big argument as to whether or not we were going to have a supplemental appropriation.

Senator Russell said we were going to have an enormous supplemental appropriation. The Bureau of the Budget and the President said, no, that is not true.

Senator Russell said at that time that the supplemental would run as high as $15 billion. I can remember Secretary Fowler at that time saying in a public address that if the supplemental ran as high as $15 billion he would be up in the Congress screaming for more taxes right away. Well, it did run $15 billion. So let's say the record would indicate there was some confusion.

Senator FULBRIGHT. Go ahead, how did they finance that?

Mr. BARR. I remind you, you and Senator Williams, I nearly got fired one time before the Foreign Relations Committee where I thought the testimony had ended and we were off on something like this and said we can't have guns and butter and the newspapers were writing it all over the lot, and I went back to my office and President Johnson was saying what in the world were you doing.

Senator FULBRIGHT. Go ahead, tell us the reason for it. Here is a good opportunity. You are now in a place where nobody can fire you, go ahead.

Mr. BARR. Well, I would say there was confusion. Now, to be charitable there is inevitable confusion at the start of hostilities.

Let me give you a tip on how to go through the confusion. The mistake we made, we were looking at the total expenditures that were coming out of the Defense Department. That isn't where you look.

The economists were all mixed up, too, because the expenditure totals did not indicate that the economy should be surging as rapidly as it was. Unemployment was dropping, the condition for credit was picking up, there was a tremendous pressure on prices and right across the board.

What we were mixed up about was to pay any attention to the expenditures. Look at those commitments. In other words, Defense will write a letter of intent to some fellow, saying: "all right, I want you to get into the production to make so many widgets." The first thing the fellow does is go out and get a line of credit. Then you start feeling impact on the financial market.

The second thing he does is go out and start hiring people. That is the employment market. Thirdly, he will start building plants, that is in the construction activity.

But the total expenditures are not running as alarmingly as you think. It is the commitments in advance. That is where we got confused at that point in time, Senator.

Senator FULBRIGHT. Really nobody knew except Mr. McNamara and the President what was going on. Is that oversimplification? Why are you so reluctant to talk?

Mr. BARR. Someday when I am 65 and out of the bank and can't get fired from anything any more, I will take you up on that.

Senator FULBRIGHT. I think it would be very useful, but if you don't want to do it we will have it get it some other way. But these are reasons for emphasizing what this committee is trying to do.

We have to build a case. We are going to run into a lot of resistance when we start to infringe on the prerogatives of members. A lot of these things are done deliberately. This delay in the appropriations bills was no accident, it was because they could pressure us in doing what they wanted us to do and we didn't have a reasonable time to consider it.

I think you could be of great service to tell us what went on. This has been going on for a long time and there is a tremendous ability and interest in continuing.

The Defense Department doesn't want this to happen and you know they don't. If we examine their appropriations carefully, I am sure the Congress would come to a different result. A lot of people don't want this to succeed.

The idea is that the Congress is going to be prudent and careful and know what it is doing with its money. It has been a gravy train. A lot of people haven't yet recognized that we are in bad trouble. Most of our public officials get up and say we are in great shape, things are wonderful. We look at the earnings of these big corporations and a number of them are big. But then they don't take into account all of the other things about our international situation.

There was an article this morning, the latest expression of the competitive position with the Japanese. This is something very serious. Those people are efficient and their labor is devoted to the company they work for and this is a very serious challenge.

I think we can do it if we pull ourselves together. I think we can meet this problem of energy, but not if we continue wasting it and doing what we are doing now. There are a lot of things we can do to prevent that.

Also, there is a lot we can do in the Middle East. We follow exactly the policy designed to make it difficult. We do it for emotional reasons, without any consideration to the interests of this country. There are a lot of changes that can be made.

But you ought to tell us something about our past mistakes and persuade us to make the change.

Mr. BARR. May I make an observation as a banker and somebody who is involved in international activities. I think it is very probable that within 10 years one of our best trading partners will be the Soviet Union. They have what we need and we have what they need. This is not true with Europe. You are going to find a different pattern of trading. It is not true with Japan, either.

They need agriculture and our technology. We need their copper, gas and oil. I think the administration is moving in this direction, but if you are going to offset some of the energy problems, we have to try to develop a trading pattern with nations where we have something to exchange. It has been my observation, and I have been checking this rather closely. Every banker in the United States is loaning money to the Soviets or trying to these days. They are tough traders. But this might be one possible development in the exchange area.

Senator FULBRIGHT.. I will finish, Mr. Chairman, although this is very interesting. Our witness mentioned some interesting things, the foreign bases. The best estimates from the DOD figures is that we still maintain around 2,000 installations, big and little. Of those 320 are major bases under DOD's own criteria which means 500 or more people.

You can't tell me this doesn't cost an awful lot of money. They are scattered all over the world.

One last comment. Why do we think we have to pay to entertain and influence the Soviets and Eastern Europe by maintaining Radio Free Europe and Radio Liberty with 2,600 jobs in Munich? Not in New York or Wisconsin, but in Germany. Why do we have to do that?

Well, I am through.

Senator ROTH. Mr. Barr, I want to thank you for coming. I greatly admired you when you were Secretary of the Treasury.

I would like to ask you whether or not you feel Congress can get a better handle on the impact of the budget from the long-range point of view which you have mentioned.

It is not so much today's expenditures as it is today's commitments for tomorrow. How can we better appreciate the effects of our actions? Do you have any specific recommendations?

Mr. BARR. You are groping toward the ways to do it. First, you are going to have to address yourself to the current year's problem. I suggest that you amplify this a bit by including foreign exchange implications. You can move right on, after you get the one year thing under your belt. There is nothing to stop you from moving out to 5-year projections.

May I add that you have, as a congressional tool, two great resources. No. 1, you have the General Accounting Office, Elmer Staats.

Some of us said that is putting the fox in the hen house when Elmer came down to run the General Accounting Office, because he knows where all the bodies are buried. He knows as much about the Government of the United States as anyone I know. He really knows it from both ends of the stick. You have a great man and a great tool there.

Don't neglect the other tool which is the Federal Reserve System. That is a congressional body, not an executive body. It belongs to the Congress.

So you have two great research tools and I would hope you would use them. They are well staffed and in the Federal Reserve Board you don't even have to appropriate any money, they make it like it is going out of style.

Chairman ULLMAN. Might I intercede?

Our first witness was Governor Burns and our second important witness was Elmer Staats. They both put a very important input into this and we expect them to play a key role in the implementation as we go along.

Mr. BARR. That is correct; this is where you can get some of your staff work done, from these two bodies, until you develop your own staff.

Frankly, Senator Roth, I don't think you would need a huge staff up here to do it. What you need is a staff that is smart enough to use the Government.

Mr. JAMES BROYHILL. I believe that is the point that Mr. Staats made, to establish the procedure to get this information from the administration as a matter of course.

Mr. BARR. There was a Congressman from Texas who really had this thing down. I remember he took all of his mail and as it came in he would send it around to various departments and say, "Dear Secretary, please answer under my signature."

Senator ROTH. I think you have made a valuable point. Much of the talk up here focuses on building a major staff and that, you feel, is a new trap.

I would like to ask you this question, if you were Secretary of the Treasury today and Congress was, as we hope it will be, proposing a congressional budget, what would be your recommendations both as to the size of the budget and how we finance it?

Mr. BARR. I think—now I believe that the argument in the country today is not over the size of what the President is recommending. I think most economists, bankers on both sides, liberals, conservatives, would say this $250 billion limit for the current fiscal year is all we can take. I don't think there is any argument.

If I were Secretary of Treasury I would be proposing precisely that. In your next fiscal year coming up, you are going to have to watch that one, too. I haven't looked at it that closely. Certainly you can't take more than $250 billion this year.

The argument is on how you are going to spend the money. I think you will find that economists don't disagree. Professional economists—this is a man that makes his living at it and can't be wrong too often. They are not going to disagree too much on the total amount spent in any year.

What the argument comes down to is what areas and how. That is the argument. We don't really have much of a difficulty there, sir.

Senator ROTH. The argument also centers around the size of our annual deficit; does it not?

Mr. BARR. Not too much. They would all be quite close together.

Senator ROTH. If you go back a year or two, some economists were arguing strongly that the size of the deficit was not serious. They seemed to feel it should have been larger.

Mr. BARR. Yes; there is argument, but it is not that tough. Most professional advice comes pretty close.

Senator ROTH. The President has proposed a budget of roughtly $268 billion for the coming fiscal year. Do you have any views on the size of the deficit of that budget? Should we try to balance it?

Mr. BARR. No; I think $268 is about right. Next year can be a funny year. Well with all this international uncertainty—I think I am not unique. It might look great being in the banking business from where you gentlemen sit, but in the last few weeks I have been nervous as a cat.

We are very active in international affairs. We are traders in all kinds of securities. We have people trading hundreds of billions of dollars a day. Normally you let them trade, but in the last 2 weeks I can't sit at my desk. I am up checking these people constantly.

There is something funny going on in the world that I don't understand, in the equity markets, in the foreign exchange markets, in the debt markets. The old rules aren't working. So I would be inclined to say, from what I know now, I would say $268 is within range. I wouldn't adjust it too far. I would think there is rather general agreement that $268 billion is a figure that can be lived with. But you gentlemen would have to examine that more closely.

I have looked closer at the $250 figure this year and that is certainly all you can take.

Senator ROTH. The President has pointed out that this budget is balanced under the full employment computation. However, by more traditional methods of accounting, there is at least a $9-billion deficit.

Does that seem serious to you in the coming year?

Mr. BARR. No. I don't want to get in an argument with Mr. Rousselot or my colleagues around here. Before you start paying off the debt, may I remind you, this was Andy Jackson's campaign and he did pay off the debt and we went into one of the toughest recessions we had in 1837.

Senator ROTH. One final question.

Many people have proposed we convert to a calendar year accounting system. Based on your experience, do you think we can make that conversion?

Mr. BARR. It doesn't make any difference. It is an accounting change. It would just be the convenience of the Congress. It doesn't make any difference. Corporations go on 5 years, some calendar, some fiscal. They do it for convenience. If you have a lot of activities that are far-flung and you can't pull them together, it is usually on a fiscal year basis. At least there weren't any reasons 4 years ago. I don't think there would be any today.

Senator ROTH. That is all.

Chairman ULLMAN. Mr. Broyhill.

Mr. JAMES BROYHILL. I have no questions.

I thank you for a good statement and a rational approach.

Chairman ULLMAN. Senator Fannin.

Senator FANNIN. Thank you, Mr. Chairman.

Mr. Secretary, I commend you for a helpful statement and I share your great respect for our watchdog of the budget, Senator John Williams. It was a pleasure working with him. He was very effective in holding down the expenses.

Mr. BARR. I will give Senator Fulbright a little history. Senator Williams and I were very close friends. President Johnson said, "Joe, you are spending much too much time with that man." He said "you are not smart enough to get in the same room with John Williams." [Laughter.]

Senator FANNIN. Mr. Secretary, I would like to discuss the matter of priorities that you brought up. With your background and the business you have been in, I think you would be very helpful in advising us on whether we are spending sufficient money in the technological and scientific fields.

I raise this issue because it has been suggested that we will have to import anywhere from $15 to $25 billion of petroleum products. We haven't the exports to offset that. Certainly agricultural products would never come up to that level of dollars.

We have now about $52 million, I think, being spent on research, coal gasification, geothermal steam, and endeavors of that nature.

Would you agree that our hope to negate the need to import those vast petroleum quantities is for us to develop our own resources? We have coal in abundance, we have offshore oil, we have Alaska. Don't you think that we should be allocating more of our budget for those endeavors?

Mr. BARR. Your proposal sounds reasonable. I am no expert in these areas. I am sure that the President has had to look at the priorities that he is looking at. He knows as well as anyone else what we are faced with in this country. Whether it is too small or too large, I don't know. That is a question where somebody really has to take a close look at it.

Senator FANNIN. I know you can answer this question. Do we have the financial ability to import $25 billion worth of petroleum products?

Mr. BARR. Not unless we are going to sell a large part of this country to the people whom we are importing from.

Senator FANNIN. And is this desirable?

Mr. BARR. Well, the French have been saying this is what we are doing to them. The Germans are saying the same thing. The Japanese were a little smarter and wouldn't let us buy up Japan.

I must confess that the prospect of the United States being owned by foreign interests is not attracive.

Senator FANNIN. We are talking about 10 or 15 years before we could develop the production of energy to the extent we would need.

So we are talking about the next 10 or 15 years. We have coal readily available. It is your recommendation that we utilize coal in place of natural gas and oil?

Mr. BARR. I am a banker, Senator, and I have dealt only with money. I would say anything that we can do as a nation to minimize the imports we are looking at, we should certainly undertake.

Senator FANNIN. That is exactly what I was trying to get across.

Now, regarding geothermal steam, I will finish with this observation. Saturday it was my pleasure to visit a geothermal steam well in the

middle of a cotton field in Arizona. They were able to use data from satellites and other sources in the area to discover where they should drill. They drilled 6,000 feet and they found steam. Whether it is going to produce a sufficient amount of steam to be of great consequence, we don't know. But this is encouraging and hopefully will provide a good energy source.

That is why I was bringing up the matter of priorities and expenditures for research. Our budget should include funds for research to make it possible for us not to be in need of importing these vast quantities of petroleum products which you agree we can't afford.

Now, one problem that concerns me, and I am sure you are aware of this, is the fact that, the American people do not relate the troubles we are having with the dollar overseas with our own economy. Is that the way you find it?

Mr. BARR. No question about it, but they will find out as the dollar becomes cheaper in world markets. As we export agricultural products the cheap food we have been living with in the United States is disappearing. We have to pay for the oil some way. The United States is the most efficient agriculture producer in the world. Nobody compares with us in that area, but you are quite correct. It is not readily perceptible to the average consumer the results of all these changes in exchange rates is inevitably going to be reflected in the prices.

The best estimates I have made is that this last devaluation is going to mean about one-third to 1 percent in consumer price hikes.

Senator FANNIN. Some of us were in a meeting with the Japanese and they said, "Fine, you grow agricultural products the best, so you go back to an agrarian economy."

Chairman ULLMAN. Senator Curtis?

Senator CURTIS. Mr. Secretary, it was not possible for me to attend all of these meetings. I personally will support all of the plans for a congressional budget and working with the committees that appropriate and the committees that recommend taxes.

I assume it is the hope that perhaps this will result in a restraint on the appropriating committees to keep the appropriations in line with expected revenues.

I would like to express the hope that there be a little restraint on the tax writing committees. We have had about three tax reductions at a time of growing deficits. I am looking for someone to come here with a proposal that will tell us how to take it out of the heart and mind and ambition of Congressmen and Senators to always give something away. To advocate a new program, repeal the tax, increase a benefit, or something else.

Now, we can devise the best plan in the world to establish a budget at the beginning of the year.

Will that have any influence on the votes of Congressmen and Senators to increase Government salaries when it is proposed a few months later?

Mr. BARR. Senator, I have been through that.

Senator CURTIS. I don't think it will, do you?

Mr. BARR. I can remember sitting as a Member of Congress and looking up in the gallery and saw it packed with postal workers all in uniform.

Senator CURTIS. Well, the strongest spending lobby around Washington is the Government employees. We can agree on a budget that looks pretty on paper but there is no plan that a joint budget will have anything in it to restrain Members of Congress from promoting and offering bills for new programs, is there?

Mr. BARR. No, sir; I do think you are moving in the right direction. When I came to Congress I had spent my life in business and banking. My academic career had been in finance and budget banking. I could not make heads or tails out of the budget. You remember at that time we were using three budgets. We had the administrative budget, the cash budget, and the national income accounts. I couldn't make heads or tails out of the thing.

So, frankly, I would get ready to vote as a Member of Congress, a man who spent his whole life in business, who had been trained in this area and I couldn't figure out whether I was voting to bust the budget or cut it and the arguments would swirl back and forth.

You do have a comprehensive budget now and it can be understood. But I think this effort you are making, trying to agree on what you should do and not what the President says you should do, I think it is going to reenforce the tax writing committees, the appropriating committees, and I think it can't help, Senator, but make every Member of this body more cognizant of his financial responsibilities.

Senator CURTIS. Well, I say I will support a law for a legislative budget but after all, it is just a legislative act and a subsequent legislative act takes precedent.

If they call the roll on a new program and 51 percent vote for it, the budget ceiling is broken.

Now, I took occasion the last couple of years to tabulate proposals that were offered for new programs and increases in present programs.

Our budget would be increased by many hundreds of billions if we passed all of those. Right now the medicare part of social security is in serious difficulties, yet we are providing medical care for people over 65 regardless of the need. We have a program for the poor, medicaid, yet the drive is on to provide a total national health program for everybody. People who have good jobs, neither aged or ill or poor, would have their medical bills paid by the Government.

I have been unable to figure out how any sort of budget ceiling is going to have any influence on Congressmen and Senators when they call the roll for new programs.

It seems to me what we are facing here is a basic conflict of ideologies as to what government is for.

Now, if government is to govern, we can pay for it. If government is to provide, if that is the basic purpose of government, there is just no end.

Mr. BARR. It is good to hear from you again, Senator Curtis. I listened to you for many years and you were always worth listening to, sir.

Chairman ULLMAN. Thank you, Mr. Secretary.

Mr. BARR. Thank you.

Best of luck to all of you. As Senator Curtis says, it may work or it may not, but you have my best wishes.

Chairman ULLMAN. Thank you.

Our next witness is our colleague, Richard Fulton, from Tennessee.

STATEMENT OF HON. RICHARD H. FULTON, A U.S. REPRESENTATIVE FROM THE STATE OF TENNESSEE

Mr. FULTON. Before Joe leaves, I want to remind him that I had the privilege of representing the Hermitage district in Tennessee, the home of Andrew Jackson, and had he been elected to a third term, I am sure the recession wouldn't have occurred.

I appreciate the opportunity to be here this morning.

Let me begin by saying that in some ways our announced purpose—reassertion of congressional control over the budget process—has in part been accomplished.

The formation of this committee, its Interim Report and these hearings themselves, are truly significant steps in the direction of our goal. I say that because I believe that this Congress has just had its fill of Executive intervention in provinces that are constitutionally the right of Congress.

The existence of this committee should serve as an admonition to the President to be cautious of overzealous infringement on congressional prerogatives.

We have all seen and personally felt some of the effects of allowing the Executive the privilege of budget formulation. I am most hopeful and confident that these proceedings and the suggestions of authorities with expertise far greater than my own in these matters will signal the enactment of legislation creating a congressional institution for budget management.

What we seek will not be easily achieved. However, there is an overriding imperative to which I appeal: to the delegation of power of the purse to the Congress, as outlined in the Constitution. From the start of our deliberations our interest in the Nation's well being must be recognized.

This is not a devious attempt to rob the President of any of this power. I view these proceedings and their goal very much in terms of rectifying a situation that is not now in this Nation's best fiscal interests.

The failure of Congress to arrest the erosion of legislative control over the budget has been a grave oversight. It has been compounded by several legislative devices that we unknowingly instituted ourselves. We have a constitutional mandate to lay and collect taxes and to provide for the defense and general welfare of this great Nation.

Others in our Government claim to be operating under mandates from the people. Let us not fail to remember that the ideals of our Constitution are a mandate of unassailable veracity. There are few, if any, who would wish to contest this point.

Thus, we must pledge ourselves to the construction of a mechanism that will restore to Congress fiscal policy and priority determination so that this duty can once again be in the domain for which the Founding Fathers intended.

We, the Congress, are constitutionally entrusted with the fiscal decisionmaking at its last resort, yet we are not equipped with an agency suitable to this task. Anyone who has ever viewed and studied the Federal budget knows of the sheer mind-boggling magnitude of the document.

It is absurd to expect the average Member to sit down with the budget, read this voluminous literature without direction, and make

an intelligent evaluation. Congress must have an integrating agency to serve its Members. Otherwise, we might just as well amend the Constitution, forfeiting all fiscal determination to the President.

The most striking flaw in the present system of Presidential formulation and congressional review is the unity of the former and the disjunction of the latter.

Granted that even to allow the President the privilege of formulation takes from the Congress the initial opportunity to build into the document legislative priorities. But having received a structured document that intrinsically represents priorities as established by the administration, we then dismantle it in the Appropriations Committee into 13 separate authorizations.

By doing so we automatically divest Congress of the opportunity to view the spending program as a whole. This approach was probably instituted initially for lack of a better review process. In any case, it leaves us at a severe disadvantage relative to the Executive.

The Executive possesses varied information resources—computer banks and manpower—to manage the budget process competently, from their point of view. These are the tools needed by Congress in order to balance the present disparity. Without them, Congress is at a distinct disadvantage in effectively questioning, or setting budget priorities.

We tell ourselves that we really do oversee the funding of programs and the establishment of national priorities. However, I submit that the extent of vigilance has been to shuffle millions about in a multi-multi billion dollar scheme. There is an illusion of control, but in reality, we are failing to assert ourselves responsibly.

By the way of proposals, I believe there are several initiatives the Congress must take:

First. Establishment of a congressional budget agency.

Second. Institution of longer term fiscal periods.

Third. Better evaluation of existing programs.

(1) My earlier remarks, I believe, have pointed out the imbalance of the present system and the need for a branch of the Congress that would provide the information and integration inputs that budget writing requires. This agency could be established as a joint committee with extensive staff authorization or an independent, nonpartisan congressional arm, staffed with economists and fiscal authorities who would formulate budget policy and be available for the use of Members.

The creation of such an agency would provide Congress with its own estimate of revenue income in addition to that of the Office of Management and Budget.

I am fully aware that after a certain level, information becomes marginally less useful and finally valueless. But in the present situation, Congress reviews budgets in a virtual information vacuum. This agency would relieve the information disparity, which will continue to widen unless Congress takes action to create its own resource mechanism.

The General Accounting Office has in the past provided information and cost accounts to Congress. Notwithstanding, the Congress has never used the GAO to its full potential. The Legislative Reorganization Act of 1945 detailed the expansion of the GAO into a full-fledged agency for congressional expenditure analysis.

Section 206 of the act outlined the full range of responsibility the GAO was to have in keeping members informed during the budget process. However, Congress has not invoked all of the GAO's duties that were assigned to it by the Reorganization Act.

While I have called for the creation of a new agency, the GAO might well be reorganized and expanded to fulfill the present congressional need. In the course of its reorganization, I would strongly urge that the Comptroller General become a legislative appointee, rather than Executive one, as he is currently. This would centralize the General Accounting Office under the wing of the Congress.

(2) The institution of longer term fiscal periods would allow for greater care and preparation of each budget. Some budget measures must be considered yearly, but many expenditures can be appropriated up to 3 years in advance. Other continuing programs might require only 5-year evaluation.

The annual budget is certainly not rewritten from scratch each year, since many expenditures are carryovers from previous years.

The annual approach to fiscal affairs distorts evaluation of programs because the spending appropriation review ignores the effectiveness of the program over time. The institution of longer term fiscal periods would permit program review with regard to trends that may be surfacing over a period of years.

Looking to the future, if the GAO or a comparable arm of the Congress were to be as beneficial as I think it could be, we might contemplate extending fiscal review from 1 year to 2 or 3.

At this time, such a suggestion seems somewhat impractical, but given time, a GAO-type agency might provide legislators with enough preliminary information to enable longer term planning.

Economic trends and revenue-producing plans could be accounted for, and provisions made to accommodate national fiscal policy.

In addition, if the Congress were to authorize more programs on a 3-year basis, the budget could be divided into three parts. Each part would be reviewed every third year, and the depth of examination would surpass in degree any that we are now capable of. The load of the budget review would be considerably lightened and members would be better able to evaluate individual programs.

(3) The careful scrutiny of Federal programs will solidify congressional grasp on priority determination. There are a number of programs funded annually that should be reviewed for effectiveness and appropriateness of moneys spent. Congress should know where and how funds are spent. In union with increased powers of fiscal policy that its own budget agency would provide, increased regulatory review would restore substantially to Congress its power of the purse.

I have heard and read of some who would label this committee and its reform effort a "toothless tiger.' We are in the position to be much tougher than that.

I fervently hope that these proceedings will result in a condensation of ideas on the subject of congressional reassertion and be the impetus behind constructive, practical legislation to develop in Congress the mechanisms and expertise which we lack, yet which we so vitally need.

Thank you

I would like to express my appreciation to Mr. Steven Teffet of the University of Rochester who has been most helpful in researching this material.

I want to commend you on the work you are doing and I look forward to voting for legislation that will assist us in meeting our budgetary problems in this Congress.

Chairman ULLMAN. Thank you very much, Dick.

As usual, your remarks are short and to the point. You have hit the primary areas of responsibility. This committee, I want to assure you, is dedicated to the purpose of bringing to Congress as rapidly as possible a proposal to establish the kind of budgeting procedures that you and others have recommended.

I will say to Senator Curtis, in my judgment, under existing procedures it is not possible to be fiscally responsible, but if we establish the right procedure I am satisfied we will exercise fiscal responsibility and we will recapture again the control of budgeting which we have long ago lost to the executive.

Are there any questions?

Mr. SCHNEEBELI. I just want to make one remark.

I welcome the testimony of my colleague before the committee and I am glad we have his vote because I think we will need every vote we can get.

As one of the regional whips of your party, I hope you can whip a lot of other fellows into line because we need your help.

Thank you.

Senator FANNIN. I want to commend the Congressman. It is certainly an excellent statement and I will read it very carefully.

Senator CURTIS. No questions.

Thank you.

Chairman ULLMAN. Thank you.

Now we come to our distinguished former colleague, the Honorable John Williams, former Senator from Delaware, a man who spent a great deal of his time while he was here in the Congress fighting for the very thing that this committee is dedicated to do.

So we very much appreciate your coming back and testifying befor the committee.

STATEMENT OF HON. JOHN WILLIAMS, FORMER SENATOR FROM THE STATE OF DELAWARE

Senator WILLIAMS. Thank you, Mr. Chairman.

I appreciate the opportunity to appear before this committee.

First, I would like to say I think this is one of the most encouraging developments that I have seen take place in the Congress, at least during the period when I was working with it—namely, where you see the appropriations committees and finance committees sitting down together and trying to work out solutions to this problem.

I don't think it can be done by either of the two committees working independently of each other.

In recent years considerable controversy has developed as to the powers of Congress versus the powers of the President to regulate the level of spending.

As a former member of the legislative branch I want to express my strong support of the position that Congress not only has the authority to control the level of spending, but it has the responsibility to do so.

The Constitution also delegates to the Congress the authority and the responsibility to provide the method by which it will raise the revenue to finance these expenditures.

These powers to spend and to tax are inseparable. Congress cannot expect to exercise its jurisdiction over spending unless at the same time it accepts its responsibility to provide the means to raise the necessary revenue to pay for its programs.

That is why I welcome this opportunity to appear before this committee today and to urge Congress to reassert its powers and establish its own ceiling on expenditures.

First let me state, however, that in view of the serious threat of inflation and the precarious position of the American dollar today I do not think that expenditure controls alone can solve our financial dilemma any more than it could be solved by an increase in taxes.

In my opinion, it is going to take a combination of both expenditure controls and increased taxes in order to eliminate the staggering deficits and to restore international confidence in the American dollar.

That is why I am emphasizing the importance that both approaches be tied together—just as we did in 1967 when the first congressional ceiling on expenditures was adopted and at a time when the American dollar was confronted with its first serious postwar threat.

I realize that the mere mention of increased taxes or the suggestion that some of our favorite programs be curtailed or eliminated flashes a red light both to Congress and to the American public, but let us not overlook the fact that the devaluation of the American dollar has an even more drastic mathematical effect on the American consumer through inflated prices.

Surely, if we cannot live within our income today in a period of relatively high prosperity, then when will we be able to achieve a balanced budget?

Within the past 2 years we have already had three devaluations of the American dollar—two 10-percent devaluations and the more recent upward evaluation of some of the stronger international currencies.

It is my opinion that this floating of the American dollar is just another method of devaluing the dollar and disguising it.

Do not forget that these devaluations of the American dollar are the result of—and not a solution to—our financial dilemma. The solution lies in a restoration of international confidence in the ability of our Government to solve its internal financial problems, and that can only be accomplished by a better control over our fiscal policies here at home.

Our deficit for the 3 fiscal years 1971 through 1973 exceeds $70 billion, an average of $2 billion per month beyond our income. Our balance-of-payments deficits in international trade have increased by similar proportions.

The proposed deficit for fiscal 1974 under the administration's recommended expenditure ceiling would still be in excess of $12 billion.

With this background I think it is imperative that Congress take some action, and I congratulate this committee upon the consideration

it is giving toward one of the essential steps; namely, a realistic ceiling on expenditures.

There is a precedent for such action. As former Secretary Barr pointed out, in 1968 Congress adopted a rollback in Government spending and placed a ceiling thereon. This expenditure ceiling was attached to a bill providing a 6 percent surtax, and the important point is that the two were tied together.

In 1968 we were closing a fiscal year's operations with a $25 billion deficit and experiencing one of the first serious runs on the American dollar. Congressional acceptance of that combined expenditure limitation and tax increase was given major credit for the avoidance of a devaluation of the dollar in that period.

Based upon our experience with the 1968 effort to limit expenditures it is my opinion that to be effective both the administration and the Congress must share the responsibility of bringing the expenditures and the revenues of our Government nearer into balance and any expenditure ceiling must be tied to revenues.

To achieve this objective I would therefore make the following recommendations:

1. The President should be required by law as he submits his annual budget message in January of each year to include not only his estimate of revenues and expenditures, but also when such estimates represent a deficit to recommend a surtax to the nearest percentage point sufficient to eliminate any projected deficits.

2. Congress, after considering the President's recommendations, should, not later than May 1, adopt an expenditure ceiling of its own and automatically make any adjustment—upward or downward—in the proposed surtax that would be necessary to eliminate the estimated deficit resulting from its action.

3. The law should further provide that should Congress fail to take any action by adopting its own ceiling prior to May 1, the President's recommendations both as to an expenditure ceiling and surtax would become the legal ceiling and legal surtax rate for that year.

4. Any expenditure ceiling to be effective should carry a bonus as well as a penalty clause related to the final result of either reducing or exceeding the adopted expenditure ceiling.

For instance, after the fiscal year involved has ended and the final figures have been disclosed, then for each percentage point that spending has been reduced below or has exceeded the adopted ceiling and adjustment in the surtax rates would automatically be made on both individual and corporation income taxes for that calendar year.

Thus, every taxpayer would have an incentive in supporting congressional efforts to curtail expenditures.

Now, if Congress or the administration decided that it did not like the surtax principle to finance these deficits it could amend the existing tax rates either for individuals, corporations, or others to raise that amount of revenue. It should be kept in mind, however, that the mandatory raising of additional revenue to offset any deficit is a most essential part of this plan and to make any expenditure ceiling meaningful they should be tied together as one bill.

As a former member of the legislative branch I feel very strongly that it is the Congress which should have a strong voice in the decision as to how much we can afford to spend.

Why is it so important that Congress early in each year establish an overall ceiling on spending? Under the Constitution the President has the duty to submit at the beginning of each new Congress a proposed budget for the fiscal year beginning the following July 1, including a projected estimate of both the expenditures and the revenue under his proposed programs. These recommendations along with an itemized breakdown reach Congress in January of each year.

Under our present method of operation this budget message is then referred to the Appropriations Committees where it is broken down by the respective agencies and referred to the various subcommittees having jurisdiction.

Each subcommittee then considers the requests of the agency under its jurisdiction, holds hearings, and reaches a conclusion as to whether the agencies' requests should be raised or lowered—this decision being made without having the benefit of knowing what action is being taken by various other subcommittees handling the requests of the other agencies.

True, the full Appropriations Committee and later the full House and Senate pass upon the recommendations of these subcommittees, but since in practice these appropriation bills for the various agencies come at staggered intervals—ofttimes months after the fiscal year has started—there can be no correlation as to their effect on the overall expenditure total.

The result is that by the time the final appropriation bills have been enacted and the total expenditure authorization established it is often too late to make the necessary adjusment.

But as I pointed out earlier, the mere adoption of a spending ceiling in itself will serve no purpose unless it is binding both upon the administration and upon the Congress itself.

Today we are confronted with a serious challenge to the value of our dollar. Inflation is no longer a mere threat—it is a reality. In the past 2 years we have had three devaluations of the American dollar, and unless Congress and the administration take prompt action toward more fiscal responsibility these devaluations can become even more frequent.

The adoption of a rigid ceiling on expenditures is going to take some sacrifices and mean some hard decisions for all. It is not enough for the executive branch to point the finger at Congress, or for Congress to pass the buck to the President.

It is not enough for the American citizen to wash his hands of responsibility and to blame the Congress and the administration. Congress makes appropriations because the people demand more and expanded services.

In conclusion let me add that this will require the cooperation of the President, the Congress, and the American people, working together, if we are to halt this inflationary spiral and preserve the integrity of the American dollar.

We are all in this together.

Now, to save time, I would ask that we place in the record an example of how this would work assuming it were in effect for this current fiscal year.

Chairman ULLMAN. Without objection; yes.

[Appendix I follows:]

As an example, let us take the President's 1974 budget proposals wherein he estimates our 1974 income from all sources in 1974 at $255.9 billion against total actual expenditures of $268.6 billion, representing a proposed deficit of $12.6 billion.

Now, assume that the proposal I have made today were in effect. Suppose that the rate of expenditures were held at $256 billion, an increase of $6 billion over the current year's $250-billion spending rate. Since the 1974 income is projected at $255.9 billion, no increase in tax would be required. If, however, expenditures were increased by $19 billion over last year's rate as proposed, then a surtax beginning the following calendar year would be required sufficient to eliminate this $12.6-billion deficit.

The 1974 budget estimates that in fiscal 1974:

	Billions
Individual income taxes will be	$111.6
Corporation taxes	37.0
Estate and gift taxes	5.0
Total	153.6

Under this formula, assuming no reduction in next year's spending plans, approximately an 8 percent surtax would be required to eliminate the projected $12-billion deficit for fiscal 1974.

Congress, however, may decide that only a portion of the recommended increase in expenditures can be justified along with a portion of the tax increase. The important point is that under this formula the final decision would always be subject to Congressional approval, but Congress and the administration would both be on notice that when they increase spending they automatically increase taxes.

To avoid the possibility of either the administration or the Congress adopting an artificially high expenditure or revenue estimate and thereby getting credit for economy plus a tax reduction for their constituents, the law should provide that the automatic tax reduction under this system would not become effective if the previous fiscal year ended with a deficit.

I point out again to those who do not like the principle of a surtax that such a tax could be avoided at any time that Congress enacts other revenue proposals which would bring in sufficient revenue to hold our budget in balance.

Under this plan, whether expenditures are lowered or increased is a decision left with Congress except that both Congress and the administration will be on notice that when they increase spending above the level of our income they are also increasing taxes.

Chairman ULLMAN. As usual you have been to the point, forthright and laid it on the line and I appreciate it.

We appreciate your support from where you sit of the work we are trying to do.

Let me say we have been through quite a bit already, there are still a lot of areas to go. I am extremely optimistic that we will get enacted in this Congress a procedure for congressional budgeting which will be a minor revolution in the affairs of this Nation.

Senator WILLIAMS. That is the reason, Mr. Chairman, I welcome the opportunity to appear before this committee because I don't think we can underestimate the importance of the job you have tackled at this time.

Chairman ULLMAN. Thank you.

Mr. Schneebeli.

Mr. SCHNEEBELI. Senator Williams, the accolades that have been given to you this morning are certainly well deserved. As a Member of the House I want to express my great admiration for the work you have done. You and your work are, in a sense, a beacon for our work here. It is good to see you.

Chairman ULLMAN. I would like to note for the record there are four of your distinguished colleagues from the Senate over on the House side and I am sure they are here in part because of your testimony.

Senator Fulbright.

Senator FULBRIGHT. Thank you, Mr. Chairman. You are quite right. We are here in part because John Williams was going to be here this morning. We miss him very much on the Finance Committee and in the Senate. He has for so long a period given us good advice. Unfortunately the Executive didn't always take the advice.

I very much approve your statement. I think we have to consider some form of tax increase, too. There is a difference of opinion as to where it should come.

Why do you like the surtax? There is a lot of talk about the repeal of the accelerated depreciation. It seems corporations are doing very well and there are arguments being made for it.

You are an expert in this field. Why do you think your surtax is better than considering these other alternatives?

Senator WILLIAMS. Well, Senator, I don't think it is better and I would prefer some of these alternatives such as you proposed. The reason I recommended a surtax is that I feel that the situation is comparable to what it was in 1968 at the time we had the previous tax enacted. This is the simplest tax payable by the American people and for the Congress to enact quickly. That is the reason I suggested here that we put the surtax on.

Then if Congress in the meantime comes up with a modification of the existing tax rates to the extent they raise that revenue, that would reduce the amount of surtax required or eliminate it in its entirety.

Senator FULBRIGHT. That is sort of using it as a prod to either take that or do something better.

Senator WILLIAMS. Exactly. Congress and the American people would be on notice that as we increase our expenditures for these programs, that they are going to be paid for and we would all be on notice and they would be paid for with this surtax unless taxes were raised otherwise and Congress would have the full calendar year ahead of them.

The Ways and Means Committee and the Finance Committee would do that.

I would recommend myself as an individual here that they take such steps and change the existing rates. But, nevertheless, if we wait for that, I am afraid we would never get the revenue proposals arbitrarily in the beginning tied to this, unless we impose a surtax.

Senator FULBRIGHT. Yes, I understand that. That appeals to me, too.

Mr. SCHNEEBELI. Would the gentleman yield?

Senator FULBRIGHT. Yes.

Mr. SCHNEEBELI. The surtax approach would be an annual affair and the other would not be an annual affair.

Senator WILLIAMS. That is right. But if during the course of the year Congress did take some action it could minimize the deficit and this automatic triggering would lower the amount of surtax needed.

Senator FULBRIGHT. I think that is a very ingenious way to put it, it appeals to me very much.

Senator WILLIAMS. Then I wasn't unmindful of the experience of the last major tax bill that was passed by the Congress while I was a member. We started out with what was a major tax reform proposal and as it came over from the House it raised about $4 to $5 billion revenue.

When it left the Senate it lost about 10 in revenue and when it came back from conference it lost about 4 or 5 and it ended up as a tax reduction.

If that happened again under this proposal, this surtax would be triggered right on in.

The point I am trying to make is, if we can't live within our income today in a period of relatively high prosperity, when are we going to be able to do it?

There is much said about price and wage controls. And we may need some controls, but if we are going to rely solely on that, we have reached a sad state of affairs in this country. There is an abundance of purchasing power today in the hands of the consumer exceeding the amount of goods which are available. That is why I think tax at this time, as unpopular as it may be, to finance some of this Government, is in line.

Senator FULBRIGHT. I am inclined to think that is true. A combination, as you suggest, of both. I think there is plenty of room for substantial cuts in such items as we already mentioned, foreign bases and military expenditures.

We have been slow to adjust to the change and the development of the nuclear weapons. We can't make up our minds to accept the fact that we are in a different situation than we were 25 years ago.

I think what the President has done in going to Moscow and Peking has made obsolete most of these bases and those expenditures.

I think $10 or $15 billion can be cut out of that without in any way endangering our security because we have these other alternatives.

If we could manage to cut that substantially and have a little increase, we could have a balanced budget without any real serious disruption of our economy. Do you agree with that?

Senator WILLIAMS. I agree fully. There is no question in my mind that the Congress could, once it gets its mind down to it, bring this under control. I think it is the most important project confronting this Congress.

Senator FULBRIGHT. I am delighted to have your statement. It is succinct and clear and with your reputation over many years here, I can't believe that the Congress isn't going to take this seriously and do what we ought to do in this connection. It certainly gives me a lot of encouragement.

Senator WILLIAMS. As I said earlier in 1968, there was no question that we were confronted with an eminent devaluation of the American dollar and I think the taxes of the Congress combined with the controls did avoid it at that time.

Senator FULBRIGHT. We are in a lot worse position today and we have to take more drastic means now than we did in 1968.

So it is the same problem only worse, so we have to move in a much more drastic way.

Well, thank you very much. I am delighted you are looking very well. What have you been doing in the last few months?

Senator WILLIAMS. Well, it does a man good to get out and work for a living. [Laughter.]

Senator FULBRIGHT. Do you honestly say you are working harder now than you were over there?

Senator WILLIAMS. No indeed.

Chairman ULLMAN. Senator Roth.

Senator ROTH. I would like to welcome my predecessor here.

Mr. Barr spoke about not being smart enough to get in the same room. I must say, Senator Williams yours is a very hard act to follow, and your testimony today shows us why.

You have proposed a balanced budget every year. Many leading economists say today that in times of economic stress, deficit spending is a plus. It helps bring about the growth of the economy.

Would you permit this under certain circumstances?

Senator WILLIAMS. Under certain circumstances it may have to be. We may have war and national emergency and Congress can take action on that. But in the light of how we are engaged today, I see no reason why we can't do it. I remember when this philosophy of the unbalanced budget was presented to the Congress. One of the former Secretaries of the Treasury and the Budget Director said that it was not only a virtue but also that they planned them that way.

They wanted a little inflation in this country but they were going to control it.

I never have forgotten the comments of the chairman of the committee, the Senator from Virginia at that time, who said planned deficits are like planned pregnancy and figuring you are going to control it when you got older.

I think his warning is fully demonstrated; we are confronted with a serious inflationary threat in this country today.

Senator ROTH. So you certainly say that this year we should have a balanced budget?

Senator WILLIAMS. Yes.

Senator ROTH. There has been considerable debate in the Congress about the President's practice of impounding funds. I am sure you are familiar with all sides of that particular issue. I wonder if you would care to comment on impoundment?

Senator WILLIAMS. I don't think the President has any choice as far as that is concerned.

As I stated earlier, Congress not only authorizes spending, but it also has the responsibility to raise the revenue.

Let's face it, the President can't borrow money without the consent of Congress. He can't collect taxes without the consent of Congress. We have a debt ceiling of around $465 billion and we are approaching that and will reach it before June the first.

Therefore, he couldn't spend the money even if he wanted to unless Congress wants to enact a "quickie" tax bill to give him the extra revenue. I think it is just idle talk.

Senator ROTH. It often strikes me that Members of Congress have a very happy situation. They vote for spending and then complain when the President tries to correct their actions.

Senator WILLIAMS. Every time the Congress votes extra spending they are automatically voting an extra tax under the present situation.

Senator ROTH. It concerns me that there appears to be a confronta-

tion between the executive branch and the Congress. And yet I feel that if we are going to solve these problems we have to work on them together.

Would you think it desirable for the President to play a role in setting the spending limitation or should this be primarily a congressional function?

Senator WILLIAMS. I think it should be a congressional function, but as I pointed out in this, I think the President should make his recommendation, which he does today.

Congress after examining it can accept it or reject it and, if they want to raise it or lower it, let them project their own spending ceiling. But if they raise it above the President's they have also automatically raised the tax to pay for what they are going to increase their spending.

I think that would be a constraint on Congress. I think that each of them should be required to recommend a tax to provide for the spending they are requesting.

Senator ROTH [presiding]. At this time I will call on the Senator from Arizona.

Senator FANNIN. Thank you, Mr. Chairman.

I can recall when the majority leader, Senator Mansfield, and I were observing you on the floor of the Senate, Senator Williams, doing your work. You were coming out with all of these figures and he remarked to me, "This is an example of a Senator really doing his homework."

He said, "John always does his homework." It is evident today that you again have done your homework. I would like your comment on the complaint we hear so much about—we can't do anything about the budget because of all the noncontrollable items.

How would you answer that, Senator?

Senator WILLIAMS. Senator Fannin, there are some uncontrollable items in the budget, I would say. Interest on the national debt, perhaps the obligations that we have to the disabled and those who can't help themselves in this country and a few other uncontrollable items.

Let's face it, many of these items that are referred to as uncontrollable are not uncontrollable except that Congress has acted to increase the spending.

I am not unmindful of the experience we had in my family business during the 1929 recession. I remember when it first started in 1930 we got our house in order and eliminated all of the unnecessary spending because we had to stay solvent; 1931 was worse than 1930 and we went back and examined it over again and we found a lot that we missed in 1930. Our worst year was 1932 and we did the same thing over again and we would have continued to do so if it had been necessary.

I think that there is no question that in practically every agency of the Government we can find some method whereby we can reduce some spending.

Perhaps in staff, maybe in the elimination of a program, but there are many areas where we can reduce it and frankly I believe we can do it and provide a better service to the people.

I remember one specific example that I mentioned years back. I don't have the exact figures, where there were six lending agencies of the U.S. Government all working in one county, all working to provide homes to farmers in that area.

Now, it was a duplication of effort and certainly an unnecessary cost to the Government. There was no effort made between the two. In fact we found a few examples where those who had been delinquent and had a bad record of payment were borrowing money from the agency to pay off the other agency.

Senator FANNIN. I realize your great concern and I appreciate the contributions you have made in trying to overcome some of these wastes.

Now, we have testimony recommending that a committee operating between the two bodies would have the obligation to take into consideration the trust funds, the expenditure you are talking about which is automatic, and, of course, the interest on the debt.

It would still be under their jurisdiction where they would make the review and go into those expenditures, just the same as they would all others.

Would you be in favor of that being done?

Senator WILLIAMS. By all means. I think they should take it all into consideration. Of course, the trust fund payments are uncontrollable, but let's not forget it is Congress that authorized the increased expenditures and had Congress some control over its own activity they could control those expenditures in advance.

Senator FANNIN. By having the responsibility of reviewing all of these programs we might be able to eliminate some of that duplication you are talking about?

Senator WILLIAMS. Yes.

Senator FANNIN. One of the great problems, of course, is our expenditures and you are certainly an authority on what must be done in that regard. But we also have a serious problem with the balance of trade, balance of payments and this is reflected back in the inflation that you talked about. Don't you believe that if we could bring inflation under control that we could perhaps increase productivity, increase our exports, and improve the balance of payments. We are dependent upon our balance of trade to offset the balance of payments, even if we start in doing what has been suggested here this morning in cutting expenditures. We still would be in a deficit as far as balance of payments unless we started raising interest rates and doing what you are opposed to.

Don't you think the inflationary problems we have had in this country have been to some extent responsible for the imbalance of trade?

Senator WILLIAMS. I do and I don't think we can correct it until we get control and check the inflationary spiral in this country.

The first step we have to take in order to solve any of these other problems is to solve our internal problems right here in this country.

That is the heart of it.

Senator FANNIN. Senator Williams, you are an authority in the agricultural field of endeavor. Don't you think it is going to be terribly hard for this country to use agricultural products to offset trade imbalances where we would be importing up to $25 billion of petroleum products?

Senator WILLIAMS. I don't think you can do it with agricultural products alone. I don't think we can produce enough in this country

to solve this problem. It will help, but I don't think we can do it all alone.

Senator FANNIN. I certainly agree with you because if we could increase it even $5 billion, it would be astronomical.

So when you are talking about the projections of up to $25 billion, it is just, I think, a false hope.

Senator WILLIAMS. I think it is. As was pointed out earlier in previous testimony, I don't think we can continue to feel we can afford to be the Santa Claus for the whole world.

Senator FANNIN. That is right. Nor do we have any assurance that we will have this leadership in the agricultural production that we have now. Other countries are coming forward. Don't you think we face as years go by greater competition from these other countries?

Senator WILLIAMS. I would say yes, but the thing that bothers me is what would happen if we had a crop failure in this country. We have had them heretofore. We have been very fortunate in the last few years in abundant crops, but what would happen if we had a crop falure here for a year?

Senator FANNIN. You have been extremely helpful.

Thank you.

Senator ROTH. Senator Curtis.

Senator CURTIS. Senator Williams, I want to thank you for your statement here today. I think the record should not be closed without reference to what you said about the surtax and the spending ceiling back in 1968. That was accomplished by one man and one man alone, and he is our witness here today, the distinguished former Senator from Delaware, Mr. Williams.

I remember all the details of it and it shows what one person can do if they go about it and have enough determination.

Now, one other thing, and I shall not delay the committee or the witness with a lot of detail. I agree with everything you have said. You have made a great contribution here this morning.

So many of these proposals are excellent in their objective and they provide some great help in balancing the budget. But you have made a suggestion for a self-enforcing mechanism to bring this about in your proposal, by requiring the President to recommend a certain tax and if Congress didn't meet the problem otherwise the surtax becomes imposed. This is a real contribution to this problem and I want to thank you.

Senator WILLIAMS. Thank you.

Senator ROTH. I, too, would again thank the Senator for joining us today and for his most helpful contribution.

Senator WILLIAMS. It is nice to be here and I wish you the best of luck on the problems with which you will be confronted.

Senator ROTH. Thank you, Senator Williams.

We have one more witness, Prof. Gerard Brannon, Department of Economics, Georgetown University.

Professor, it is a pleasure to welcome you.

I am sorry we are running so late, but we look forward to hearing your testimony.

Mr. BRANNON. Thank you, Mr. Chairman.

STATEMENT OF GERARD M. BRANNON, RESEARCH PROFESSOR OF ECONOMICS, GEORGETOWN UNIVERSITY

Mr. BRANNON. My background in your problem has been primarily on the tax and public debt side of the budget balancing act.

From that other side, I have had a considerable concern with the way the fiscal policy decision, the balance of taxes and expenditures, was reached.

I might add that, in addition to academic experience, I have served in the Office of the Secretary of the Treasury and on the Hill with the Joint Committee on Internal Revenue Taxation and the Ways and Means Committee.

I will make a few general points about your problem and then suggest the sort of solution which I think is implied by these points.

It will be a useful starting point to observe that the Congress has been passing annual expenditure ceilings for years. Frankly, it was hard for me to understand what all the hoo-haa of last autumn was about.

The annual expenditure ceiling that you pass is called by the deceptive name of debt ceiling. I should explain why I call the debt ceiling an expenditure ceiling.

It is because the links between receipts, expenditures, and debt changes are such that if you fix two of them, the third is fixed.

Except in trivial ways, the President has no authority to change tax receipts. Congress plus fate in the form of the GNP fix tax receipts.

If, further, you limit the President's ability to borrow, then you limit what he can spend. The Congress has repeatedly passed legislation that, in principle, requires impoundment of funds and has frequently done so in fact.

To round out this description of a debt ceiling, I should say that it is slightly more flexible than an expenditure ceiling but the ways in which it flexes are dumb.

The debt ceiling says, in effect, that if the economy moves into an inflationary boom, then expenditures can rise because in inflation tax receipts will rise above the forecast.

But in an inflationary boom you want to hold down government expenditures. On the other hand if the economy moves into a deflationary bust, tax receipts will fall below the forecast and a debt limit implies that expenditures must be even lower than you planned for them to be.

This is even more Presidential impoundment, but worse, it's bad fiscal policy. The deflationary bust would call for more rather than less expenditure.

It is significant that the need for an absolute public debt ceiling gets lower each year as the debt held by the public is continuously a smaller portion of GNP.

What Congress properly wants to limit is the size of annual changes in the debt, that is, the deficit.

Since the President has no tax discretion, any limit on the change in debt is in fact an expenditure limit. If you are going to do this at all, you should certainly do it directly and stop the foolishness of passing debt limits.

When you focus on the explicit problem of an expenditure limit, it is significant that in many areas Congress doesn't now enact ex-

penditures, it enacts appropriations. You know the difference very well, but the difference frequently gets lost in this oratory about congressional and executive authority.

I suggest that the difference between appropriation and expenditure is not merely a matter of historical accident; it is rooted in the nature of many expenditure decisions.

It is involved in what I might call the "hang loose" principle of spending.

My "hang loose" principle says that in most expenditure programs there must be two distinct decisions, which you might call the strategic decision and the tactical decision.

A military commander doesn't decide exactly how much manpower and firepower to expend. He dictates lines of action which his tactical officers turn into expenditure decisions.

The Government spending process is similar in many cases. The Congress may make the strategic decision to put up a building.

You expect the Executive to spend a little as possible to get a building that meets the agreed specifications. This may even involve postponing the start to find a cheaper location or a better design. Similar examples could be drawn from many areas.

Another illustration of "hang loose" is that frequently part of a rational expenditure decision will be asking the question, "Considering everything else we will spend, can we afford this too?"

But this question cannot be answered until you have answered the same question for everything else.

The very difficulty of balancing expenditure choices between disparate programs accounts, I think, for the rigid subcommittee structure of the Appropriations Committees.

The Congress has simply not taken very seriously this problem of how to reexamine earlier decisions in the light of later ones.

Also you enact appropriations without enacting expenditure schedules for these appropriations. By and large, I would suggest that you have ceded to the Executive the responsibility for handling all the "hang loose" problems.

My next point is more speculative than the others. It is a guess that there is more or less an unwritten understanding of how the Executive will handle these uncertainty matters, how he will handle expenditure cutbacks. I think that there clearly have been acceptable cutbacks.

Cutbacks are acceptable where they arise from being able to do a program more efficiently, or where they arise from a reasonable rescheduling that will achieve the Congressional intention with some delay. There are certainly other good cutbacks.

I offer this theory of the unwritten understanding to explain the phenomenon that Presidents have always had and used this authority to schedule expenditures.

The authority to schedule expenditures is the authority to not spend as fast or as much as some program supporters expected, which is to say that it is the authority to impound.

My theory is simply an inference from the apparent fact that there seems to be good impoundments and bad impoundments.

I turn now to the more hazardous issue of what to do about this. Some Members of the Congress regret the extent of limiting the ex-

penditure role to the strategic decision of appropriations and they want to have more to say about tactics.

I first offer the judgment that you can't completely overcome the hang-loose principle. Spending programed over a long period needs flexibility.

On the other hand, I am inclined to agree that the present structure of mere appropriation bills, expenditure ceilings called debt limits, and unwritten understandings, is not satisfactory, either.

It does seem to me that the kind of thing that the Congress could do to obtain better control over the tactical decision is to establish minimum and maximum expenditures schedules to go with its appropriations decisions.

This could be a quite general part of appropriation bills. I recognize that some appropriations are uncontrollable as to expenditure, so in some cases the present procedures would be unchanged such as the handling of interest on the debt.

To be more specific about this, my notion is that when Congress enacts the appropriation, it will specify two amounts of expenditure out of this, what I might call class A expenditures and class B expenditures. It would be understood that the agency has clear authority to undertake the amount of class A expenditures.

Its authority to spend out of its appropriation in the fiscal year up to the class B rate would be contingent upon later congressional action.

As appropriation bills move through the congressional process, there should be continuous reporting as to the expected expenditure totals if the agencies spend up to the A or B rates.

With this structure of appropriation–expenditure action, the Congress could take meaningful action on the expenditure total.

For example, the initial actions for fiscal 1974 might imply total class A expenditures of $240 billion and combined A and B expenditures of $280 billion.

If the Congress decides on the basis of the total set of decisions that expenditures should be $270 billion, this could be achieved by reducing all class B expenditure authority by 75 percent.

The essence of this plan is the recognition that if the Congress wants to get further into the tactical business of fixing total expenditures, it has to allow for the flexibility demanded by the hang-loose principle; but it can establish a set of priorities as to where cuts should come.

It should also do this quite explicitly in developing the appropriation and alternative schedules out of this appropriation.

Although I earlier used the words "minimum" and "maximum" with regard to A and B expenditure schedules, I meant this somewhat loosely.

It does not seem to me feasible to completely avoid the role of some unwritten understandings. What I mean by schedule is that level which the Congress would expect the agency to make a good-faith effort to carry out.

Clearly there could be unforeseen circumstances that would make it impossible to carry out even the A levels. I think that problems of good and bad faith in administration can be handled.

A relevant precedent for the kind of thing I am talking about is the holdback practice of the Bureau of the Budget.

In working out and administering the budget, the Budget Bureau decided that the appropriation allows for a certain amount of expenditure.

It gives the agency the authority to spend something less than this in setting up its original plan; it is so to speak, holding back part of the authority until they know more about developments.

Class A and class B has perhaps an unfortunate pejorative note. So my plan essentially can be described in these holdback terms.

The Appropriations Committee might very well enact a relatively higher expenditure ceiling with a certain portion of this specfically held back.

It would be a later decision of the Congress to set a total expenditure limit and the holdbacks are, so to speak, the things that are cut.

This retains the authority of the Appropriations Committee to in effect decide what kinds of things should or should not be impounded.

I think that there are at least general precedents for the kind of thing that I am suggesting.

Since I used the strategic-tactical analogy from the military, I think it useful to comment that one characteristic of a good military order is that it be precise as to the minimum that is to be done and thus precise as to the range of discretionary action which is left to the judgment of the officer in the tactical situation.

Closer to home, what I am suggesting is very analogous to the holdback practice of the OMB in administration of budget funds.

The essence of holdback is that a minimum expenditure rate is established and the decision to spend more is left on a contingent basis to be decided in the light of future circumstances.

I think it is an advantage of the approach I am proposing that it makes maximum use of the present Appropriations Committee structure.

There may be a value in creating a new supercommittee on the budget, but it is common experience that new committees create many coordinating problems.

Under the technique that I have outlined, it would be quite feasible for a new committee to take the responsibility for setting and, as necessary, modifying the actual expenditure total, the A and B classifications.

The decisions on where cuts should come in specific programs could be left to the committees most expert in the areas.

A final general point that I would make is that these matters are complicated. The essence of my hang loose principle is that spending plans must deal with uncertainty. You should explore in detail any program that you come up with.

At this point, I suggest only a few complications that come readily to mind. Subject to a decision to hold total expenditures to some figure such as the $270 billion in my example, it would be possible to permit the Appropriations Committees to revise their priorities so as to transfer spending authority in a fixed total between appropriation accounts.

Supplementals could be handled in the following way: First, the decision could be made as to whether to handle supplementals by raising the expenditure ceiling; if it was decided not to do this, the Appropriations Committee would have to accommodate supplementals by transferring the spending authority from other accounts.

I have not tried to be specific about the detail with which expenditure ceilings should be specified. This comes down to deciding how much authority you want to leave to agencies to transfer expenditure authority between programs.

It might be useful to comment a bit more specifically on the way my testimony relates to the tentative recommendations of pages 2–4 of your Interim Report.

(A) In 1(c), you really should strike the words "debt levels," because revenue, expenditure, and debt are all interconnected.

If you fix the tax law, then revenue will depend on the GNP. If you also fix the expenditure, then the debt level is practically fixed.

If you fix the debt level, too, then a variety of things will become inconsistent if the revenue forecast is wrong, that is, if the GNP is less than expected. This only messes things up.

(B) I have doubts about the first paragraphs of both (3) and (4) which contemplate having the supercommittee tell the Appropriations Committees early in the session what they should do.

Organizationally, this seems to be a source of conflict and really the Appropriations Committee knows more about it.

My suggesition is to let the early decisions be made more freely but in this two-stage manner in which cutbacks can be later applied.

I offer my alternative tentatively, and compromises are possible.

For example, the initial action specified in (3) of your tentative recommendations could be limited to ceilings on class A expenditure authority, with more leeway for the Appropriations Committees to create class B authorities recognizing that eventually the total of these will have to be cut back to fit the cloth.

In summary, I think it is useful to think in terms of this distinction between strategic and tactical decisions.

This terminology emphasized that the Congress can never do the whole tactical job.

Good strategic planning does, however, involve specifying limits, or alternatives, or maxima and minima for tactical discretion. This you can do.

This job is not easy as the history of bad military planning attests.

A good start on the job would be to stop enacting these silly debt limit bills and devote real resources to seeing how you can deal with the uncertainties in the problem of expenditure scheduling.

Senator ROTH. I want to thank you for your very valuable statement and innovative suggestions.

The hour is late, but I do have two brief questions I would like to ask you.

I was interested in your earlier comments equating the debt ceiling as an expenditure ceiling.

You may recall that last October we increased the debt ceiling to a level that would permit $250 billion in spending during the current fiscal year. It seems to me that whether Congress intended to or not, it has established this level, and has laid the foundation on which the President has based his impoundment of funds which, if spent, would exceed that debt limitation.

Mr. BRANNON. That is right and that $250 billion depends on Treasury revenue estimates which are not perfect.

It turned out we had fairly good business conditions so that the tax receipts have been coming in quite favorably compared to our estimates.

If the receipts had been lower than our estimate Congress might have been surprised to find out they had enacted a $245 billion ceiling.

Senator ROTH. Do you feel that we ought to take some steps to determine how the revenue should be raised at the same time we provide for some expenditure control?

I don't believe you addressed yourself to that part of the problem in your prepared statement. I wonder what your thinking on that point is.

Mr. BRANNON. Certainly you do have to look at these things together. I think there is much merit in the kind of proposal that Senator Williams made, although I would be inclined to say that this connection between the expenditures and revenues should be related to the full employment budget rather than to the actual budget in a period in which we have considerable unemployment.

It is understandable that there would be a current Government deficit in the same way that a family expects to have some deficit in the short-term period when the income is less than the regular income.

In addition to that, it does seem to me that one might very well expect the Congress to operate a little more flexibly.

In particular times it would make sense, in the face of full employment and inflationary conditions, to have a Government surplus.

In other times in the face of severe recession tendencies I think a deficit somewhat larger than this automatic deficit under a full employment balanced budget might be advisable.

So I guess I would say this is a hard problem. I would think that the Congress would have to give very serious thought to it in making its decision on the size of the expenditure limit. I don't have any suggestions as to how to make it any easier.

It seems to me you have to analyze a lot of alternatives and then make the decisions.

Senator ROTH. Thank you.

Senator Fannin.

Senator FANNIN. Thank you, Mr. Chairman.

Professor Brannon, certainly we have food for thought throughout your statement. You have some unique ideas.

I do say that the powers to spend and to tax are inseparable, as Senator Williams covered.

I am concerned about what we would do if we had a minimum and maximum because it seems we are always going to maximum.

In State budgets, and I had the privilege of serving as a Governor, we had a budget that had to be within the limitations of our revenue.

That is very difficult, they say, as far as the Federal Government is concerned, so we come up with full employment budgets and programs to take care of the problems we have in Federal matters that we don't have in State matters.

But I am wondering if we could not have progress reports to a greater extent. This is what we do in the State government.

Otherwise, we have a tendency for departments to arrive at the 11th month and find they have maybe one-third of their budget remaining.

So they start in trying to determine how they are going to spend

that money to justify the amount for the next year. Do you feel your procedure would help in that respect?

Mr. BRANNON. Senator, I suggest that you have an area where you can get some very relevant experience on this. The kind of thing I am talking about is what the Office of Management and Budget has been doing for many years and you could ask the Office of Management and Budget to tell you about how it operates its holdback practices and what has been held back.

Senator FANNIN. I understand that. We have the agencies, the OMB, and the like.

Mr. BRANNON. You see, OMB is in a very special position of deciding how much of the appropriation can be spent, which is what you are focusing on here.

I guess another point I would make——

Senator FANNIN. That is the controversy, whether or not they are exercising the priorities that Congress desires.

Mr. BRANNON. In a sense what I want to do by talking about maximum and minimum is get the Congress to go on record as to what the priorities are. If you want 270 to be the ceiling, you should be able to tell where the budget cutbacks are made.

That is why I suggest that you try to preprogram the flexible areas into each of the appropriation bills.

Senator FANNIN. Professor Brannon, we are very appreciative of your testimony. I am sure we will benefit by the testimony that you have given.

Mr. BRANNON. Thank you.

Senator FANNIN [presiding]. The hearing will stand in recess until 10 o'clock tomorrow morning.

[Whereupon, at 12:50 p.m., the hearing was adjourned.]

IMPROVING CONGRESSIONAL BUDGET CONTROL

WEDNESDAY, MARCH 14, 1973

U.S. CONGRESS,
JOINT STUDY COMMITTEE ON BUDGET CONTROL,
Washington, D.C.

The Joint Committee met, pursuant to notice at 10 a.m., in room 2359, the Rayburn Building, Hon. Al Ullman and Jamie L. Whitten, presiding.

Present: Representatives Ullman (presiding), Whitten (presiding), Schneebeli, and James Broyhill; Senators Bennett and Fannin.

Chairman WHITTEN. Gentlemen, the committee will come to order.

We are pleased to have with us as the lead witness today Senator George McGovern of South Dakota, well-known for his activities in the U.S. Senate and prior to that in the House. He is well-known to the people of the Nation.

Your interest in the U.S. Government is appreciated on the part of this committee. We also want to say we appreciate your taking time to come over and give us the benefit of your experience and counsel in this area.

We are pleased to welcome you here and pleased to have your views.

As you know the Interim Report was agreed upon by the 32 members of the Joint Study Committee.

We have an excellent staff and we limited ourselves largely to describing the problem and suggesting tentative recommendations. Now we must develop a definite plan of budgetary control which will be agreeable to all involved.

With your broad experience in government and knowledge of these problems, you honor us by coming and giving us your counsel.

STATEMENT OF HON. GEORGE McGOVERN, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Senator MCGOVERN. Many thanks, Mr. Chairman.

I want to say first of all I have been enormously impressed by the work of this committee. I think the Interim Report that you published with the unanimous endorsement of the members of this committee is one of the most fine and valuable and constructive documents that it ever has been my privilege to read, and I commend all of you for a superb piece of work.

Your committee deals with what I believe to be the dominant issues before this session of Congress. The constitutional "power of the purse"—in the last analysis the nucleus of all congressional authority—has been stripped away.

We may protest that loss to some effect. If there was any one thing that the Founding Fathers feared above everything else it was the unchecked power of the Chief Executive and I think they felt they had written into the Constitution safeguards against that. But we will ultimately reclaim our prerogatives only if we develop the capacity to exercise them well. The recommendations which you make may prove decsive on whether we reclaim our powers effectively.

The unanimity of at least your temporary recommendations raises the question of why you may succeed when so many reform efforts of the past have failed.

I think that a unique combination of talent and circumstances has aided your efforts.

First, you have been able to operate on a nonpartisan basis.

The present crisis is generally perceived in political terms. Who shall rule, the Democratic Congress or the Republican President? So, it is reassuring that this committee has not approached the issue in those terms.

The unique mandate you were given has enabled you to escape that partisan trap. As you note in your report, your task is concerned with the procedures for dealing with the modern budget, rather than its substance. Today, though the substance of the budget may divide some Republicans and Democrats in Congress, the need for reform does not.

Second, I think it is helpful to the reform effort that the party which rules the White House does not command in Congress. While the need for reform may exist, it is not as clearly perceived when the President as his party's leader also leads a majority on Capitol Hill.

And third, the hot and cold war tensions of more than 30 years are finally abating. The coming of peace in Vietnam, the emerging detente with China, and the progress in negotiations with the Soviet Union, all render unnecessary the expanded authority which Presidents have claimed and Congress has granted in the last 30 years. And, I sense that members of both sides of the aisle have become as wary of the bureaucrats as they became weary of the war.

In that context you have solved many of the most difficult challenges laid before you. Eight of your proposals would for the first time subject the Congress to the same elementary discipline with which the average family balances its budget.

Mr. Chairman, in my prepared statement, which I would like to have printed in its entirety in the record——

Chairman WHITTEN. We certainly wish you to do that. At the same time, we don't wish to restrict you here.

Senator MCGOVERN. All right.

I would like to highlight a few points orally, if I may.

An enforceable budget ceiling, adopted early each session with reference to fiscal, economic, and monetary factors, would help us insure that the price of Federal programs is not paid by inflation-ravaged dollars or unemployed workers.

Tying the powers to spend to the responsibility to tax would help force Government to live within its means.

Uniting the revenue and expenditure jurisdiction now scattered among 13 committees in each House would enable us to exercise our fiscal authority responsibly.

Your call for an authorization to precede an appropriation by 1 year, coupled with a 3- to 5-year evaluation of the effect of existing and proposed legislation, will enable us to replace our patchwork priorities with solid planning.

Your proposal for periodic review of budget authority and actual expenditures will enable us to know the effects of our efforts.

And making legislative spending subject to the same restraints as appropriations will keep us from doing through the back door what we cannot do through the front door.

I realize your call for permanent legislative committees in each House to perform the key budget functions has yet to run the course of the existing committees. But the number of leading members from those committees who sit on this body suggests to me that even the most powerful Members of a weakened Congress have come to realize they now have very little power. Perhaps this realization has contributed to the spirit of reform now so widely felt in Congress.

So I commend this committee for this important beginning, and also for these hearings in which you have opened up the excellent conclusions of your Interim Report to other Members of the Congress.

In that spirit, I would like to spotlight some additional issues which I think will have a critical bearing on your work.

First, it is essential that we develop an effective response to the matter of the Executive impoundments if we are to regain the ability to determine priorities.

No one claims that impoundment was invented by this administration. But what the White House has done recently is to escalate impoundment into a form of legislation—an item veto which enables the White House to select which laws it will enforce and which laws it will ignore.

Presidents have requested authority of that kind from the Congress at various times in our history, and it has always been denied. Now it has simply been taken.

I think members of this committee will agree that the country should not be governed by the thesis—announced most recently by a top White House aide on the ABC program "Issues and Answers" this weekend—that the President "knows better" than the Congress where spending priorities are concerned.

Our Constitution does not permit that doctrine, for it embraces instead the principle of Montesquieu, "There can be no liberty where the legislative and executive powers are united." The framers were cautious to separate those powers, to avoid placing in the hands of any one man the full force of government.

I say this, Mr. Chairman, in the same nonpartisan spirit which has characterized the work of this committee. The same concerns may well be echoed by a Republican Senator under a future Democratic administration, unless we resolve this issue now.

So, for all our sakes, Republican and Democrat alike, we must confront and effectively set aside that view; we must insure that programs we adopt in legislation and the President signs into law cannot be discarded at the whim of the White House. I suspect, Mr. Chairman, that unless your final recommendations deal effectively with impoundment, you may see the susbtance of your other reforms undone by that process.

Second, I am convinced that we must enhance our own capacity to construct these massive Federal budgets and to examine their results. We need our own congressional office of management and budget if the Congress is to be on equal footing with the White House in dealing with the size and complexity of total Federal spending every year.

It is of interest to note in this context that the way the budget is now prepared reverses the procedures used during most of our experience as a nation.

It wasn't until 1921 that the Congress even provided for a budget bureau and then it was regarded until comparatively recent times more as an instrument of the Congress than an instrument of the executive branch of the Government.

Prior to President Taft in 1910, no President even sought to have an extensive role in the preparation of the budget. Up until 1820, in fact, Congress had merely made its own estimates of the funds needed by the executive agencies and then appropriated accordingly.

Beginning in that year, Congress required the Secretaries of the Navy and War to submit an annual statement of their financial needs and unexpended balances—statements which went directly from the Cabinet offices to the Congress. That process was gradually expanded to other agencies.

The first "budget system" was adopted by Congress in 1921, in the Budget and Accounting Act of that year, which created the Bureau of the Budget. That is when the President officially entered the picture, and it is when President Harding submitted the first "Presidential budget." Even then, the Budget Bureau, although part of the executive branch, was perceived as a servant of the Congress and was responsive to its needs. The Hoover Commission reports of 1949 and 1955 and their legislative progeny had a similar intent—to facilitate, not frustrate, congressional authority.

But that perception has been sharply altered in the 1960's and early 1970's. It is plain that the Office of Management and Budget has evolved as a priorities-and-political arm of the White House, with a single loyalty to the President.

Over the 10 months or more while the Presidential budget is being prepared its various parts are held more closely from the Congress than the most sensitive military secrets of the Pentagon.

Under Presidents Kennedy, Johnson, and Nixon the ability of the executive branch to deal with the budget has grown in proportion to the budget itself.

There are now some 7,500 full-time specialists in the executive branch, and thousands more who supplement those efforts in preparing individual budgets. The executive branch has some 6,000 computers, a substantial part of which are used to prepare the budget. OMB has 709 employees who systematically review the budget as a whole, both as to income and spending, using modern systems analysis. And all of these resources are applied over a period of 10 months or more. Yet because OMB now responds exclusively to the White House, Congress is back almost where we were in the 1920's.

The General Accounting Office gives us more oversight capabilities, but it is not designed to either prepare or react to the budget as a whole. While most professional staff members on Capitol Hill probably have

something to do with the budget, the combined House and Senate Appropriations Committees where the detailed work is done have but 65 staff members. The Congress itself, exclusive of the General Accounting Office has only three computer systems. And the entire process—if it were ever completed on time—would have to be finished in 5 months or less.

Consider just one large Government function. The Department of Defense has 4,960 people working in the budget administration occupational series. The combined staff of the House and Senate Armed Services Committees and the House and Senate Appropriations Committees and the House and Senate Appropriations Subcommittees totals only 68, and much of their work is duplicative.

I suspect that any member of those committees and subcommittees will freely admit that large parts of the budget must be taken on simple faith, because there is not time or the resources available to examine them in depth.

In 1921 the Congress considered a $5 billion budget. Today we are considering budget recommendations of over $269 billion. We just cannot do it responsibly with the resources we have. And I think the way we have limited our own resources, while expanding those of the Executive, has contributed as much or more than any other factor to the decline in legislative power.

No one disputes the right of the White House to have the necessary resources to develop its own priorities and deal effctively with the sprawling Federal bureaucracy. But certainly those resources should not exclude the Congress from what was originally its sole domain. We must restore a proper balance; and the best way to do that is to give the Congress an equal ability to develop its own budget plans and evaluate White House proposals.

We need not match the full resources of the executive branch specialist for specialist or computer for computer. But a congressional OMB should have a sufficient professional staff of trained accountants, economists, and systems analysts, supported by modern technology, to develop alternatives and to serve the needs of each Member of Congress.

I want to stress that such a congressional agency should have complete and year-round access to the data base and the budget recommendations at the agency level within the executive branch. I frankly think it is absurd that our work on the budget must wait until all the final decisions have been made at the White House, and that we must then feel the pressures of time as well as magnitude as we struggle to finish before the new fiscal year begins.

This is not, after all, a contest in which one branch should be seeking the element of surprise over the other. I think we would all be willing to forgo the suspense every January when the President's budget is finally unveiled, in favor of a more rational process designed to better serve the public.

To meet this objective, your legislation could require, for example, that administration data be fed into our computers and that the results of their analysis be made available on a periodic basis. This is consistent with the Legislative Reorganization Act of 1970, which calls for a Government-wide compatible data processing system. It could be expanded inexpensively to include remote access computer terminals in each congressional office.

A congressional OMB could be principal technical vehicle for the planning and informational needs of our proposed Budget Committee. It could develop detailed alternatives in each area, to broaden the choices available to the committee and the Congress as a whole. I hope you will give this idea your most careful consideration.

My last suggestion is that you consider an interim procedure under which we can apply the fruits of your labor to the fiscal year 1974 budget the President has proposed.

It seems clear that the procedures you recommend cannot be fully implemented before the end of the present fiscal year, only 3½ months away. Yet the President has proposed to radically alter the role of Government in our society for years to come, by casting off many of the programs of prior administrations and by redirecting substantial Federal efforts to local government.

The term "fait accompli" has been used within the administration to describe their strategy. They expect Congress to remain incapable this year of dealing effectively with the budget. They hope to get their program through before your reforms can be implemented.

Many of us in Congress disagree with those proposals on many grounds. However, I am confident that all of us can agree that both sides should receive the fair hearing which due process guarantees even the condemned. Under the present circumstances that fair hearing is not possible.

We may have the votes to say no but we don't have the resources to compete with the mass of data contained in the budget or supporting documents scattered in files throughout Washington. In the end the collision course we are on can profit no one and only further discredit Government in the eyes of the American people.

Therefore, I suggest a middle course until your recommendations can be fully implemented. We should defer major new Federal initiatives until they can be evaluated in accordance with the criteria set forth in your report. In the meantime, we could fund existing programs at current levels by means of continuing resolutions. I recognize some cuts will be necessary to meet increases in mandatory spending, if the budget is to be kept within noninflationary limits. However, I think agreement on such an overall strategy would soon result in an acceptable compromise, similar to the military and foreign aid cuts last session.

In conclusion, let me commend once again the progress this committee has made on its difficult and complex assignment.

The confrontation between Congress and the Exectuive serves neither branch, and it serves the public least of all. It is a route toward paralysis of the National Government with each side saying no to the other in growing dollar amounts, leaving neither branch able to respond positively to the needs of the American people. Unless we find a solution, each branch will continue to cancel out the efforts of the other.

You have recognized that the ultimate resolution of this dispute depends upon the structure of the Congress as much as upon the words of the Constitution. And for that reason, while more dramatic efforts may be undertaken, the methodical work of this committee will have by far the most to do with whether our democratic system will succeed or fail in the years ahead.

Chairman WHITTEN. Senator, I appreciate your statement very much. You point out many of the problems in connection with our mission of providing for more effective budgetary control. As you know the Congressman from Oregon, Mr. Ullman, and I are Cochairmen of this study committee, which is unusual in itself.

As a joint committee it is representative of both the appropriations and the taxation committees of the House and Senate as well as the membership at large. This widespread representation of experienced and able members is essential to the mission of this committee to bring together the various interests in the Congress in the development of a plan which can be adopted.

This committee is seriously disturbed about our economic and fiscal situation at home and recognizes the need to do something about it.

But because of that need we shouldn't let things occur which in the long run are destructive to the Government itself. The present impoundment practices of the administration, in eliminating and revising programs, go well beyond the bounds of reasonableness.

What is the old kidding statement about somebody in the administration called in his secretary and said "Take a law." Not a letter, but a law. We must regain the power of the purse.

As I said earlier, the original source of impoundment is in Congress. You can't make the executive branch spend and the executive branch can't make the legislative branch appropriate. But we can't afford to let such an impasse happen.

If the Executive blocks the Congress and the Congress blocks the Executive, and the Court blocks the two, you just have chaos.

Senator MCGOVERN. Well, I agree with everything you said. I think it describes the dimensions of the problem very well. I am concerned not only about the loss of the power of the purse, but I think all of us recognize that there has been a steady erosion of congressional powers, probably our fault as much as the fault of the Chief Executive.

But I think at least beginning with 1933 we have fallen into a practice where we sit back and wait for the legislation to originate with the executive branch. Prior to 1933 that was not the practice.

Congress initiated the legislation but now it seems to me in recent years, not just under this administration, but Democratic administrations, we have moved to the point where we are virtually establishing the item veto through the impoundment practice.

Chairman WHITTEN. I yield to Mr. Schneebeli.

Mr. SCHNEEBELI. I think you would be interested in knowing that we have received almost unanimous support from all Senators and Congressmen who have appeared. They all agree we have come to the point of no return. They all agree this is a very important issue, not only for today, but for the future.

It has been very gratifying to the members of the committee to see the almost unanimous support not only from both Houses of Congress, but also from all points on the political spectrum, from both parties, and I think we are getting somewhere in our aspirations to do something. We are not talking about individuals, but institutions.

Senator MCGOVERN. I agree with that Congressman, and again I want to commend you and the other members of the committee for the nonpartisan spirit in which you have approached this challenge.

Mr. SCHNEEBELI. And whether they be spenders or nonspenders, they are all pretty much united in the proposition that we should do something.

Thank you, Mr. Chairman.

Senator BENNETT. I didn't hear the statement, but I would like to say I agree that this is a problem that Congress must solve for itself and if it does not the President must continue to use the power of his office if we are going to control the expenditures of the United States.

But we do now have an opportunity to solve the problem for ourselves if we have courage enough to do it.

Chairman WHITTEN. Thank you, Senator. We appreciate your appearance and your complete statement will be placed in the record.

Senator MCGOVERN. Thank you.

Chairman WHITTEN. We have next our colleague from the State of California with not only experience in the Congress but also prior to that in the California Legislature, which is an excellent training ground for congressional service. Congressman Thomas Rees.

STATEMENT OF HON. THOMAS REES, A U.S. REPRESENTATIVE FROM THE STATE OF CALIFORNIA

Mr. REES. Thank you, Mr. Chairman.

I don't have a written statement. I don't have anyone on my staff that writes statements for me.

Chairman WHITTEN. Your statements read like that, and I say that complimentary. They reflect what you mean.

Mr. REES. One of my constituents is Casey Stengel, and sometimes when I revise my remarks on the floor, I sound just like him. [Laughter.]

I am trying to build some new concepts. I wanted to discuss informally some of my own experience in the area of budget. I am a businessman by profession, an exporter, and have always paid a lot of attention to my books and projections, going ahead not just 1 year, but 2 years in trying to figure out exactly what I will be exporting, what market, what the prices might be, what restrictions might be.

Although I am not active as a businessman any more, I do feel it was good experience because without that experience I don't think my business would have made it.

I was in the State legislature for about 11 years and I specialized in fiscal affairs. I was on the tax committee and I was on the expenditure committee because I wanted to catch both sides of it.

I think in California we had developed a very sophisticated system of handling the State budget. What we have in California is an independent office of budget analysis, the legislative analyst.

I will give that office's report to the committee so they can have it for the record. I hope you don't print it in the record, but just the idea.

Here is the report of the legislative analyst on the Governor's budget.

This report was ready on February 14 and what it does is to take; first an overview of the State financing. They use some of the University of California's top economists in the preparation in terms of projections of costs, projections of the GNP, and so forth—and I want

to say it has been more accurate than the Council on Economic Advisers.

It is kind of a contest at UCLA to see who can come closest on these projections.

So our State budget, which is rather extensive, with the Federal money coming into California something like $13 billion. Of that about $9 billion goes to our general fund and the rest of it comes in from various payments of the Federal Government and perhaps some from local government.

About half the State budget goes back to local government. So we have been very concerned this year about the cuts being made by the administration in the categorical programs.

In reading the legislative analyst's report, all of these major elements are defined. Then the legislative analyst has the report on each and every government agency. They analyze the function of the agency, they look at it more on a program budgeting concept—not so much how many secretaries do you have, but what is the purpose of the agency, what is the agency supposed to accomplish and are they accomplishing it. Can we look at their accomplishments to measure our justification of the expenditures going into that function?

Then the legislative analyst also makes recommendations for cuts. Now, the legislative analyst is very much a nonpartisan individual. The present one is a close friend of mine. I have known him for 20 years. We went to college at different times, but the same college.

The legislative analyst's office is controlled by the Joint Legislative Budget Committee. Again, this is a bipartisan committee of senators and assemblymen.

During all of my experience with Republican and Democratic administrations, through all of the huge fights we have had in California over the University of California, over mental health or welfare, the legislative analyst at all times has been above partisan politics.

Now, there are certain programs I liked. I was very much in favor of them and he would recommend they be cut and when we had a budget hearing I would kind of sneer at him and ask him why he was cutting this or that.

But he acted as a devil's advocate. I am not saying all the cuts he recommended were also approved by the two legislative bodies. They weren't. But at least he was able to come in there as a person who was above it all, who could look at a program, analyze it, had a permanent staff and as a result, I think that the legislative branch had a handle on what is probably the largest State budget in the country.

I think we had a very good handle on that budget because of the nature of the office of the legislative analyst. He gave us the overview. In fact, the legislature even has an office here in Washington. I work with the representative quite often.

To give you an example as to how effective the system is: Because of my dedication to duty, I was finally able to make the District of Columbia Committee where I am chairman of a subcommittee and the purpose of the subcommittee is to rewrite the tax structure of the District of Columbia and also to perhaps rewrite the whole concept of their expenditures system.

I don't consider the District's budget to be particularly sophisticated. It is kind of a line-item standard budget. There is not much

measurement you can get out of it. There isn't much rationality to their tax system.

We had a meeting yesterday and I asked the finance officer of the District, in line with the cuts that are being recommended by the Nixon administration and in line with several new programs being recommended such as special revenue sharing for education and also housing and urban development, do you know what the impact will be on the District of Columbia budget? They didn't know.

Now, here is the District of Columbia that is just barely balancing their budget, using revenue-sharing money—$41 million—to balance the budget, and they don't know yet what the impact of the executive branch's recommendations will be on the District budget.

Well, you know that it is going to be a large impact. You also know that that money is going to have to be raised some place.

Here is a statement made by A. Alan Post, our legislative analyst for the Ways and Means Committee and in here he takes every single recommendation and even rumored recommendations, plus plans of the administration to go into, as I said, the special revenue sharing in urban problems and also education, and he was able to tell the legislature exactly where we could expect the cuts and where we could expect any money to come in. Because of this, just this week, we have already passed legislation which puts the State in the child care center business because we figured it was best to have working parents with a place to put their kids rather than having those working parents on welfare and this was agreed to both by Ronald Reagan and his Democratic controlled legislature.

Because of this type of projection it means not one day will be lost without child care centers.

We wouldn't have this ridiculous situation that we have in the Government all the time where you cut off a program—no more funds, you fire everybody, close down the place. Six months later you get some funds, open it up and try to hire new people.

I think some of these programs best not be if they have to be for 1 year or 1 month or 2 years at a time.

I find in my own district they would have been better off if they hadn't gotten some of these programs because nothing frustrates people more than getting a program for a while and having it taken away.

With this type of budget you can smooth out the budget process and make Government work.

Now, what I think would be good for the Congress is to have a joint budget committee.

Now, the individuals that are employees of the Joint Budget Committee in California actually work with the budget officer of each of the various State departments. A lot of times a good part of this book represents a workout between the Legislative Analyst's office and the administration.

I was chairman of the Capital Outlays Subcommittee which deals with all the money for capital outlay in the State and I know until about 2 weeks before the budget was on the floor they would still be negotiating various items in the capital outlay budget.

So, No. 1, the office is a good bargainer. It can knock out a lot of junk before it even gets in there, and once it gets in, it becomes the devil's advocate.

At every appropriations hearing there would be a member of the Analyst's Office and somebody from the department and somebody from the committee staff.

In doing that we would be listening to individuals who knew what they were talking about and they had to prove their case before us. Because as legislators, of necessity, we tend to be generalists. We can't be the detailed specialists an individual who is an employee might be.

We also have a legislative auditor who is more or less the same as the Comptroller General. So we have two departments assisting the legislature.

I don't think the creation of an office such as this would in any way affect the work being done by the Comptroller General because his is more of an auditing agency. But I know I got a lot of help from this office when I was there because this was my specialty.

We were able to do a lot of good studies leading up to statewide assessments on property taxes. Again, it was the expertise of this office.

Now, the problem of course, is that the California budget is around $9 billion and we are talking about $278 billion for a Federal budget. It is far more complicated. We can't print our own money in California, so that makes it a very simple budget because we only have so much money to spend.

We also don't have the complicated grant programs. We are dealing directly with local government, but it is a pretty simple thing. The Federal budget is far more complicated. But I think what can be done is that we can have a report and then the Budget Committee deals with the budget and then let's say by April they come to the floor with the budget.

You can work it on the floor for 2 weeks or 3 weeks; do nothing but deal with the budget, because the work that we do in the Banking Committee or the District Committee or the other committees of Congress can usually wait until after that budget is gone.

Then once we have the two budgets passed through the two Houses, you go into conference for 2 or 3 weeks and after that you can bring the conference reports back to the floor and work them over again.

So by the time the fiscal year begins you have a Federal budget and it is a budget that is a total budget.

Now, what you can do with the Federal budget is perhaps break it down. I was opposed to the consolidation of the budget—about 8 years ago, if I remember.

They put all the trust funds in there; the Executive wants to look good because they have a surplus in the trust funds. So they deduct that against what really the increase in the national debt is and it always makes you look better.

It is a bookkeeping transaction. It isn't really part of the budget that we are looking at. The social security fund and the highway trust fund—we have no control over those, of course, unless a policy committee changes that by, let's say, giving money to rapid transit.

All of the trust funds budget could come up first. There is not much work to do with it. You can't change it. You can't write legislation in an appropriations bill.

The next you can go into is your automatics: the interest on the national debt, the pensions—those things we are already committed to.

There are probably quite a few farm programs that can only be changed by the policy committee.

Then once we get rid of all of that you can get down to the nub of the budget, those things that Congress can really change.

If you face it like that, the last rung you get into really is the rung we pay attention to when we are talking about national budget priorities.

I think that approach would be far better. I think this approach that we have now is helter-skelter. It is very difficult to speak of priorities.

The average member really doesn't care. I am a Democrat so I always vote for more education funds.

This would give the average member a far better orientation in the budget, a far better concept of the budget.

I am sorry I am not on the Appropriations Committee here. I don't have the seniority. But I think the budget is the most important document. It tells you what your priorities ought to be. We have gotten away from that and we ought to get back into it by strengthening the legislative branch and building up our own office and the person has to be Caesar's wife, completely above politics. Not changing every time the administration changes, but taking this above-politics view of the fiscal situation of the U.S. Government.

That is about what I have to say.

I will be glad to give you this report to review.

Chairman WHITTEN. We will be glad to have it.

I wish to commend you on a fine statement.

In the work that I have dealt with on the Appropriations Committee, I have said many times that California comes nearer being a miniature United States than any other State. You have all the problems, different varieties of climates, different types of cities and people. It is pretty much the United States on a smaller scale.

Your legislature has been appreciated in many areas for the soundness in which it approaches its problems.

Also, may I say Dr. Burns of the Federal Reserve System testified before us that in preparing to come before this committee he studied the legislative systems of many States. I have seen many things that States do that we could profit from.

But one thing I should point out, as outlined in our Interim Report is that only 44 percent of the outlays in the 1974 budget, for example, will be affected by action on the new appropriation bills. This complicates the budgetary control problem. I was interested in your description of how the legislative analyst in California works with the State departments. We will need leadtime if we are to adopt a legislative budget early in the session. I can't see why any administration, even of the opposite party, would oppose working together in the November-December period on revenue estimates and many other factors involved in determining preliminary budget figures.

Can you see any reason why any President would not wish to cooperate with the Congress, whatever its makeup, in the period before we actually meet to bring together an understanding, for example, of the expected revenues.

Mr. REES. I don't think so. You will find that maybe 20 percent of that budget might be politically sensitive but 80 percent is bipartisan.

Chairman WHITTEN. Income-wise, at least expected revenue.

Mr. REES. I think on expected revenue, since everyone swears they are not going to raise taxes, that is very easy. There is nothing political about that. One good thing about the legislative analyst's office is that we were able to get rid of the political byplay. We were able to get rid of that with every single appropriation and then we said we have 10 percent to fight over and we would fight over that; but as for the rest of it, there was no disagreement.

Chairman WHITTEN. Thank you very much.

I yield to Senator Bennett.

Senator BENNETT. I just have one or two questions for my own information.

Does the Governor of California also have a budget analyst?

Mr. REES. The Governor of California has a Department of Finance and what they do is put together—every department just like here is required to come up with their own budget, then the budget is screened by the Department of Finance. They come up with a final budget and that becomes the Governor's budget.

That is usually introduced about the third week of January.

The Legislative Analyst's report was produced about the second week of February. So you can see there has been ongoing cooperation between the Department of Finance and the Legislative Analyst on the budget.

They might not love each other but at least they cooperate on that process.

Senator BENNETT. Does the State of California set an expenditure ceiling through this process, or do they eventually come as we do to a total that is accumulated by actions on individual areas?

Mr. REES. The statement here of Mr. Post is a statement that pulls together both the expenditure and the income. The odd dilemma we have is that California picked up on revenue sharing and we also picked up on the tax increase, so we had a surplus of $800 million.

The purpose of Mr. Post's testimony in February was to try to project the Federal cuts and try to project where the State should take over.

So it was the process of pulling them both together.

Senator BENNETT. I am not interested in today's figures. Is there a ceiling in that volume? Does the budget analyst recommend a spending ceiling?

Mr. REES. Not per se, but we can't increase our debt at the State level. You either have the money or you don't.

Senator BENNETT. That was my next question. California cannot go into debt as a result of an over-appropriation?

Mr. REES. No, as a matter of fact you might be interested in a constitutional provision. We would get right down to June 30 and we would have to get a budget out. If they didn't have a budget they would take the 1925 budget figure and increase it by about 3 percent a year which would give us about one-twentieth of what the budget should be.

So if we didn't come out with a balanced budget we would be out of luck.

Senator BENNETT. Does this report we have here cover both incomes and expenditures?

Mr. REES. It projects incomes, yes, sir.

Senator BENNETT. Does the California Legislature hear public witnesses?

Mr. REES. Yes; by law we have open meetings. We have public witnesses. We usually have 3 or 4 days of open hearings to discuss the overall budget.

The testimony I have here is Mr. Post's testimony on behalf of the legislative analyst's office.

Senator BENNETT. You said earlier usually the legislative analyst sat there and the representative of the Governor sat there as well as a representative of the committee.

I wondered to what extent public witnesses influenced the decisions of the committee. The Congress, of course, and I am not a member of the Appropriations Committee, it seems to me they spent thousands of hours listening to public witnesses and very little time listening to witnesses from the department.

Chairman WHITTEN. We follow a practice on the House Committee on Appropriations of scheduling any public witnesses who ask to testify. But timewise, most of our hearing process involves representatives from the departments and agencies.

We are now in the midst of having hearings on the agriculture and environmental and consumer protection appropriation bill.

We will put in about 8 to 10 weeks hearing departmental witnesses and about 1 week hearing public witnesses. That is about average.

Senator BENNETT. Looking at it from our side over on the other side, and I have only appeared as a witness, I am surprised that the proportion is that small.

Chairman WHITTEN. I think that is fairly typical of our subcommittees.

Senator BENNETT. I know on the House side you have a tighter control of the time you allow your witnesses. I have been over here as a witness and been told I have 3 minutes. But over on the Senate side we can't be that tough.

I would like to ask one other question. Do you operate on a zero budget in California?

Mr. REES. What do you mean?

Senator BENNETT. Does the statement of your budget analyst start from zero and add up all of these things or do you start from where you are and say we are going to increase or decrease this program?

Mr. REES. He usually starts with a previous year's budget and runs through with the Department of Finance what the projected budget will be and comes out with his report. So he is commenting both on the previous year's budget and also commenting on any changes made by the Department of Finance.

Senator BENNETT. Those are my questions, Mr. Chairman.

Thank you very much.

Chairman WHITTEN. Thank you, Senator.

The gentleman from Pennsylvania.

Mr. SCHNEEBELI. Mr. Chairman, Congressman Rees has been my next door neighbor over in the Longworth Building for several years. I have always had a lot of respect for his good humor and I have an increasing respect for his commonsense, good judgment, and experience.

He might have noted that at the outset of our committee deliberations some of us suggested that since the States did a better job in budget control it might be wise for us to consult with the States.

I think Congressman Rees has done an excellent job of outlining how the largest State in the country does the job, and it sounds as if it may be more practical than the way we do it here.

I, for one, am very grateful for the specific recommendations that he has given to us and I might also say that from his background and expertise it is too bad he is not on the Appropriations Committee in the House because I think he would have a lot to add to that committee.

I think you gave us excellent testimony and I am happy that you came here.

Mr. REES. Thank you. I appreciate that.

I might also say that we do make extensive use of the computers in the State legislative branch, not just to print letters, but to aid us as a budgetary tool because when you get into $12 billion you are getting into a lot of figures.

So it is more of a program approach than I think they take here. I think here it tends to be a line item.

Mr. SCHNEEBELI. Mr. Chairman, I would like to suggest that our staff make a study of the recommendations and outlines given to us by Congressman Rees because there is much of what California does that might well be taken into consideration in developing our recommendations.

Mr. REES. I would like to leave you with a statement of Alan Post. It is very interesting. It takes about 10 minutes to read, but you can see the type of analysis which went through every single Federal program, so our Appropriations Committee knew at that time what they would have to do at that time if they wanted programs to be ongoing programs.

It ties in with some of the concepts you are discussing.

Senator BENNET. And he is the budget analyst?

Mr. REES. Yes, sir.

Chairman WHITTEN. Mr. Ullman.

Chairman ULLMAN. I, too, want to join in commending my friend from California.

It is your judgment, Tom, that this general procedure followed in California, would work at the Federal level?

Mr. REES. I think it would. There would have to be a breaking down of the barrier between the legislative and executive branch.

Even with Governor Reagan, who is a recognized conservative Republican, with a pretty good legislature that doesn't have half of the barriers, there is a cooperative spirit enabling the technicians to really discuss the problems so that this production of a budget analysis can be put together.

Chairman ULLMAN. Wouldn't you agree with me, though, if we established a budgeting procedure in the Congress, that it would result in a better working relationship if in fact we worked with the budgeters downtown in the processing of our congressional budget, and that is might very well smooth out some of the differences between the Executive and legislative?

Mr. REES. I agree with you completely on that.

Chairman ULLMAN. The basic issue is one of priorities; wouldn't you agree? The setting forth of the national program objectives on revenue and expenditure limitation is first. Then the big issue is how you divide it up and, of course that is the big issue between the Presi-

dent and the Congress as of now. I don't think anybody here is arguing that the limits aren't proper.

This is about as much indebtedness under the existing state of affairs as the country can afford to suffer at this time. But how you divide up the pie is the big issue.

In California we note the extent of budget analysis and in essence that is what the legislative staff in California is doing. They are redistributing the allocations, and the priority allocations, isn't that right?

Mr. REES. Yes, but the analysis does not really represent our views. This is what is good about the office.

The analyst is not a Democrat or Republican; he is a legislative analyst and he acts as a devil's advocate in his report. As a result you will find both Republicans and Democrats can be furious at him at the same time.

What he does, though, is give us an approach to our State budget. So every time we go to a budget hearing we have the State budget and we have his approach.

When we have the discussion of the budget we tend to use the analyst's report because that goes into more analysis than the State budget does.

He analyzes the purpose of the function.

Chairman ULLMAN. Would you think it more appropriate that the Budget Committee should do this or, say, somebody independent like the GAO. What is your recommendation?

Mr. REES. As I mentioned before, in California we have the equivalent of the GAO in the legislative auditor, who is more of an accountant as the GAO would be here and then we have the legislative analyst.

He deals strictly with the budget and he also deals, of course, with income. Both of them are above politics. They have survived in Democratic administrations and Republican administrations. This is the strength of the office.

While I may not agree with what they might say, it is then up to me to convince the committee that I am right and he is wrong.

Chairman ULLMAN. This is a dimension that we haven't included in our tentative recommendations. Is it your feeling that this is a successful procedure and it would be wise for us to have the equivalent of an analyst here?

Mr. REES. I think it is the most successful governmental procedure that I have ever seen. I have found this to be terribly effective. I have found this office to be very sophisticated in the approach to the budget.

They are months ahead of any other State in knowing exactly where we are going to be cut in the upcoming budget.

This office probably has the reputation of being just about the tops in the country. As I say, it has worked during times when the legislature is deeply split with the Governor and the office survives.

I am very much for this bipartisan approach to the budget.

Chairman ULLMAN. Does the analyst have a big staff and complete availability of all of the executive budget processes?

Mr. REES. The staff as listed in that report is about 50 members. A member will be attached to a specific department. For example, there must be a principal analyst; an assistant analyst plus a couple of secretaries attached to the department of motor vehicles and all they

do all year is look over the shoulder of the department of motor vehicles.

This is why it is easy to get the cooperation of the executive branch because the budget officer in the department of motor vehicles doesn't want to make an enemy of the legislative analyst.

Chairman ULLMAN. I wonder if there would be any confusion on the Federal level having a congressional analyst sitting in on the budgeting process?

Mr. REES. I don't think he actually sits in when the head of the department is discussing with his own budget people his plan but he works very closely with the budget person from the department. I think the budget person from the department finds out it is best to cooperate with the budget analyst.

Chairman ULLMAN. A lot would depend on the caliber of the person put in there. It is a rather powerful position wouldn't you agree?

Mr. REES. It is very powerful.

Mr. SCHNEEBELI. What is he paid?

Mr. REES. I can't really say. I would say $38,000 or $40,000, which is high at the State level.

Chairman ULLMAN. Could you possibly get into a situation where there is an analyst who was oriented philosophically toward heavier expenditures in the social security area, or roads, or some other area and that bias might show that in his report?

Mr. REES. You always get that: Everyone has some kind of prejudice. But if he is too prejudiced he wouldn't be rehired as an analyst.

The analyst will get into policy matters, but the legislator has to make the final decision. I have known of some analysts who had very tough prejudices. I had to fight for 2 years to get fireplaces in the Women's Institution in Corona. The legislative analyst said no; in terms of the per-square-foot cost it runs it up too much.

You know, we get into shouting matches. But again I would lay my life down to protect that office to make sure it is a bipartisan office. It gets into a lot of controversy, but I think this is needed if you are ever going to get a good solid look at the budget.

Mr. SCHNEEBELI. What is his term of office?

Mr. REES. He has been there for 20 years.

Chairman ULLMAN. And he survived Democrats, Republicans——

Mr. REES. Anybody who could survive California in the last 8 years could survive anything.

Senator BENNETT. Who appoints him?

Mr. REES. Technically he is appointed by the Joint Budget Committee, five assemblymen and five senators. As I say, there was 1 year where both Governor Reagan and the Democratic speaker both tried to get rid of him—which shows he must be doing a pretty good job.

Chairman ULLMAN. In other words, his strength lies in the fact that he is not in the legislative branch, but is an independent?

Mr. REES. No, he is hired by the legislative branch. In fact, the legislative analyst has an office here in Washington.

Chairman ULLMAN. How would he compare with the Federal Reserve Board status here?

Mr. REES. No, any time the joint committee wanted to meet and fire him, they could do it.

Senator BENNETT. He is compared with Larry Woodworth?

Mr. REES. Yes, he would be a good example.

Chairman ULLMAN. We are proposing a joint staff for the Budget Committees and presumably this would be the director of the joint staff.

All right. You have been extremely helpful, Tom. We appreciate it very much.

Chairman WHITTEN. The analyst, of course, would be appointed by and be responsible only to the Congress.

Chairman ULLMAN. Yes, absolutely.

Chairman WHITTEN. The selection might be by the two Budget Committees but he would serve in a joint-staff capacity.

Mr. REES. Yes. Larry Woodworth would be a good example.

Senator BENNETT. His predecessor was here for 30 years or so with the same reputation.

Mr. REES. Yes. I think that can be done here.

Chairman WHITTEN. Thank you very much. I don't want to take more of your time, but I concur with my colleagues; it was quite interesting and informative.

Mr. REES. If you would like, I could bring the legislative analyst out here or you could visit California and come to Sacramento.

Chairman WHITTEN. Fine. When you said you had $800 million in the bank as a surplus, if was evident we could profit here from California's experience.

Mr. REES. Thank you very much.

Chairman WHITTEN. We next have Senator Sam Nunn of Georgia, and it is with great pleasure the committee welcomes the Senator here today.

STATEMENT OF HON. SAM NUNN, A U.S. SENATOR FROM THE STATE OF GEORGIA

Senator NUNN. Mr. Chairman, distinguished members of the committee, I have enjoyed very much hearing that dialog regarding the California budgetary process. We have some of the same things in the State of Georgia, although our analyst just came on board in the last couple of years and before I begin my statement, I would say it has done more for the independence of the legislative branch in reality as well as in theory as any single thing we have ever done.

Mr. Chairman, distinguished members of the committee, I appreciate the opportunity of appearing before this group today concerning the crucial question of budgetary reform in Congress.

Since I have taken the liberty of previously furnishing each member of the committee with copies of my fiscal proposals, I will not dwell upon them in this testimony today, but will instead submit them for the record, and discuss them today only in summary form.

[The document follows:]

By Mr. NUNN (for himself and Mr. TALMADGE):

S. 565. A bill to require the Congress to prescribe a ceiling on expenditures for each fiscal year and to establish procedures to effectuate such ceilings. Referred to the Committee on Government Operations.

BUDGET AND EXPENDITURES CEILINGS

Mr. NUNN. Mr. President, the most crucial domestic problem facing our Nation today is the uncontrolled and seemingly uncontrollable Federal budget. The peo-

ple of this Nation are fed up with wild Government spending and priorities which are determined many times by the pressures of the moment.

Appropriations and expenditures now appear to have little or no relevancy to sound fiscal planning. If we are to curb inflation and control the national debt, Congress must fulfill its duty. We must begin to control the appropriations and the expenditures of the Government, in practice as well as theory.

I am convinced that the people of this Nation want a budget which is not inflationary and which requires no tax increase, and I am certain that my colleagues share that opinion. I am also convinced that the vast majority of Americans agree with the constitutional principle requiring that priorities of expenditure be set by the legislative branch. However, the people of this Nation recognize that Congress has in reality lost control of the budget, and I believe that most Americans prefer Executive control of expenditures rather than no control at all.

While this public mood may be dangerous from a constitutional point of view, I believe that it is a reality. Mr. President, the time has come for Congress to reassert its proper constitutional responsibility of controlling the budget and setting priorities of expenditures that will not be altered by Executive whim, which is the case today.

All of us have recently seen that the President has stepped forward and filled the vacuum left by our own inaction. The executive branch has impounded funds and set its own priorities, completely independent of legislative intent. America's budgetary affairs and priorities of expenditures are now being decided by faceless bureaucrats who are not elected or even known by the American people.

Most Members of the Senate agree that the tilt of power has shifted too far toward the executive branch. We hear every day many cries for Congress to again assert its constitutional powers. Mr. President. we have two clear choices, as I see them. We can place sole blame on the Executive and ignore our own failings, or we can reassert our own constitutional prerogatives by adopting methods and procedures leading to a rational budgetary process which will enjoy the confidence of the American people. The shift in the exercise of constitutional authority back to Congress can only take place with a renewed assertion by Congress of its constitutional responsibility over the budget.

Mr. President, toward these ends, I am today introducing a resolution which establishes a new rule of the Senate to make bills containing new obligational authority not in order until we in the Senate establish a limit on the amount of new obligational authority which the Senate will approve for the fiscal year. This resolution requires that the Committee on Appropriations and the Committee on Finance, acting jointly, report to the Senate for its approval a resolution setting forth an appropriation ceiling for the fiscal year.

We can by the adoption of this rule show to all concerned that the U.S. Senate will be responsible in the management of the fiscal affairs of our Nation. By taking this step, we will clearly demonstrate that we are capable of self-discipline, and the Senate will clearly require a ceiling on new obligational authority.

Recognizing that the Congress must also establish an expenditure ceiling if there is to be any meaningful attempt by the Congress to regulate Government spending, I have also introduced today a bill to be cited as the "Expenditure Control Act of 1973." This bill creates a rule in both Houses of Congress requiring Congress, after the submission of the budget by the President each fiscal year, to prescribe a limit on the total amount of outlays to be made by the Government during such fiscal year. The consideration of any bill or joint resolution providing new obligational authority would not be in order until the Congress has prescribed by law the limit on total outlays to be made in the fiscal year.

In order to regulate expenditures, the Expenditure Control Act of 1973 also requires the Preisdent to regulate outlays in accordance with congressional priorities. If any expenditures would exceed the limit set by Congress, the President, in carrying out the provisions of this act, would be required to reserve amounts proportionately in each functional category of the budget. This bill would assure that the legislative priorities be adhered to by preventing the arbitrary impoundment of funds by the President and by requiring pro rata reductions by the executive branch.

Mr. President, I submit that the resolution and bill being introduced today would have the following positive and practical results:

First. The people of this Nation will know how each and every Senator votes each year on the most crucial of all domestic legislative decisions—the total dollars to be spent by the U.S. Government in each fiscal year.

Second. More meaningful priorities will necessarily result from an overall limit on appropriations. The proponents of various appropriation measures will have

the burden not only of justifying the particular request for obligational authority, but also of presenting a case when weighed against other requests.

Third. The Appropriations Committee and the Finance Committee will each contribute their expertise in recommending the limit to the Senate.

Fourth. The overall appropriations measures will by necessity have to be presented together rather than piecemeal, which is now the case, because of practical considerations. We will have in effect one appropriation bill which will be presented to this body.

Fifth. The legislative branch, rather than the executive branch, will be setting priorities for obligational authority as well as the expenditure outlays, thus fulfilling the intent of the Constitution.

Mr. President, I ask my colleagues to favorably consider these two companion proposals which will result in a more responsible and responsive legislative branch.

Mr. ROBERT C. BYRD. Mr. President, I wish to congratulate the distinguished junior Senator from Georgia (Mr. NUNN) on the splendid speech he has just made. I think it reflects a great deal of consideration, thought, and preparation. I think that he has touched on a very important matter, one which is of great interest not only to those of us who serve here in the Senate, but also to all of the American people. I commend him for his foresight, vision, and for his constructive proposals.

Mr. NUNN. Mr. President, I ask unanimous consent that a summary of the bill and the resolution, as well as the measures themselves, be printed in the RECORD immediately following my remarks.

(There being no objection, the bill and summary were ordered to be printed in the RECORD, as follows:

S. 565

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Expenditure Control Act of 1973".

SEC. 2. After the submission of the Budget of the United States Government by the President for each fiscal year (beginning with the fiscal year ending June 30, 1974), the Congress shall, by law, prescribe a limit on the total amount of outlays (including net lending) to be made by the United States Government during such fiscal year.

SEC. 3. (a) Except as provided in subsection (b), it shall not be in order, in either the Senate or the House of Representatives, to consider any bill or joint resolution providing new obligational authority for any fiscal year (beginning with the fiscal year ending June 30, 1974) prior to the date of the enactment of a law prescribing, pursuant to section 2, a limit on the total amount of outlays to be made by the United States Government during such fiscal year.

(b) Subsection (a) shall not apply with respect to any new obligational authority requested by the President if, in submitting the request, the President certifies that a major disaster or other emergency requires the prompt enactment of legislation providing such new obligational authority.

(c) Subsection (a) shall not be construed to preclude the holding of hearings or other consideration by any committee of the Senate or the House of Representatives, or any Joint Committee of the two Houses, with respect to proposed new obligational authority, proposed outlays, and estimated revenues set forth in the Budget by the United States Government submitted by the President for any fiscal year.

(d) This section is enacted by the Congress—

(1) as an exercise of the rulemaking powers of the Senate and the House of Representatives, respectively, and as such they shall be considered as part of the rules of each House, respectively, and such rules shall supersede other rules only to the extent that they are inconsistent therewith; and

(2) with full recognition of the constitutional right of either House to change such rules (so far as relating to the procedure in such House) at any time, in the same manner and to the same extent as in the case of any other rule of such House.

SEC. 4. (a) Notwithstanding the provisions of any other law, the President shall, in accordance with subsection (b), reserve from expenditure, from new obligational authority or other obligational authority otherwise available, such amounts as may be necessary to keep outlays during a fiscal year within the limit on the total amount of outlays prescribed by law for that fiscal year pursuant to subsection 2.

(b) In carrying out the provisions of subsection (a) for any fiscal year, the President shall reserve amounts proportionately from new obligational authority and obligational authority available for such fiscal year for each functional category (as set forth in the Budget), except that obligational authority for outlays which, within the meaning of the Budget, are not controllable shall not be taken into account.

(c) In the administration of any program as to which—

(1) the amount of expenditures for any fiscal year is limited pursuant to subsection (a), and

(2) the allocation, grant, apportionment, or other distribution of funds among recipients is required to be determined by application of a formula involving the amount appropriated or otherwise made available for distribution for such fiscal year,

the amount available for expenditure (as determined by the President pursuant to this section) shall be substituted for the amount appropriated or otherwise made available in the application of the formula.

SUMMARY OF S. BILL 565 PRESCRIBING A CEILING ON EXPENDITURES

Section 1. Title.

Section 2. After the President submits his budget the Congress shall, by law, establish a limit on the amount of outlays (including net lending) to be made by the government.

Section 3(a) No bill or resolution providing for new obligational authority shall be in order until the limit is fixed by law, as above.

(b) Notwithstanding subsection (a) the President may request new obligational authority if such additional funds are needed because of a major disaster or other emergency, and he so certifies the same to Congress.

(c) Subsection (a) shall not preclude any Senate or House committee or joint committee from holding hearings as to proposed outlays, proposed new obligational authority, or estimated revenues.

(d) Subsection 3 as enacted pursuant to the rule making power of the Senate and House of Representatives and supercede any conflicting rules.

Section 4(a) Requires the President to establish a reserve from expenditures, new obligational authority or other obligational authority. The reserve is to prevent outlays from exceeding the ceiling established in Section 2.

(b) In establishing the above reserve the President shall reserve the same from each functional category on a pro rata basis (except that outlays which are not controllable shall not be considered.)

(c) Where a program requires that funds are to be distributed to recipients, according to a formula, the same formula ratio shall apply to the amount of funds available for distribution pursuant to the established limit.

SENATE RESOLUTION 36—SUBMISSION OF A RESOLUTION PRESCRIBING CERTAIN PROCEDURES FOR THE SENATE

(Referred to the Committee on Rules and Administration.)

Mr. NUNN. Mr. President, on behalf of myself and my colleague, the senior Senator from Georgia (Mr. Talmadge) I submit a resolution prescribing procedures for the Senate to establish a limit on the amount of new obligational authority which it will approve for each fiscal year. I ask unanimous consent that a summary of the resolution and the resolution be printed in the Record.

(There being no objection, the resolution and summary, were ordered to be printed in the Record, as follows:)

S. RES. 36

RESOLUTION PRESCRIBING PROCEDURES FOR THE SENATE TO ESTABLISH A LIMIT ON THE AMOUNT OF NEW OBLIGATIONAL AUTHORITY WHICH IT WILL APPROVE FOR EACH FISCAL YEAR

Resolved, That (a) upon the submission of the Budget of the United States Government by the President for each fiscal year (beginning with the fiscal year ending June 30, 1974), the Committee on Appropriations and the Committee on Finance, acting jointly, shall promptly review the Budget, and, in particular, shall review requests for new obligational authority, taking into account proposed outlays and estimated revenues for that fiscal year. As soon

as possible thereafter, the two Committees, acting jointly, shall report to the Senate a resolution in substantially the following form (the blanks being appropriately filled) :

"*Resolved*, That the total amount of new obligational authority to be approved by the Senate in all bills and joint resolutions making appropriations for the fiscal year ending June 30, ——, shall not exceed $——."

(b) (1) A resolution reported pursuant to subsection (a) shall be highly privileged. It shall be in order at any time after the third day following the day on which such a resolution is reported to move to proceed to the consideration of the resolution (even though a previous motion to the same effect has been disagreed to). Such a motion shall be highly privileged and shall not be debatable. An amendment to the motion shall not be in order, and it shall not be in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(2) Debate on the resolution, and all amendments thereto, shall be limited to not more than 10 hours, which shall be divided equally between those favoring and those opposing the resolution. A motion further to limit debate shall not be debatable. A motion to recommit the resolution shall not be in order, and it shall not be in order to move to reconsider the vote by which the resolution is agreed to or disagreed to.

(3) Motions to postpone, made with respect to the consideration of the resolution and motions to proceed to the consideration of other business, shall be decided without debate.

(4) Appeals from the decisions of the Chair relating to the application of the rules of the Senate (including this subsection) to the procedure relating to the resolution shall be decided without debate.

SEC. 2. (a) For purposes of this section, the term "new obligational authority limit" means, with respect to any fiscal year—

(1) the total amount of new obligational authority specified in a resolution reported with respect to that fiscal year pursuant to the first section, as such resolution is agreed to by the Senate, or

(2) in the event that no such resolution is reported, or if reported is not agreed to by the Senate, the total amount of new obligational authority requested in the Budget submitted by the President for that fiscal year.

(b) (1) It shall not be in order to consider any bill or joint resolution providing new obligational authority for any fiscal year which is reported by the Committee on Appropriaions (or if such bill or joint resolution is not referred to such Committee, which is passed by the House of Representatives), if the amount of new obligational authority provided in such bill or joint resolution, as reported (or as passed by the House, as the case may be), when added to the amounts of new obligational authority provided for that fiscal year in bills and joint resolutions previously passed by the Senate, exceeds the new obligational authority limit for that fiscal year.

(2) It shall not be in order to consider any amendment to a bill or joint resolution providing new obligational authority for any fiscal year if the amount of new obligational authority provided by such amendment, when added to—

(A) the amount of new obligational authority provided in such bill or joint resolution immediately prior to the offering of such amendment, and

(B) the amount of new obligational authority provided for that fiscal year in bills and joint resolutions previously passed by the Senate,

exceeds the new obligational authority limit for that fiscal year.

(3) For purposes of paragraphs (1) and (2), the amount of new obligational authority for a fiscal year provided in a bill or joint resolution previously passed by the Senate is—

(A) if such bill or joint resolution has been enacted into law, the amount of new obligational authority provided in such law.

(B) if such bill or joint resolution has been passed by the Senate and the House of Representatives and has neither been approved nor vetoed by the President, the amount of new obligational authority provided in such bill or joint resolution as passed by the two Houses, and

(C) in the case of any other bill or joint resolution, the amount of new obligational authority provided in such bill or joint resolution as passed by the Senate.

For purposes of this paragraph, any bill or joint resolution which has been vetoed by the President shall not be taken into account.

SEC. 3. The report of the Committee on Appropriations accompaning any bill or joint resolution providing new obligational authority for any fiscal year shall contain an analysis of the amount of new obligational authority provided in such bill or joint obligational authority limit for that fiscal year prescribed pursuant to the first section. Such analysis shall take into account—

(1) the relation of (A) the new obligational authority limit for that fiscal year to (B) the total amount of new obligational authority requested in the Budget submitted by the President for that fiscal year, and

(2) the relation of (A) the amount of new obligational authority provided in such bill or joint resolution, as reported, to (B) the amount of new obligational authority requested for inclusion in such bill or joint resolution in Budget requests submitted by the President.

SUMMARY OF SENATE RESOLUTION 36 ESTABLISHING A LIMIT OF THE AMOUNT OF NEW OBLIGATIONAL AUTHORITY—AMENDING THE SENATE RULES

Section 1. After the President has submitted his annual budget to Congress, the Committee on Appropriations and the Committee on Finance, acting jointly, shall report a resolution to the Senate setting a limit for new obligational authority.

Section 2. (a) New obligational authority means the amount set out in the above resolution or, in the absence of a resolution being passed, the amount contained in the President's budget.

(b) (1) A bill or resolution providing new obligational authority is out of order if the amount of new obligational authority contained in said bill or resolution when added to the amounts of new obligational authority previously passed by the Senate exceeds the limit established in the above resolution.

(2) An amendment to a bill or resolution is out of order if it creates new obligational authority above the amount set by the resolution.

(3) New obligational authority previously passed by the Senate means

(a) The said amount as contained in a bill or resolution enacted into law,

(b) The said amounts as contained in a bill or resolution passed by Congress and awaiting the President's approval,

(c) The said amount as contained in a bill or resolution passed by the Senate and awaiting House action,

(d) It does not contain the said amount as contained in a vetoed bill or resolution.

Section 3. Every bill or resolution providing for new obligational authority shall contain an analysis of the same by the Appropriations Committee. The analysis shall show the relationship of the new obligational authority to the ceiling for all new obligational authority, and to the amount of new obligational authority contained in the President's budget, generally and by function.

Obviously, the problems confronting us are well-recognized by Congress as demonstrated by the creation of this committee.

Over 1 year ago when I decided to run for the U.S. Senate, I determined to run my campaign on issues which I considered to be of vital national concern. One of my first campaign proposals was dealing with budgetary reform; and I specifically stated hundreds of times throughout the campaign in speeches and in various appearances that an expenditure ceiling should be established as the first step in the congressional budgetary process.

For the first time in many years, I feel that there is considerable public interest in the normally dull topic of budgetary reform. I, therefore, firmly believe that we must take decisive action this year to put our own house in order. I believe this action, because of many practical considerations, must be divided into two steps.

We need long-term legislative action establishing sound fiscal and budgetary procedures such as are contained in S. 40, the Brock Budgetary Reform bill. While I have some reservations as to the practicality of a joint committee, I endorse the provisions of the Brock legislation.

This bill, by its very terms, could not take effect before fiscal year 1975; and, because of the new procedures envisioned in this legislation, its implementation could be delayed even beyond fiscal year 1975.

I, therefore, believe that immediate steps can be taken to adopt simple and yet commonsense procedures in this session of the 93d Congress which can be immediately implemented and which can place this Congress firmly on record as believing in fiscal responsibility.

My first proposal, Senate Resolution 36, provides for a change in Senate rules relative to the budgetary process. This change would require the Senate Appropriations and Finance Committee to jointly establish a ceiling on new obligational authority before appropriation bills are considered The virtue of such a proposal, in addition to establishing this ceiling as the first step in the process, is that it requires the action of only one House and could be immediately implemented. It is my hope that this, or substantially similar proposals, will be adopted in each of the two Houses in the coming months prior to consideration of fiscal year 1974 appropriations bills.

I recently joined with the other 13 freshmen Senators of every political persuasion, both Democratic and Republican, in urging Senator Mansfield, the Majority Leader, and Senator Hugh Scott, the Minority Leader, to take up no appropriation bills until such time as the Senate has thoroughly discussed and implemented comprehensive budgetary reform.

I enclose a copy of this letter and ask that it be inserted with my remarks for the record.

[The letter follows:]

U.S. SENATE,
Washington, D.C., February 7, 1973.

Hon. MIKE MANSFIELD,
Majority Leader,
Hon. HUGH SCOTT,
Minority Leader:

We address you in a spirit of bipartisanship, because it is apparent to us, as newly elected members of the Senate, that the most crucial question facing this body today is this: What de we intend to do about the Federal budget and our Constitutional responsibility over it, including the setting of an order of priorities among national needs?

We do not presume to have immediate answers to every question involved in the Congressional budgetary process; in fact, we may often disagree among ourselves on specific proposed solutions. But we do concur wholeheartedly on these two points:

Congress has the obligation to set priorities under which expenditures are to be authorized by this Nation, and

Present procedures of the Congress do not in fact achieve that aim.

Common logic leads us to conclude that the first step toward establishing priorities has to be setting a ceiling on appropriations and expenditures. This must be done first, rather than last. Unless we do this, we are not really budgeting at all.

Presently pending in the Senate are two measures which would reform our procedures and specify the ways in which Congress should perform this Constitutional obligation. One was introduced by Senator Brock and the other by Senator Nunn. Other such bills may also be introduced in the near future.

By this letter, we do not single out any one of these proposals for specific approbation. But we want to say clearly that, if we are to live up to the responsibility which brings us here, we must give the bills which reform our practices top priority. Unless we do this, the people of the United States will not have confidence in us.

We address ourselves to you, our leaders, to urge you to see that hearings on all proposals which address this essential question are held as expeditiously as possible, to demonstrate that the Senate of the United States is ready to meet its responsibilities.

We feel it would be a critical shirking of our Constitutional obligations if we consider any appropriation proposals before our budgetary process has been considered and revised.

Respectfully submitted,

Very truly yours,

Dewey F. Bartlett (R-Okla.); J. Bennett Johnston, Jr. (D-La.); Walter Dee Huddleston (D-Ky.); Floyd K. Haskell (D-Colo.); Pete V. Domenici (R-N. Mex.); James A. McClur (R-Idaho); William D. Hathaway (D-Maine); Joseph R. Biden, Jr. (D-Del.); Jesse A. Helms (D-N.C.); Dick Clark (D-Iowa); Sam Nunn (D-Ga.); James Abourezk (S. Dak); William L. Scott (R-Va.).

The second piece of legislation, Senate bill 565, known as the Expenditure Control Act, would establish for the fiscal year ending June 30, 1974, and each succeeding fiscal year, a limit on the total amount of outlays including net lending to be made by the U.S. Government during each such fiscal year. This act also provides that any cuts in outlays required because of an unexpended backlog of funds, or for any other reason, be across-the-board in all budget categories.

This proposal, of course, could be altered to require prorata cutbacks to be equally apportioned between various subcategories thereby preventing the complete elimination of programs within broad budgetary functions by the President.

In other words, if we wanted to place a 10-percent limitation on any program to be cut back, this would give the executive branch the flexibility to be cut back between 0 or 10 percent in any program. If we want to pick 12 to 25 percent, we could give that added flexibility.

Another alternative would be to require that no more than a certain percentage cutback take place in any category or subcategory, thereby increasing executive flexibility, but still preventing the total elimination of programs by the President. In any event, each of these alternatives could be utilized, depending upon the preference of Congress, and the fundamental congressional priorities would be substantially maintained while complying with the expenditure ceiling.

There seems to be a consensus that a ceiling on obligational authority as well as on expenditure outlays, must be established. The problem after the establishment of such a ceiling then will become one of formulating practical procedures to implement the proposed ceiling and to deal with the many changes which will result, rather than going into any more detail, I am going to throw out a couple of thoughts that might be of value to the committee.

Even under the present budgetary procedures, the limitation of time and staff do not permit the Appropriations Committees to give detailed study to the myriad of Federal programs vying for the tax dollar each year, or to determine whether such programs should continue in existence, and if so, at what level they should be funded.

For this reason, I feel that funds should be appropriated by Congress on a biennial rather than an annual basis. I might add, that this proposal while not eliminating all problems, would permit Congress to give strong consideration to the abolishment of permanent appropriations, open ended appropriations, back door appropriations, continuing appropriations, and could go a long way in giving the Ameri-

can public a comprehensive and accurate picture of how their tax dollars are being expended.

If the biennial budget concept is seriously considered, this committee might also want to study the possibility of dividing the various budgetary categories into two equal divisions, with one-half of the appropriations measures being considered in alternate years. It would also be possible, as an option under this concept, to require that committees authorizing funds complete authorization measures the year prior to taking up the appropriation measures for these same funds.

In summary, this procedure would require appropriations for 2 years at a time rather than 1 year, and would give each appropriation subcommittee and the committee as a whole, a full calendar year to comprehensively analyze legislation and proposed spending levels.

It is evident under such a procedure, that supplemental appropriations bill would be necessary, but hopefully appropriations by continuing resolution would become a thing of the past.

One of the main virtues of this type of procedure would be to allow the Appropriation Committees to have twice as much time available for the consideration of each such program. Even more important, however, is the effect that such a biennial budget would have on the interrelationship between the Federal Government and State and local governments, including local boards of education.

Under the present system, each such local government is compelled to guess how much money may be available to it under future Federal programs. Based on these guesstimates, it must then hire personnel, formulate programs, prepare physical plans, and make contractual obligations. All too often, in the recent past, disastrous results have occurred. Many local governments and local agencies have formulated plans, hired personnel, established programs, entered into contractural arrangements, only to find out a few months later that the expected Federal funds have been cut out or diverted to another program. With a history like this, it is no wonder that local and State governments find it increasingly more difficult to make a rational expenditure of funds because of completely unpredictable Federal budgets.

In discussing the overall limit on obligational authority as well as outlays, one of the most difficult questions is, of course, the question of how we can possibly deal with competing interest for the Federal dollar. While many may argue that we cannot rationally compare aircraft carriers to day care centers, I submit that one of the main virtues of an appropriation and expenditure ceiling is that each competing interest, must not only establish its need for appropriations, but must also present a case which convinces Congress that it is worthwhile to fund as a priority item in lieu of other meritorious programs.

If this practical problem becomes insurmountable, however, we could establish an overall ceiling and then break this ceiling out into separate budgetary ceilings for functional categories within the meaning of the Federal budget.

For example, we could have a budgetary ceiling on national defense, a budgetary ceiling on international affairs and finance, a budgetary ceiling on agricultural and rural development, provided that we keep in mind the sum total of these component parts should not exceed the overall ceiling set at the beginning of the process.

Whether we compare aircraft carriers to day care centers, whether we confine our debates within budgetary categories, I submit that we must establish an orderly procedure for amendments to appropriation measures when they are debated on the floor.

In the State of Georgia, and certainly we do a lot of things wrong in Georgia, but we do do a lot of things right in the budgetary area, we utilize a procedure which I think works well, and I propose it for your consideration.

After a budgetary ceiling on appropriations has been established, the first step we take in the State legislature in each House is to go through the entire budget, item by item, and to accept amendments which relate only to cuts in proposed appropriations. After every member has had an opportunity to amend any item of the budget, cutting expenditures, and, after the House as a whole has voted on such measures, there is created an established bank of funds with which to raise the budget to the previously agreed to ceiling.

As the second step, each member then has the opportunity to offer amendments to increase any budgetary category or subcategory by an amount not to exceed the total amount remaining in the bank.

Everbody knows this procedure when it starts, everybody understands it and it does work, at least in our State.

For example, suppose that $5 billion was cut from the defense budget out of any number of defense programs, or out of a single program. This amount could then be restored by either increasing the funding of defense programs within the functional category as one option, or by utilizing those funds to increase funding in other functional categories, depending on the decision of Congress as to whether we compare aircraft carriers to day care centers.

Mr. Chairman, I am optimistic about the opportunity presented to this session of Congress to bring about meaningful change in this vital area of congressional responsibility.

I have read your Interim Report, and I congratulate you on what you have accomplished so far. I believe that for the first time in many years, the various proposals being submitted by the Members of Congress can be assembled to reflect the best of each proposal, and molded together into an effective and efficient budgetary process.

When this step has been completed, and when Congress has revised our budgetary procedure based on commonsense and sound logic, then I feel that Congress will receive wide public support as it asserts its authority under the constitution in budgetary matters.

Thank you, Mr. Chairman.

Chairman WHITTEN. Senator, we appreciate your statement very much. As I mentioned earlier, Dr. Arthur Burns testified before this committee and he made a very fine presentation.

He studied the procedures in a number of States. I think our staff and the members of this committee can learn much from the various States of the Nation.

I was intrigued by your 2-year appropriations budget. I testified here many times to that; I believe in it.

While I was busy in trying to get something done here, my legislature went back to their annual meeting. It has very much to offer but it seems the trend is the other way. There are many things in your proposal here that we can profit by.

I repeat again, one of our problems here is to get a consensus of opinion so that we can pass legislation. I think anything we do pass will be benefited by your suggestions. Thank you very much.

Mr. SCHNEEBELI. I notice that you and 13 freshman Senators sent a letter to Senator Mansfield requesting that he delay taking up appropriations until you discussed this.

Have you gotten a reply?

Senator NUNN. We have gotten a reply and he in general said he agreed. We didn't get a specific commitment from him, but he has urged the Government Operations Committee of which I am a member, to begin hearings on this subject.

We are scheduled to start hearings as soon as we get some report from this committee. I think we are going to move forward rather rapidly.

One of the great problems, and as a new member I will say frankly, the backdoor-type financing, the authorization bills, the appropriations bills, the contracting, all of this is so confusing that it is very difficult for the new members as well as the public to identify what is an appropriations bill.

I believe very strongly that whatever we do we ought to have it relate to actual authority from expenditures to come through the appropriations process. Otherwise there will never be a chance for the American public to know what is going on.

Mr. SCHNEEBELI. Well, in the light of the time factor, it may be difficult if you are going to wait for this committee to act.

Senator NUNN. We are going to begin hearings, that is my understanding from Senator Metcalf.

Mr. SCHNEEBELI. Fine.

Chairman WHITTEN. Thank you very much. We appreciate your contribution.

We next have with us Senator Bellmon, from Oklahoma.

STATEMENT OF HON. HARRY BELLMON, A U.S. SENATOR FROM THE STATE OF OKLAHOMA

Senator BELLMON. I would like to begin by thanking you for your thoughtfulness and letting us testify to present our views on this matter.

I would also like to commend your committee for the work already done in dealing with this important issue. The urgency of immediate action was well stated in your Interim Report.

The inadequacy of our outmoded and outdated system was well documented. Our problem is to devise a mechanism that places Congress in command of the budgetary process.

Let me say some of the things I am going to say are very similar to Senator Nunn's comments and I want to make it plain that there is no collusion involved here.

Mainly, the budgetary and appropriations process deserves the full attention and full participation of the full Congress. As a new member of the Appropriations Committee, I have been appalled at the lack of congressional command which presently seems to exist over the process of Federal spending. At the present time many appropriations subcommittees meet at the same time legislative committees are in

session, thus making it impossible for members to participate in a full and meaningful way.

In addition, the staff of the Appropriations Committee—and this may be different on the House side—is totally inadequate to cope with the Federal budget and to provide anything resembling a meaningful challenge to or review of the executive department's representations. The fact that about all the Congress is able to do is accept without meaningful investigation the statements and claims made by representatives of the executive branch.

Mr. Chairman, the cardinal rule of government is that the power follows money; therefore, if Congress is to regain control of Government, it is absolutely essential that we first seize control of the budgetary and appropriations process.

The work of this committee to date and the Interim Report issued on February 7 is certainly a major step in this direction. The Interim Report provides an excellent summary of the problem and of the tragic results of the present chaotic approach to the spending process.

Mr. Chairman, while I realize the committee's work is concerned primarily with procedures, I would like to suggest that the committee look also at the fundamental organization of the Congress, which I feel has contributed to the present impasse. I have presented to each of you some suggestions for the reorganization of congressional committees and congressional business.

I call your attention to the back pages that I mentioned already because I feel this is what we ought to go into. First, that we divide the Congress into a legislative session and then a budgetary session.

Senator BENNETT. In each year?

Senator BELLMON. In each 2 years.

Then we would have a break during which time the staff could look at the various authorizations and set up the work for the Appropriations Committee.

We would then as has been suggested, appropriate not on an annual basis, but rather for a biennial. On each side, each member would be appointed to one legislative committee and one subcommittee on appropriations. We would have one legislative responsibility and one on an appropriations subcommittee.

There would be a prohibition against serving on the same committee. A different group that did the authorizing and a different group that did the appropriations. After the election of a new Congress, the legislative session would be convened for the purpose of acting upon these legislative proposals and making the required authorizations.

I have listed the advantages. I am not sure there is any point in going into these, but the purpose is to streamline and give every member an opportunity to participate in a more meaningful way.

[The document follows:]

SUGGESTIONS FOR THE REORGANIZATION OF CONGRESSIONAL COMMITTEES AND CONGRESSIONAL BUSINESS

1. Rather than a first and second session of each Congress, divide each session of Congress into a legislative session and a budgetary session.
2. Rather than annual appropriations, appropriate for a biennium.
3. Reorganize the existing committees into legislative committees with a total of 100 members.
4. Create subcommittees of the appropriations committee with 100 total memberships.

5. Each member would be appointed to one legislative committee and one subcommittee of the appropriations committee. Prohibitions would be in effect against the member serving both on the legislative committee and the appropriations subcommittee which considered the same subject matter.

6. After the election of a new Congress, the legislative session would be convened for the purpose of acting upon necessary legislative proposals and making the required authorizations.

7. At the conclusion of the legislative session, the Congress will take a brief recess during which necessary staff work would be accomplished. The budgetary session would then be convened for the purpose of making appropriations for the upcoming biennium.

ADVANTAGES

1. Since members would be serving on only one legislative committee, the problem of getting a quorum would no longer exist. Members would be spared the conflicting meetings which are now common.

2. By concentrating exclusively upon legislation during the first part of the session and upon appropriations during the second period, members could more effectively manage their time and direct the course of government.

3. The departments would be spared the need to be continually preparing budgets and testifying on appropriations matters.

4. The departments would be assured of two years of ongoing programs and should be spared the necessity of operating on continuing resolutions as is now the case.

5. The consideration of authorization and appropriations by committees made up of different members would assure a more thorough examination of ongoing programs.

6. It is anticipated that a supplemental appropriations bill could be considered during a portion of the legislative session to handle emergencies which might arise.

The main thrust of these recommendations is to develop a more orderly approach to both the legislative and appropriations process by undertaking one at a time. In that way each member could give his or her full attention to the job at hand and not be forced to continually divide attention and time between a multitude of simultaneous meetings and responsibilities.

I will not take time to discuss these suggestions in detail, but I hope each member will look them over with the thought that this approach may provide the beginning of a more effective budgetary mechanism.

In my opinion, the Congress needs to do one thing at a time. First, we should legislate and authorize and then appropriate the funds needed to activate the programs.

On page 10 of the Interim Report there is the statement that pressure to increase spending also has come as a result of the annual authorization process.

This suggestion would change this process to a biennial basis and therefore reduce the pressure for greater and greater spending by 50 percent.

Under a biennial approach, the first order of business could be and should be the adoption of a spending ceiling to give each subcommittee the guidance required for the action to follow.

Mr. Chairman, on February 1, 1973, I introduced S. 703, a bill to control Federal spending by requiring an annual ceiling on expenditures and new obligational authority, which I would like to call to the attention of the committee.

I would like to have a copy of it made a part of the record at this point, Mr. Chairman.

Chairman WHITTEN. We would be glad to have it.

[The bill follows:]

[S. 703, 93d Cong., 1st sess.]

A BILL To control Federal spending by requiring an annual ceiling on expenditures and new obligational authority

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Fiscal Responsibility Act."

ANNUAL CEILINGS ON EXPENDITURES AND NEW OBLIGATIONAL AUTHORITY

SEC. 2. (a) After the submission of the Budget of the United States Government and upon recommendation of the President for each fiscal year (beginning with the fiscal year ending June 30, 1974), the Congress shall, by law, prescribe a limit on—

(1) the total amount of expenditures and net lending to be made by the United States Government during such fiscal year, and

(2) the total amount of new obligational authority and loan authority to be made available for such fiscal year.

Provided, That no change in a limitation once established for the fiscal year by the provisions of this subsection shall be made except by an affirmative vote of two-thirds of the membership of the House of Representatives and the Senate present and voting.

(b)(1) Notwithstanding the provisions of any other law, the President shall, in accordance with paragraph (2), reserve from expenditure and net lending during each fiscal year, from appropriations or other obligational authority otherwise made available, such amounts as may be necessary to keep expenditures and net lending during the fiscal year within the limit on the total amount prescribed for the fiscal year pursuant to subsection (a)(1).

(2) In carrying out the provisions of paragraph (1) for any fiscal year, the President shall reserve amounts proportionately from appropriations or other obligational authority available for such fiscal year for all programs and activities of the Government (other than expenditures for interest, veterans' benefits and services, payment from social insurance trust funds, social service grants under title IV of the Social Security Act and military retirement pay).

(c)(1) Notwithstanding the provisions of any other law, the President shall, in accordance with paragraph (2), reserve from the new obligational and loan authority for each fiscal year such amounts as may be necessary to keep the new obligational authority and loan authority for the fiscal year within the limit on the total amount prescribed for the fiscal year pursuant to subsection (a)(2). The amounts so reserved are hereby rescinded as of the close of such fiscal year. Within ninety days after the close of such fiscal year, the President shall make a report to the Congress identifying the amounts reserved pursuant to this paragraph.

(2) In carrying out the provisions of paragraph (1) for any fiscal year, the President shall reserve amounts proportionately from new obligational authority and loan authority made available for such fiscal year for all programs and activities of the Government (other than for expenditures for interest, veterans' benefits and services, payments from social insurance trust funds, social services grants under title IV of the Social Security Act and military retirement pay).

(d) In the administration of any program as to which—

(1) the amount of expenditures or obligations for any fiscal year is limited pursuant to subsection (b) or (c), and

(2) the allocation, grant, apportionment, or other distribution of funds among recipients is required to be determined by application of a formula involving the amount appropriated or otherwise made available for distribution for such fiscal year,

the amount available for expenditure or obligation (as determined by the President pursuant to subsection (b) or (c)) shall be substituted for the amount appropriated or otherwise made available in the application of the formula.

SEC. 3. (a) Except as provided in subsection (b) it shall not be in order, in either the House of Representatives or the Senate, to consider any bill or joint resolution making appropriations for any fiscal year, beginning with the fiscal year ending June 30, 1974, prior to the date of the enactment of a law prescribing, pursuant to section 2, a limit on the total amount of expenditures and net lending to be made by the United States Government during such fiscal year and a limit on the total amount of new obligational and loan authority to be made available for such fiscal year.

(b) Subsection (a) shall not apply with respect to any appropriation requested by the President if, in submitting the request for such appropriation, the President certified that an emergency requires the prompt enactment of legislation making such appropriation.

(c) Subsection (a) shall not be construed to preclude the holding of hearings or other consideration by any committee of the House of Representatives or the Senate, or any joint committee of the two Houses, with respect to proposed expenditures and proposed new obligational authority and loan authority set forth in the Budget of the United States Government submitted by the President for any fiscal year.

(d) This section is enacted by the Congress—

(1) as an exercise of the rulemaking powers of the Senate and the House of Representatives, respectively, and as such they shall be considered as part of the rules of each House, respectively, or of that House to which they specifically apply, and such rules shall supersede other rules only to the extent that they are inconsistent therewith; and

(2) with full recognition of the constitutional right of either House to change such rules (as far as relating to the procedure in such House) at any time, in the same manner and to the same extent as in the case of any other rule of such House.

Senator BELLMON. The objective of this bill is to improve congressional control of budgetary outlay and assure adequate opportunity to review each year's outlays with an overall view of the estimated revenues.

S. 703's limitations would apply not only to budgetary outlays handled through the Appropriations Committees, but also to so-called backdoor authority.

First, the bill requires the President to recommend to the Congress a spending limitation at the time he presents his budget. The Congress would then be required to adopt and the President sign this limitation or an amended spending limitation before the appropriations process could begin.

Once the spending limitation is adopted it could only be raised by action of two-thirds of the Members of the Senate in the same way a presidential veto is overriden.

In the event the Congress appropriated and the President signed bills in excess of the spending limitation adopted earlier, the President would be required to reduce the appropriations proportionately except in a few exempt areas.

Mr. Chairman, I once served as Governor of the State of Oklahoma. In our constitution is a requirement for limits on spending which has made it possible for our State to provide the essential services without the budgetary deficits which have marred the performance of the Federal Government and which now require spending 10 percent of our income for service on the national debt. I am absolutely convinced that the same achievement is possible to the Congress and I wish to commend this committee for the significant progress it has already made in this direction.

Before that time, we had such a chaotic condition that we couldn't even pay off our warrants or sell bonds or run our business. So the people adopted this amendment and since that time our State has never run up a dime of debt.

I would like to take a moment to tell you how this works. Our constitution establishes what they call a board of equalization made up of elected officials, the Governor, treasurer, attorney general and other people of this kind. The constitution requires them to ascertain the amount of money that came into the Treasury during the previous

fiscal year. This board meets after the election in November before the legislature begins, it finds out how much money the State took in last year and how much surplus remained at the end of the fiscal year.

Those two figures are added together and this becomes their statement of revenues to be collected in the next fiscal year. That figure is then furnished to the Governor and he is required by law, by the constitution, to budget no more than that amount. He may budget less if he so desires, but he cannot budget any more than the figures of expected revenues established by the board of equalization.

If the Governor desires to spend more than that amount, he must propose a tax that will raise the excess revenue.

The Governor's budget is given to the legislature and, of course, they have the freedom to accept it or refuse it or tear it up, which they generally do.

But they are also limited by the same restrictions. They can only appropriate an amount equal to the statement of revenues given them by the board of equalization. If the legislature goes ahead and appropriates in excess of the statement without raising taxes and if the Governor signs those bills, after the legislature adjourns and goes home, the board meets and cuts back each appropriation proportionately until they get it back within the statements.

After they go into the fiscal year if the receipts of the treasury declines below the statements, the board is required to meet again and reduce the level of spending to get it back within the level of receipts.

Our State has no debt except the small bond debt that the people have voted. But we have run our State for 35 years without going into debt again. I am convinced we can do the same thing in the Federal Government. We can't use exactly the same process, but I am confident we can do the job.

Chairman WHITTEN. Thank you. We appreciate your statement very much. Much of it intrigues me and your complete statement is certainly worthy of the study of this committee and the staff. We have the problem here, of course, of trying to reach a common ground so as to get a change. So we do have the problem, one, of deciding what is sound and then deciding how we can get it palatable so we can get it through the Congress.

This is quite a task. But at least we got a good start. The first report by this committee was unanimous and if you look at the names the members will see they represent long years of experience and various views. So we are off to a good start and your testimony will be of help to us.

Senator Bennett.

Senator BENNETT. I just have one question. The Finance Committee has a responsibility that is equal of that with the Appropriations Committee in terms of the total budget. We do not authorize expenditures. What would you do with us in the year? Would you have the Finance Committee members serve on an Appropriations Committee?

Senator BELLMON. Every Member of the Congress, Senate and House, would have a responsibility on the Appropriations Subcommittee.

Senator BENNETT. But what would we do in the off years?

Senator BELLMON. You would have the Finance Committee meeting the same as it does now in the legislative year.

Senator BENNETT. If your program were adopted the membership in the committee would have to be reduced to about five or six men. If you are going to have each man serve only on one committee, and you have 17 committees——

Senator BELLMON. I wouldn't have 17 committees. The number of committees can be changed to meet the general responsibility. I would recommend that we restructure the committees in the same general way that President Nixon is trying to restructure the executive branch. He wants eight departments rather than 13.

Senator BENNETT. So you would reduce the Finance Committee to the level of an authorizing committee?

Senator BELLMON. You are not an Appropriations Committee now. You do not appropriate. You would have the same responsibilities for raising the revenues as you have now plus others. There is no need to change the responsibilities of the Finance Committee, only that you work on finances at a time other than appropriations.

Senator BENNETT. Unless you put in the same limitation and set up an equalization committee, which has the power to overrule both the work of the Finance Committee and the work of the Appropriations Committees, then it seems to me as you go on the appropriations process, maybe you need the Finance Committee around in a position to increase or decrease taxes, not make us wait for a year.

Senator BELLMON. Well, Mr. Chairman, my suggestion that the first thing the Congress do at the beginning of the appropriations sessions is to adopt a spending limitation which would certainly be keyed to the size of revenues anticipated under the existing tax structure.

Senator BENNETT. Well, we have gone for 30 years without balancing the budget and unless you are prepared to do what they do in Oklahoma, and say we may not exceed the last year's expenditures, we haven't any surplus, so you are saying we may not exceed last year's expenditures, you have to have a finance committee available during the appropriations process to bring that budget into balance if conditions change.

Senator BELLMON. We balance our budget by the withholding action on the State highway bill until the last thing. That is a bill that can be adjusted up and down without doing violence to the going programs of the State. So we hold the bill to the last and if we are a million dollars over or under, we put it in or take it out of the highway appropriations.

Chairman WHITTEN. There are many problems here that I am sure Senator Bennett can see and I can too. We have a lot of complications in the way of commitments and obligations. So we have to adjust to those things. Your views certainly have merit.

Senator BELLMON. Thank you very much.

Chairman WHITTEN. Our next witness is Dr. William A. Niskanen, University of California.

STATEMENT OF DR. WILLIAM A. NISKANEN, UNIVERSITY OF CALIFORNIA

Dr. NISKANEN. I am pleased to have the opportunity to address the subject of this committee. My remarks this morning summarized one chapter of a study on structural reform in the Federal budget process to be published shortly, by the American Enterprise Institute.

Federal fiscal policy is now charged with two major functions:

Efficient allocation of the Nation's resources between the Federal and non-Federal sectors, and

Stabilization of the national economy at low rates of unemployment and inflation.

At best, unfortunately, the present Federal budget process can perform one or the other of these functions, but not both. The evidence of the last several years suggest that the increasing focus on the stabilization function has undermined the allocation function without making an effective contribution to stabilizing the economy. The primary reason for both of these effects is that the marginal dollar of Federal spending is financed, partly or wholly, by increasing the Federal deficit.

The one essential characteristic of fiscal policy necessary to perform both the allocation and stabilization functions is that, after some desired amount of fiscal stimulus or restraint, any change in Federal spending be wholly financed by changing some broadly based and broadly perceived tax. This form of fiscal policy is best described as a marginal balanced budget policy; the total Federal budget may have any planned surplus or deficit that is believed appropriate under expected economic conditions, but any approved changes in Federal spending, around the level consistent with the desired fiscal effects, would be balanced by an approved change in tax rates to generate an equal change in expected tax revenues.

The general characteristics of a process designed to implement a marginal balanced budget policy are summarized below:

One, the process starts with the submission of the President's budget, usually late in January. As at present, this budget would propose a total spending level, estimate the revenues expected from the current tax system and any proposed changes, estimate the expected economic conditions and discuss the appropriate fiscal policy for these conditions. At this stage, this process would not differ from present practices.

Two, soon after submission, Congress would have a formal fiscal policy review conducted by some joint or select committee consisting of the leadership of the major economic committees. This committee would review the total spending and revenues in the President's budget, the expected economic conditions, and the proposed fiscal policy based on submissions by the administration, it own staff, and outside sources.

This committee would then submit a resolution establishing an outlay target for the next fiscal year for all activities included in the unified budget, and this resolution would be subject to approval by both Houses and the President. This part of the process would be similar to the ill-fated legislative budget process established by the Legislative Reorganization Act of 1946, with a number of critical exceptions:

A, the outlay constraint would be a target, and not a ceiling, and

B, most important, the resolution would provide for an automatic change in the personal income tax to generate revenues equal to the difference between total approved outlays and the target outlays, given the expected economic conditions.

Three, after approval of the resolution establishing the outlay target and the tax trigger, Congress would review each spending bill on its

own merit as it does now. If the total outlays approved by Congress, including those for programs not requiring annual appropriations, exceeded the approved outlay target by some threshold amount, personal income tax rates would automatically be increased, without any additional required legislation, to generate expected revenues equal to the outlay difference.

Conversely, of course, if the total outlays approved by Congress were less than the threshold, personal income tax rates would be reduced to reduce expected revenues by the outlay difference.

This process is primarily designed to establish a dollar-for-dollar relation between marginal Federal spending, relative to the outlay target, and expected personal income tax revenues. This condition should improve both the allocation function and the stabilization function of fiscal policy.

Changes in the personal income tax would make the public face and bear the current tax cost of marginal Federal spending, and every Congressman contributing to a spending decision would be forced to defend the tax effects of the aggregate of these decisions. This process would contribute to the stabilization function by stabilizing the expected surplus or deficit in absolute amounts.

If actual economic conditions differ from those expected at the time the outlay target is established, the actual surplus or deficit will differ from that expected in a countercyclical direction. This process, thus, would constrain the expected surplus or deficit to that planned in setting the outlay target and still permit countercyclical variations in the actual deficit to reflect current economic conditions.

The major institutional issues that must be resolved to make this process effective are identified and discussed in my larger study.

Both the administration and Congress contribute to the problems of implementing an effective fiscal policy. Although the administration has assumed the primary role in formulating fiscal policy, no administration to date has developed successful procedures to serve both the allocation and stabilization functions. The intermittent Presidential request for discretionary spending or tax authority reflects this concern, but Congress has been understandably unwilling to grant this authority.

Congress' one major experiment to formulate and implement a legislative budget was a dramatic failure. The major reform in the Federal budget process suggested here requires the understanding and approval of Congress.

In contrast with the proposals for Presidential spending or tax authority, this reform would affirm the primary authority of Congress to formulate and implement fiscal policy. At the same time, this reform would broaden the policy role of Congress, by sharing with the administration the responsibility for formulating the appropriate fiscal policy in each year, and would establish a process that would constrain the aggregate spending decisions of Congress in order to implement the fiscal policy approved by Congress.

There is both sustained and current evidence of widespread support within Congress for the objectives of a legislative budget but, as yet, no consensus on an acceptable procedure.

The reform described here is suggested for consideration in the belief that Congress wants to exercise a greater responsibility in for-

mulating fiscal policy and is willing to approve some procedure that would make its own spending decisions more consistent with the fiscal policy Congress itself selects.

Thank you, Mr. Chairman.

Chairman WHITTEN. Doctor, we appreciate your presentation here. First, may I say I think there is an absolute necessity for the Congress as representatives of the people to get our finances into proper balance in the future.

The pressure to do that comes from many sources. On the other hand, we have many practical problems of meeting the great and diverse demands of the public, of setting priorities. We also have the problem, as I see it here, of giving appropriate representation in budgetary control to the various jurisdictions involved in Congress.

I mention that to point out that I think the approach here of having various members of the committees in Congress represented, gives us hope that we can work out these problems in the common interest and come out with an overall approach to this matter.

That is the reason we have asked you and other witnesses to appear. The composite of all the proposals gives us just about every idea we can think of.

Personally, I feel if some of my colleagues had to trigger a tax, that it would be a deterrent to passage of many of the new bills by the Congress. We will make a thorough study of your recommendations along with others because we hope to come out with something that will do the job and that we can pass.

Dr. NISKANEN. Mr. Chairman, I share the concern which has led this committee and many others to propose an outlay ceiling. I don't think that history suggests that a ceiling itself is workable.

The problem of the legislative budget in the 1947 through 1948 period suggests that one can't set a ceiling beforehand that Congress will then live up to after the fact.

I think the procedure of setting a guideline or target around which there will be tax changes to maintain the absolute size of the surplus is workable.

Chairman WHITTEN. I was one of those who served in the legislative budget effort between 1946 and 1950. You can't set a ceiling the minute you arrive in town and be able to support it because you haven't done the preliminary work that you need to do.

I know legislators aren't going to adopt a rigid ceiling that cannot be changed if circumstances change. It must be a target, subject to revision later in the session when all the facts are known.

I think you made fine suggestions in your proposal to the committee. I think it is a recognition of realities, if I may put it that way.

Senator BENNETT. I have one question. In practice wouldn't this require changing the taxing year or bringing into balance the tax year which is the calendar year and the Federal fiscal year or aren't we going to be working partly at cross-purposes?

Dr. NISKANEN. There is a further concern, Senator. I suggested two things, one that the tax year be changed beginning on the calendar year based on all appropriations through the end of November, plus the President's proposal for any appropriations actions not yet considered to give Congress an incentive to speed up that process somewhat. Then the tax year would be changed coincident with the calen-

dar year beginning in January, based on actions by Congress through November.

If there are earlier appropriations, it does allow for it to be a few months out of phase.

I am less concerned about the timing than I am on the effect of the totals and the range of those totals.

Senator BENNETT. If you don't make some adjustment and you have a 6-month out of phase situation——

Dr. NISKANEN. Up to 6 months, that is correct, although in recent years we haven't had appropriation bills until way into the fiscal year.

Senator BENNETT. And the money has been spent. It carries over with continuing resolutions.

Dr. NISKANEN. That is right, at the prior level.

Senator BENNETT. That is all I have.

Chairman WHITTEN. Senator Fannin.

Senator FANNIN. Thank you, Mr. Chairman and Professor Niskanen, I am pleased to have you with us here today. You did come quite some distance to be with us.

I would like to comment on page 3 in your suggestions, item B, about the personal income tax to generate the revenues. I certainly understand this would get the people's attention, perhaps to a greater extent than if you included corporate tax, but I am thinking about the realities of getting any bill adopted. To say that just the personal income tax is involved always waves a red flag.

Would it be possible to include corporate tax, too?

Dr. NISKANEN. Yes; of course, it would be possible. I think it would somewhat weaken the effect of the proposal, primarily because perception about who bears the corporate tax is not at all clear and it is not widely shared.

If it is an essential feature to gain acceptance for the proposal, I think it would be a desirable change.

Senator FANNIN. I agree with you that the personal income tax would bring to the attention of the people more readily what is being done. But I am thinking about votes and I think it would be necessary to include corporate tax along with the personal income tax.

In Arizona, we have a system similar to what you have suggested, but unfortunately it is based on the property tax. We in the State of Arizona decide how much money can be raised and we try to keep our budget within that limit, but if we find it is not within the limit, then the adjustment is made on the property tax.

Do you feel that the personal income tax is a much more equitable tax, even if we could adopt that at the State level?

Dr. NISKANEN. Yes; I would believe so.

Senator FANNIN. The tax trigger is very important. I am really concerned that if we do not have some mandatory trigger device, Congress would be reluctant to act. So I commend you on that recommendation. It may be difficult for us to get approval, but I think it is certainly a sound policy.

Professor, I want to express my personal thanks as well as that of the committee members, for your appearance here today. I think you have given us some very beneficial information and I look forward to reading your complete proposal. I also thank you for the information you have sent to my office.

Dr. NISKANEN. Thank you.

Chairman WHITTEN. Thank you again.

The committee will recess until 2 o'clock.

[Whereupon, at 12:05 p.m. the committee was recessed to reconvene at 2 p.m.]

AFTERNOON SESSION

Chairman ULLMAN. The committee will be in order.

I am very pleased to have as our first witness this afternoon our distinguished colleague from Ohio, a member of the Ways and Means Committee, a budgeteer of note, and we are looking forward to hearing your recommendations, Congressman Charles Vanik of Ohio.

STATEMENT OF HON. CHARLES VANIK, A U.S. REPRESENTATIVE FROM THE STATE OF OHIO

Mr. VANIK. Thank you, Mr. Chairman.

I ask unanimous consent that at this point I might have my total statement inserted into the record.

Chairman ULLMAN. I listened very carefully to your unanimous-consent request, without objection your full statement will be in the record.

Mr. VANIK. Mr. Chairman and members of the committee, thank you for this opportunity to address the Joint Budget Committee on the most fundamental challenge facing the 93d Congress—Waning congressional oversight in the budgetary process.

In 1921 the Congress enacted the Budget and Accounting Act which for the first time created the concept of an executive budget. This legislative act built the "budget train" that was initially "engineered" by Congress through the appropriations process. But since that time, budget expansion has in many ways been controlled by faceless bureaucrats who have shoveled coal in the engine room at unprecedented levels, speeding up the "budget train" beyond the control of Congress.

My statement will be directed to several of the many ways and means used by the Executive in the budgetary process to circumvent the Congress in directing national priorities.

ADMINISTRATION'S EFFORTS TO CONTROL THE BUDGET HAVE BEEN HALF-HEARTED AND INFLATIONARY

The administration's approach in controlling the budget has been to fix an overall limitation on budget expenditures. This approach has been a halfhearted effort, as public borrowing of Federal and guaranteed loans from private lenders go uncontrolled. This borrowing has created inflationary pressure and increasing heat on interest rates.

Reduction and limitations on spending is not enough. It must be joined by a limitation on public borrowing of which Congress has lost almost all control.

Today, without consulting Congress, the following agencies have authority to borrow Federal or private funds guaranteed by all the taxpayers of America.

Each one of these lending agencies either: (*a*) is not in the budget; (*b*) is not subject to the annual appropriations process; or (*c*) is not annually examined by the authorizing committees of Congress.

In many cases, all three of the above pertain to a particular lending agency, reflecting its isolation from congressional scrutiny.

EXECUTIVE CONTROL OVER MAJOR FEDERAL AND FEDERALLY ASSISTED BORROWINGS IN THE PRIVATE MARKET

Type of borrowing	Treasury control	Other control
A. Securities issued by Government-sponsored agencies (nonbudget agencies):		
1. Federal National Mortgage Association.	FNMA is required by law to obtain Treasury approval of market borrowings, including debentures, notes, mortgage-backed securities, and subordinated obligations. Treasury may purchase up to $2,250,000,000 of FNMA obligations. (12 U.S.C. 1719.)	President appoints ⅓ of board of directors and may remove any director for good cause. (12 U.S.C. 1723.) Secretary of HUD has general regulatory power, including approval of stock and other security issues (12 U.S.C. 1723a, 1723c) and the ratio of debt to capital (12 U.S.C. 1719).
2. Federal home loan banks	Required by law to obtain Treasury approval of timing and terms of market borrowings. Treasury may purchase up to $4,000,000,000 of FHLB obligations. (12 U.S.C. 1431.)	President appoints the 3 members of the Federal Home Loan Bank Board which supervises the Federal home loan banks. (12 U.S.C. 1437, note.)
3. Farm Credit Administration: Banks for cooperatives; Federal intermediate credit banks; Federal land banks.	Treasury approval not required by by law (31 U.S.C. 868) but agencies consult with Treasury as a matter of practice on proposed market borrowings.	President appoints 12 members to the Federal Farm Credit Board (the 13th member is appointed by the Secretary of Agriculture) (12 U.S.C. 2242), which provides policy guidance for FCA. (12 U.S.C. 2243.)
4. Federal Home Loan Mortgage Corporation (title III, Public Law 91–351).	No provision in law but has consulted with Treasury on proposed borrowings.	Board of Directors is composed of the members of the Federal Home Loan Bank Board. (Public Law 91–351, sec. 303.)
5. National Railroad Passenger Corporation (title III, Public Law 91–518).	No provision in law, but has consulted with Treasury on proposed borrowings. Secretary of the Treasury has 2 representatives on the financial advisory panel to advise NRPC on ways and means of increasing its capitalization. (Public Law 91–518, sec. 501, 502.)	President appoints 8 (1 of whom must be the Secretary of Transportation) of the 15-member board of directors (Public Law 91–518, sec. 303). Secretary of Transportation may guarantee up to $100,000,000 of NRPC obligations. (Public Law 91–518, sec. 602.)
6. Securities Investor Protection Corporation (Public Law 91–598.)	No provision in law and no experience to date. SEC may borrow up to $1,000,000,000 from Treasury for loans to SIPC. (Public Law 91–598, sec. 4.)	President appoints 5 of the 7-member board of directors. Federal Reserve Board and Secretary of the Treasury each appoint 1 member. (Public Law 91–598, sec. 3.)
B. Securities issued by Government agencies (budget agencies):		
1. Export-Import Bank	Required by law to obtain Treasury approval of timing and terms of market borrowings. (31 U.S.C. 869.) May issue to Treasury up to $6,000,000,000 of obligations. (12 U.S.C. 635d.)	Now excluded from the budget totals (Public Law 92–126) but still subject to control through the regular budget review process.
2. Rural Telephone Bank	Required by law to obtain Treasury approval of timing and terms of market borrowings (7 U.S.C. 943, 31 U.S.C. 868.)	Inclusion in the budget provides a means for control through the regular budget review process.
3. Tennessee Valley Authority	Required to obtain Treasury approval of timing and rates on market borrowings of 1 year or more. If Treasury does not approve, may issue interim obligations (1 year or less) to Treasury. Also may issue interim obligations to Treasury if TVA determines that bonds cannot be sold on reasonable terms. Interim obligations held by Treasury may not exceed $150,000,000. (16 U.S.C. 831 n–4.)	
4. U.S. Postal Service. (Public Law 91–375, reenactment of 39 U.S.C.).	Required to advise and consult as to amount, timing, and terms of proposed market borrowings. Treasury may elect to purchase such obligations. May require Treasury to purchase up to $2,000,000,000. May request Treasury to pledge full faith and credit of United States to payment of principal and interest on USPS obligations. (39 U.S.C. 2006.)	President appoints the Governors of the Postal Service. Postal Service outlays are included in the Federal budget, but such outlays are largely financed through permanent appropriations which are not subject to the normal budget review process.

EXECUTIVE CONTROL OVER MAJOR FEDERAL AND FEDERALLY ASSISTED BORROWINGS IN THE PRIVATE MARKET—Continued

Type of borrowing	Treasury control	Other control
C. Guaranteed securities sold (asset sales) by Farmers Home Administration, HEW, HUD (except GNMA), VA, Export-Import Bank, and SBA.	Law requires Treasury approval. (Public Law 89-429, sec 6.)	Programs are subject to regular budget review process but asset sales offset budget outlays.
D. Other securities guaranteed by Government agencies: GNMA mortgage-backed bonds, new community debentures, public housing notes and bonds, urban renewal notes, merchant marine bonds, asset sales by GNMA and other agencies not included in C above.	No provision in law and generally no consultation in practice except on certain occasions when new instruments are designed or special marketing problems arise. [1]	Programs are subject to regular budget review process but guaranteed loans do not affect budget totals except for debt service grants, defaults, and administrative expenses
E. Other obligations guaranteed by Government agencies but generally originated and held by private lending institutions rather than sold in securities market. These are largely guarantees by the Federal Housing Administration, VA, HEW, Eximbank, and SBA.	No provision in law and generally no consultation in practice except for establishing interest-rate ceilings in certain programs.	Programs are subject to regular budget review process but guaranteed loans do not affect budget totals except for debt service grants, defaults, and administrative expenses. Also, these programs are generally more subject to overall restraints on private institutional lenders than programs financed directly in securities markets under A-D above.

[1] The Secretary of Commerce and the Secretary of the Treasury have agreed to consult on a continuing basis concerning the timing, terms, and other financial arrangements of offerings of guaranteed merchant marine bonds.

Source: Office of Debt Analysis, Office of the Secretary of the Treasury (revised June 8, 1972).

Thus it appears that these agencies and instrumentalities can go into the money markets at will and create horrendous pressures on the money markets. These agencies fuel inflation and "wash out" our efforts to control inflation and stabilize interest rates.

I propose that your committee recommend an overall borrowing ceiling which will apply to all of the borrowing authority authorized by Congress, either by a percentage limitation of total unused authority or under a borrowing ceiling with priorities redetermined by congressional action.

It is incredible, but according to testimony submitted by Under Secretary Volcker to the House Ways and Means Committee last September, over $27 billion will be borrowed in fiscal year 1973 outside of the debt limit. The authority for borrowing and guaranteeing outside of the debt limit is incredible. The following list includes projected borrowing.

Export-Import Bank—$2 billion in coming years.

Rural Telephone Bank—$100 million.

Postal—$10 billion—$2 billion of which may be bought by Treasury.

Farmers Home Administration asset sales—$3 billion.

Maritime Merchant Marine bonds—$400 million—1974.

Academic facilities (HEW)—$300 million.

Student Loan Market Association—$1 to $2 billion/year.

College housing bonds.

Community debentures—$100 million.

Public housing bonds and notes—$2 to $3 billion/year.

Urban renewal notes—235 and 236 Housing—several hundred million.

Amtrak.

Washington Metro Authority—$1 billion.

GSA building program—leaseback guarantee—not under debt ceiling.

OPIC—Anaconda and Kennecot losses repaid by notes guaranteed by OPIC.

Economic Development Administration.

Defense Department—occasionally guarantee foreign government borrowing in United States to finance foreign military purchases.

Nurse training program.

SBA guarantees.

FHA—several billion per year.

This list is incomplete and had to be extracted from testimony before the Ways and Means Committee on September 28. The administration testimony is confusing, incomplete and misleading. For this reason, I urge your committee to obtain a full and complete list of agencies with borrowing and guaranteeing authority in and out of the public debt with a tabulation of loan and guarantee authority originally provided.

EXCLUSION OF FEDERAL LOAN INSURANCE FROM THE BUDGET IS DECEPTIVE AND POLITICALLY MOTIVATED

Government loans, loan insurance and loans of federally sponsored agencies have a significant impact on our economy and, for that reason, are an important aspect of fiscal policy and the purposes of the budget. These programs either distribute Federal financial resources directly to the private sector or they influence the allocation of private revenue to some specific Federal priority. But in both cases they represent a major involvement of the Federal Government and should both be clearly delineated in the budget.

But at present this is not the case. Since loan insurance represents contingent liabilities rather than actual liabilities, they are presented "below the line." (Since loan insurance programs do not require the use of Government funds unless the insured loan goes into default.) This has the effect of exiling into limbo important economic factors that, for the most part, are disregarded in discussion on the Federal budget, its priorities, and its effects on the economy. In disregarding these figures which are estimated to be $190 billion in guaranteed loans outstanding by 1974, the budget gives an incomplete picture of Federal policy and a deceptive indication of the extent of Federal involvement in the economy.

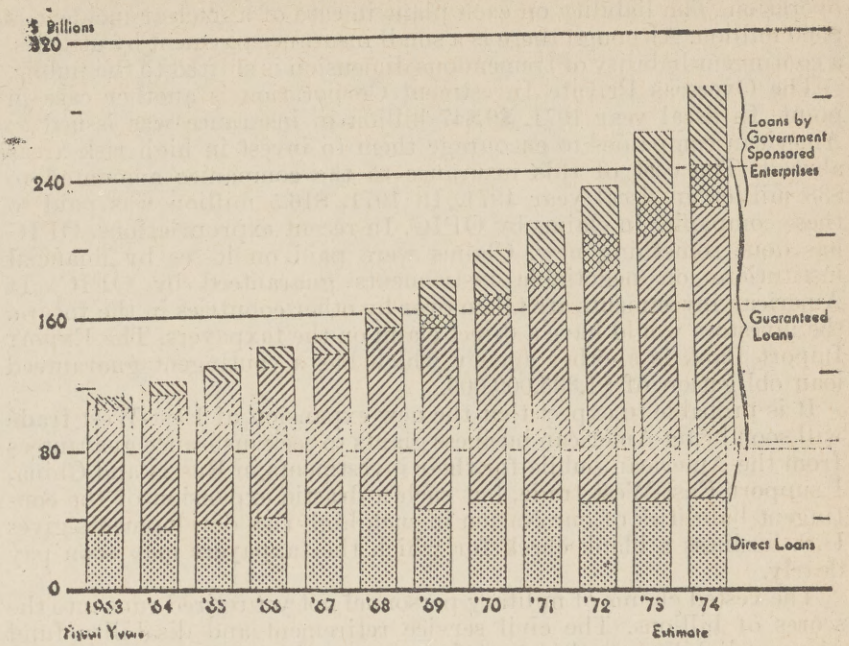
How can such a budget fairly describe any administration's priorities?

By excluding loan insurance from budget totals, an incentive is created to shift from direct to insured loans—reducing the budget and shielding programs from congressional scrutiny. The political advantages of such deception would be apparent to any administration—but the public is the clear loser.

At present, faceless bureaucrats who have no conception or need for accountability, freely hand out guaranteed loans to many special interests.

The following chart from special analysis E of the budget for fiscal year 1974 illustrates the problem. From 1963 through 1974, direct loan levels have remained almost stationary while guaranteed and Government-sponsored enterprise loans are close to tripling.

Federal and Federally Assisted Credit Outstanding



I recommend that guaranteed loans be included, with qualification, as part of a new total budget figure reflecting the impact of this and other contingent liabilities on the economy.

A NEED FOR A CEILING ON THE CONTINGENT LIABILITIES

The contingent obligations of the Federal Government approximate a potential trillion dollars of debt including:

	Billions
Government guarantees, insuring private lenders against losses, (FHA, VA, etc.)	$135, 157
Insurance commitments, (overseas private investment corporation insurance, etc.) Price-Anderson Act	773, 589
Unadjudicated claims (Corps of Engineers, HEW, IRS)	3, 623
International commitments (International Bank, Inter-American, Asian Bank, etc.)	7, 258
Other contingencies not included above (Export, Import, SBA, Rural Housing)	13, 506
Total	933, 135

Although a considerable portion of this trillion dollar liability is not likely to become debt, it is reasonable to expect that liability may result in at least 5 percent of this debt, or $50 billion.

In recent years, the contingent liability in "high risk" programs appears to be growing much too rapidly. The Price-Anderson Act creates a potential liability of $10 billion while the rest of the Atomic

Energy program provides a potential liability of $90 billion more. At the present time, there are 20 commercial nuclear powerplants in operation. The liability on each plant in case of a nuclear incident is $560 million. Although there is a small insurance payment by utilities, a contingent liability of tremendous dimension is shifted to the public.

The Overseas Private Investment Corporation is another case in point. In fiscal year 1971, $9.847 billion in insurance was issued to American companies to encourage them to invest in high risk areas abroad. The cost of this insurance to the companies amounted to $33 million in fiscal year 1971. In 1971, $16.5 million was paid to these companies in claims by OPIC. In recent expropriations, OPIC has done something new. Claims were paid on losses by financial institutions on negotiable instruments guaranteed by OPIC. If American investments are taken over by other countries in the future, the investors would have a direct claim on the taxpayers. The Export Import Bank is another agency which has a contingent guaranteed loan obligation of $1,395,000,000.

It is probable to expect that the new expansion of East-West trade will soon bring American business giants to seek insurance guarantees from the American public for their investments in Russia and China. I support East-West trade, but such a drastic expansion of the contingent liabilities of our Nation in such high risk developments gives U.S. business a blank check for which the taxpayers may soon pay dearly.

The vested claims of military personnel not yet retired runs into the scores of billions. The civil service retirement and disability fund places a liability on the general taxpayer which will soon rise to $1 billion a year.

In view of the sharp escalation in the contingent debt in recent years, it is incumbent upon the Congress to fix a ceiling on the contingent debt as well as the cash debt. We must control the manner in which many types of contingent liabilities have a way of moving into the actual debt.

A ceiling should be established for the contingent debt by Congress annually so that bureaucratic potential commitments of the taxpayer's money are examined to see that proper premiums are paid for such protection—and that such protection is proportionate to the risk "imposed on the taxpayer."

EXCLUSION OF THE EXPORT-IMPORT BANK FROM THE BUDGET IS FRAUDULENT ADVERTISING

The Export-Import Bank is a wholly federally owned operation with a purpose of vigorously promoting U.S. exports. The bank lends directly to exporters and importers to stimulate their enterprises, and insures and guarantees loans extended by private lenders. By the end of this year the Bank will have outstanding more than $8 billion in direct loans, and more than $2.5 billion in insured loans.

The Export Expansion Act of 1971 excluded the activities of the Export-Import Bank from the budget. The principle reason for the exclusion was that disbursements of the Bank exceed repayments and therefore it appears that the Bank is operating at a loss. But actually the Bank is operating at a very comfortable profit.

The administration argued that since the unified budget only takes into consideration disbursements and receipts, it gave a misleading impression of the true condition of the Bank. But the more important consideration was that the exclusion of the Bank from the budget reduces the budget deficit substantially.

When this bill was debated on the floor, I opposed the exclusion of the Export-Import Bank from the budget. I offered an amendment to that effect, but it was defeated on the floor. At that time I said:

> This provision (exclusion of the bank from the budget) in the bill flaunts the advice of the General Accounting Office. It flaunts the advice of the President's bipartisan commission on budget concepts of 1967, and that advice was of unshaken validity. That advice was that we express in the debt everything that is owed by the Federal Government.

It is fraudulent advertising to permit the American people to believe that somehow or other we repaid about $4 billion of the Federal debt. It was an erroneous impression that we should not have permitted.

The administration's argument was based on an inaccurate understanding of the purpose of the budget. The budget is not a financial investor's guide on each of the Government's enterprises and programs. The purpose of the budget is to show how funds are being allocated among different programs and agencies; what the fiscal policy of the Government is; and how deeply involved the Government is in the economy. Exclusion of the Export-Import Bank from the budget has violated all three of these intended purposes of the budget.

I recommend that we eliminate all past exclusions from the budget and in the future that we include every Federal dollar and commitment in the budget. We should "tell it like it is."

PIPELINE RESOURCES

It is interesting to note at this point that not only is there inadequate congressional control over current expenditures, but that there are past appropriations which have been provided to the Executive by the Congress which have never been spent. These dollars remain in what is called the pipeline. Money in the pipeline now amounts to $298 billion—more than the entire fiscal year 1974 budget. Now most of this money is committed: it is in reserve for social security payments or civil service retirement payments which will be made during the next half year. But an enormous amount of this money, over $100 billion in the Department of Defense alone—is available to be used by the Executive with a great deal of discretion. In other words, even if the Congress had voted to cut off funds for the war in Southeast Asia, it is quite possible that the President could have used unexpended "pipeline" moneys to continue the war. I might add here that the Constitution states that the Congress shall make no expenditure for the Army for a period of more than 2 years. This was an effort by our Founding Fathers to prevent the establishment of too large and powerful a Military Establishment. But as a result of "pipeline" funds, we have unfortunately but effectively end-run that provision.

It is imperative that to reassert the Congress' control over the Executive, that pipeline funds be canceled. It is time that we enact

legislation saying that any funds not expended at the end of a 1- or 2-year period will be canceled and new congressional action and review required before further funding is provided.

CONCLUSION

The Congress has been overwhelmed by the executive budget in recent years. We are overwhelmed by manpower, by computers, and by technicalities—and the public will suffer greatly.

The accountability of the Congress is the only direct input the citizenry has in bureaucratic programs. The present situation places the Congress on an iceberg in isolation drifting away from the people and its responsibilities.

The obvious initial step is the establishment of ceilings for all programs and expenditures no matter what their design or their source.

This annual examination will provide the opportunity for cutbacks in outdated programs and needed cutback in the evergrowing debt. This will also provide an opportunity for Congress to establish national priorities through budgetary examination.

I also recommend a thorough study of the technical manipulations, machinations, and exclusions of the budgetary process, with accompanying recommendations for corrections which are essential for this Congress to undertake. Before the Congress can control the budget, we first must understand it. The bureaucrats and technocrats have taken over under the guidance of the Executive—deceiving the Congress. We have a duty and responsibility to take corrective action or the people will hold the Congress responsible.

Chairman ULLMAN. Thank you very much, Charley. This is an excellent statement. You have brought out a number of points that we have been very much concerned with.

Certainly if we do get to the budget we will have to recapture the pipeline, there isn't any question about it. That will have to come back under the annual ceiling and the natural corollary is that we will project our budget up to 5 years ahead of time, something we have never done before.

But you raised the issue of the unofficial debt that doesn't come under the ceiling. You have done this in committee time and time again. It is certainly a valid consideration and I have already asked the staff and I commend them again to take a look at this overall problem and see whether there isn't a better mechanism for recapturing the control over this kind of debt, which is as real as any other kind of debt when you look at the overall economy of this country.

Mr. VANIK. I would appreciate if your committee could ferret out the facts as to what the total existing authority is. I am confused. I can't find it. What is the total borrowing authority both within and without the debt and the authority that remains in each agency not used up and still remaining?

Chairman ULLMAN. We have a measure before the Ways and Means Committee for a Federal funding operation where we can fund a lot of these nonpublic debt items through the Treasury so there can be a coordinated borrowing which can be of some assistance, but which doesn't go to your overall problem and that is getting those items included under the whole blanket of Federal obligations.

Mr. VANIK. If you will remember, Mr. Volcker explained to us the way the bill was written. They submitted it to us and asked for $15 billion more in authority in the Federal financing bank instead of charging that off to agencies for which they will be selling bonds.

That is one place we can cut back on $15 billion worth of authority.

Chairman ULLMAN. Mr. Schneebeli.

Mr. SCHNEEBELI. I would observe that some of the problems Mr. Vanik brought up are those which I hadn't anticipated we would be confronted with at this stage of our study.

It seems to me this might be phase 2. This is beyond our original commitment as to our report back to the Congress.

I am not trying to say we shouldn't look into this, but I am trying to say we have so many problems which precede this, I don't know whether it can be incorporated in the committee's recommendations to the Congress at this stage of our work.

Certainly it is a matter we are concerned with. With regard to the Federal financing bank, that has nothing to do with what the commitments are going to be.

The proposal merely says if somebody is going to raise money it will be raised in this fashion. So it has nothing to do with a commitment as to how much additional money is going to be raised, but merely the method by which it is going to be raised.

I don't think there is a connection between the two particularly. You raise a lot of questions and I don't know the answer to them.

Mr. VANIK. Perhaps that authority can be incorporated in the Federal financing bank. That might be a good vehicle to look into it.

Mr. SCHNEEBELI. I am sorry I raised the issue with you. I think we will have enough trouble with what is currently before us. I withdraw my statement. [Laughter.]

Mr. JAMES BROYHILL. This is the problem we are facing in trying to come up with some overall plan, the jurisdiction of the legislative committees. Many of these committees will look with disfavor on the Ways and Means Committee's taking over this area.

I think it is a problem with which we should be concerned.

Mr. SCHNEEBELI. Our problem initially is to try to come up with a responsible, comprehensive program that we can sell. There are going to be a lot of committees whose authority may be affected by what we do recommend.

It is going to be difficult under any circumstances. However, for your information, people pretty well agree that we have to come up with something. So we have gotten that far. There is much agreement that we are generally headed in the right direction. How far down that road we can go in the first phase, I don't know.

Chairman ULLMAN. Though the Federal financing bank might not accomplish all that it should, at least it would pull all of these various funds back under the jurisdiction of the Ways and Means Committee which in a sense would be the leg up toward moving onto the Budget Committee.

Mr. SCHNEEBELI. I doubt that the Federal Financing Bank would bring all of these under the Ways and Means Committee. I don't know. The proposal merely states that whatever moneys are going to be raised will be raised through one coordinated agency in order to

not disrupt the market, to get the best rates, and to eliminate perhaps a dozen experts.

Chairman ULLMAN. I think it would be in our jurisdiction to put something on it.

Mr. SCHNEEBELI. It could be.

Mr. VANIK. Well, Mr. Chairman, if your committee cannot directly address itself to this issue, if your recommendation could concur that you cannot control inflation or the interest rates without having some control on borrowing, then it would leave that open as a further consideration by your committee.

Mr. SCHNEEBELI. It occurs to me that by putting this in, it might complicate the situation to the point where it would be difficult to pass anything. We might allude to the fact that there is a problem which must be faced in phase 2 of our recommendations.

Mr. JAMES BROYHILL. I tend to agree with Mr. Schneebeli.

I want to ask you a question or two about this pipeline issue. Don't you agree with me that perhaps there are some programs for which we are shortsighted in providing only 1-year money?

Mr. VANIK. I would agree. I think the chairman addressed himself to that point in which he indicated that what we ought to do for those programs is have a 3- or 4- or 5-year projection. But not leave it open. To have no review on it at all is a very dangerous thing.

I think the maximum need we would have for pipeline money would be probably 3 to 5 years. You build a carrier and it is about a 3- to 4-year operation, and that would be about the extent of it. But the way the law presently reads, there is no end to it.

Mr. JAMES BROYHILL. I am thinking about, for example, education. One of the criticisms I get from educators in my district is that we are always late with appropriations. They say it would be good, if they are going to get the money, if it could be appropriated far enough in advance so they could plan. We would not only save in administration, but we would get better planning and programing for moneys that are spent. It may be that 2 years' money would be the way to do it.

Mr. VANIK. I see no objection in making accommodations for those special needs.

Mr. JAMES BROYHILL. At least we could make a conscious decision that on this program we are going to provide 2-year money.

Mr. VANIK. I think that can be done, and it ought to be done in the framework of your committee's recommendation.

Certainly that would be superior to the present plan of having no time limit on the completion of the appropriation authorization. It just goes on forever, available until it is suspended.

I think we ought to put an end to it. While it may be more costly, there may be some ways for people trying to meet the calendar rather than prudent spending. I think we would gain far more. It would be more than offset by putting an end to the tremendous pileup of appropriations in the pipeline.

Mr. JAMES BROYHILL. Thank you, Mr. Chairman.

Chairman ULLMAN. Thank you very much. We appreciate your testimony. It was very helpful.

Our next witness is our colleague from Texas, Mr. Milford. We are pleased to have you before the committee, and we look forward to hearing your views on what we consider to be one of the most important subjects before this Congress.

STATEMENT OF HON. DALE MILFORD, A U.S. REPRESENTATIVE FROM THE STATE OF TEXAS

Mr. MILFORD. Thank you, Mr. Chairman. I might add this is the first committee I have ever appeared before. My appearance here is creating some ambivalent feelings. As a freshman Member of the House, I am rather reluctant to stand before this body of senior Members—many with long years of experience—and try to tell you how to run this Congress. On the other hand, like each of you, I represent some 460,000 citizens of this Nation.

Last November 7, the citizens of my district sent me a message. That message is very germane to the business before this committee today. That message came through loud and clear, with a 65-percent majority margin wherein I was the only Member of my party to be elected from that district.

The main plank in my election platform was a solid promise to do everything in my power to stop deficit spending by the U.S. Government.

This past week I read every word of House Report 93–13, your Interim Report on improving Congressional control of Budgetary Outlay and Receipt Totals. This House Report was almost identical to our election campaign material, even to the wording.

In the strongest possible language, I would like to fully endorse all of the tentative recommendations put forward by this committee. In addition, I'd like to go a step further and propose the immediate appointment of a permanent Budget Committee, with a good strong set of teeth, that can put these tentative recommendations into solid action.

I would further recommend that no major spending bills be cleared for House action until such time as this committee shall sit and examine the budget from an overall view.

As a Member of this House, I am totally unable to vote intelligently on the various spending bills that are coming onto the floor. In fact, I feel downright irresponsible every time I vote for a bill that requires spending. How can anyone intelligently manage our fiscal resources when we do not know what is available in the beginning? Furthermore, I have no way of finding out.

As a businessman, prior to coming to this Congress, at the beginning of each year I did my planning. The principle of my planning was fairly simple. I would first determine how much money I had, or that I could reasonably expect as income during the year. Next, I figured out how much I had already committed and what I could reasonably expect in the way of ongoing expenses. I would then take the difference and decide what I could afford in the way of new equipment, new plans, et cetera.

As far as I can determine, just about all businesses are run with these three simple principles, when it comes to budgeting. Yet in the world's largest business, the Government of the United States, I fail to see where these simple principles are being applied.

It would appear that, in our Government's business, each committee independently comes onto the floor of the House, presents its bill, says it is a good one, and requests so many billions of dollars to put it into effect.

As far as I can determine, there is little or no coordination between the various bills nor, indeed, even a planned summation of the total amount being spent. As a Member of Congress, I feel irresponsible to my constituents by participating in a system like this.

I would strongly urge the appointment of a permanent Joint Budget Committee, and I would further recommend that their prime responsibilities be as follows: (A) To determine the amount of income to be expected during the fiscal year; (B) to determine the cost of mandatory spending programs; and (C) to establish the difference as the firm spending limit for the budget.

The spending limit would then become our "money in the bank" or the amount of money that we will have available to spend either on new programs or in renewing old programs.

Since there is never enough money to do all the things that the Congress would like to do, our next logical task would be to establish priorities so that the programs most needed are cared for first.

These spending priorities should be established after an overall view has been made of our entire big picture. We, as Members, should be able to take a summary look at all spending programs that are being proposed for the fiscal year.

The overall view would allow the Joint Budget Committee and the Congress to rationally apportion available funds to the various committees. The committees, now knowing their fiscal limitation, could responsibly design programs as needed and as we are able to afford them.

Once a legislative committee has used its available funds, it would either have to postpone further program legislation until later terms or it would have to go before the American people and sell the need for additional programs, along with the necessary tax hike to pay for them.

Let there be no misunderstanding about my proposal. I am firmly recommending that the Joint Budget Committee establish an ironclad spending limit based on the difference between expected income and mandatory spending programs. If the Congress finds it necessary to exceed the spending limit, then it must levy taxes to pay for the excess.

Gentlemen, we are not doing the American people any favors by voting programs through deficit spending. In fact, we are doing them a horrible disservice. It is impossible to discuss budget matters without getting involved with the current "great debate" between the Congress and the President over who controls the budget.

This hassle between Presidential impoundment and congressional budget prerogatives is fine for making newspaper copy filled with eloquent constitutional arguments from both sides. However, as far as I am concerned, the situation is the same as opposing fouls in a football game.

Technically, I believe that the President has acted outside the Constitution in impounding funds—particularly when the bill had been vetoed and then enacted by an override vote. However, the Congress is just as guilty of constitutional violation by failing to responsibly keep spending within income.

Therefore, this so-called "great debate" has the hollowness of an empty whiskey barrel.

As far as the people of my district are concerned, the President has the only game in town at this time. Search as I have, during my short tenure in this House, I have been unable to find any sort of coherent program that I can take to my people and show them that the Congress has a better plan. Indeed, I can't show them that the Congress has a plan of any kind.

The Joint Budget Committee would be an excellent plan. It would allow us to become honest men again. Who, among the 435 Members of this House, has ever campaigned for deficit spending? I think you will find that every Member, in every campaign, has said that he would like to see the budget balanced. The Joint Budget Committee is the vehicle that will allow us all to do what we said we would do.

The Joint Budget Committee, properly staffed, will once again allow the Congress to establish priorities and intelligently control our constitutional prerogatives.

Thank you, Mr. Chairman.

Chairman ULLMAN. Thank you very much, Mr. Milford.

We are extremely hopeful and optimistic that you will, within the next 60 days or so, be able to go back to your constituency and hold your head high and say that we, in Congress, are moving positively to effect budgeting procedures that will establish the national goals in both revenue and expenditures, allowing the Congress to work its will on that decision and then adopt priority mechanisms where we can divide up our priorities within that outer liimt.

What you have been talking about was the motivation behind the amendment that I put on the debt ceiling bill last year to establish this committee.

It seems to me that, once the problem is aired and the people understand the problem, we have absolutely no alternative but to effect procedures such as we have recommended in our Interim Report and that I know we will recommend in the final report.

Mr. MILFORD. I would also add something to Mr. Broyhill's discussion with the previous witness.

Having some five universities directly in my district and four colleges right on the boundaries, and having one of the largest independent school districts in the State, I would heartily endorse your discussion of planning funding, particularly for our educational institutions, a number of years in advance.

The universities particularly are having a tremendous problem in trying to keep the type of personnel that they must retain or to locate them because of the stop and go type of funding that is involved.

You simply can't go out and get a research Ph. D. and tell him, well, we have the funds for you to work 6 months; you might or might not be able to work further.

It is a tremendous handicap to our educational institutions and I would hope we could keep that in mind.

The Dallas Independent School District recently sent me a resolution which I would like to send over later to be included in the budget which dealt with the same thing you are talking about.

ACCOUNTABILITY IN FEDERAL CATEGORICAL AID PROGRAMS—JANUARY 24, 1973

Whereas, the Dallas Independent School District is committed to a program of high quality desegregated education for all children of all people, and

Whereas, categorical Federal Aid is looked upon by many educators and citizens as a valuable resource for reducing the disparity in the scholastic achievement between middle class and economically disadvantaged children, and

Whereas, a comprehensive systematic program of research and evaluation has never been undertaken to determine the most cost-effective approaches to reduce this disparity, although billions of dollars in Federal funds has been spent nation-wide since 1965, now therefore be it

Resolved, that the Board of Education of the Dallas Independent School District urge the Congress to pursue national legislation insisting on the inclusion of standard accountability and independent educational audit components in all existing federal categorical aid programs, and institute systematic evaluation of pilot research and development programs to build a body of research, and disseminate its findings so that all school districts across the Nation may benefit by these studies.

Mr. SCHNEEBELI. Congratulations on your sense of perception. It took most of us a lot longer to reach the same conclusions that you did.

You might also be interested that Senator Nunn this morning said he and 13 other freshmen Senators wrote a letter to Senator Mansfield asking that no Appropriations Committee actions be taken until there is some resolution of this question that you raised.

I foresee a great future for you in Congress if you continue in the way you started.

Mr. MILFORD. Has the committee come across the letter that was written by the freshmen Members of the House?

Chairman ULLMAN. I heard of it, but we would like to have a copy of it.

Mr. MILFORD. I will send you a copy for the record. If I recall it contained a vast majority of the freshmen class who made essentially the same proposal.

Chairman ULLMAN. Good.

[The letters follow:]

HOUSE OF REPRESENTATIVES,
Washington, D.C., March 7, 1973.

RESOLUTION

Whereas a Joint Study Committee on the Budget has been established in the United States Congress; and

Whereas, that bi-partisan Committee of Democrats and Republicans, Senators and Representatives, has completed its interim study, issued a report and made tentative recommendations favoring an overall ceiling on expenditures and budget authority; *Therefore*, be it

Resolved, That the undersigned freshmen members of the 93rd Congress do hereby express their support for the tentative work of that Committee, and do further strongly urge their senior colleagues to take all possible steps to bring about at the earliest possible date Congressional Reform of the Budgeting Process—including an overall spending limit and provision for the necessary committee structure, staff and resources by which Congress may review and control expenditures.

John B. Conlan, James P. Johnson, W. L. Armstrong, Angelo Roncallo, Robin Beard, Joel Pritchard, Ed Young, David Towell, Ralph Regula, William M. Ketchum, L. A. (Skip) Balfalis, George M. O'Brien, Donald J. Mitchell, Majorie S. Holt, Samuel H. Young, David C. Treen, James G. Martin, Alan Steelman, Clair W. Burgener, Bud Shuster, Benjamin A. Gillman, Paul W. Cronin, William F. Walsh, Carlos J. Moorhead, Andrew J. Hinshaw, Matthew J. Rinaldo, James Abdnor, Stan Parris, Robert J. Huber, William H. Hudnut III, Gene Taylor, Trent Lott, Harold V. Froehlich, M. Caldwell Butler, Dale Milford, Edward Madigan, Thad Cochran, William S. Cohen, Joseph J. Maraziti, Robert W. Daniel, Jr., Robert Hanrahan, Ronald A. Sarasin, Tennyson Guyer.

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BILL GUNTER.
JERRY LITTON.
CHARLES ROSE.
DAVID R. BOWEN.
STEVEN D. SYMMS.

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JAMES R. JONES.
WAYNE OWENS.
PAT SCHROEDER.
BO GINN.

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GILLIS W. LONG.

Mr. SCHNEEBELI. I would assume you have a considerable amount of influence in the freshman class. It is very large and we need the help of everybody in trying to pass a bill of this nature. So we are looking to you for some leadership on passing this.

Mr. MILFORD. I will give you my help including emptying the wastebaskets. Just call me, sir.

Mr. SCHNEEBELI. Thank you.

Chairman ULLMAN. Thank you very much.

Just one technical point.

It is our judgment that the procedures will work better at the congressional level with separate budget committees rather than a joint committee.

The joint committee procedures have some limitations that might nullify what we are trying to accomplish. If we can bite the bullet in the House on a ceiling, and the Senate does the same, and we can resolve the differences and conflicts in the normal legislative way we think separate committees are the best mechanisms for making these hard decisions.

Mr. MILFORD. My use of the term "joint committee" is to infer I wish it to be done in both Houses. Whether it is done by separate committees in each house, I would have absolutely no objection. I would just like to see it done in this entire Congress, and I would defer to the wisdom of those who are senior to me in figuring out how best to do it as long as we are following the principles outlined here.

Chairman ULLMAN. Thank you. You have been very helpful and I commend you as a freshman for coming before this committee, and I congratulate you for having done a fine job.

Mr. SCHNEEBELI. An auspicious start.

Chairman ULLMAN. Our next witness is Mr. David Linowes.

Mr. Linowes, we are happy to have you before the committee. You come well recommended as somewhat of an expert in this field and we very much welcome your expertise.

You may proceed, sir.

STATEMENT OF DAVID LINOWES, C.P.A., NEW YORK

Mr. LINOWES. Thank you very much, Mr. Chairman.

By way of introduction my name is David Linowes, partner in the International Accounting and Management Consultant Firm of Laventhol, Krekstein, Horwath & Horwath based in New York City, and I am a former vice president of the American Institute of Certified Public Accountants and adjunct professor of management at New York University. In recent years, I have also undertaken missions abroad for the U.S. Department of State and the United Nations.

I am particularly appreciative of being permitted to appear before you at this hearing today because for several years I have been very much concerned with the direction of our budgetary process and the great voids which have existed in its approach to the affairs of our Nation.

The social ills besetting America are well known to all of us. Their urgency too has been made clear. A recent mayors' meeting, for example, cited the crisis of the cities as "The major threat to the security of the Nation."

And an extensive Gallup survey showed one out of two respondents to believe our present unrest is likely to lead to a "real breakdown in this country."

America is the wealthiest of nations, but it is poverty-stricken in that so far it has failed to marshal its great resources to cure spreading social ills. Nor, in my opinion, can we expect the surpluses now being found in State treasuries, or the flow of Federal revenue-sharing dollars to solve our growing domestic problems.

For, while we tend to see the solution to crime in the streets, aid to the aging, spreading drug abuse, in terms of more dollars, it just isn't so.

As a nation, our answer to society's most crucial problems has been to appropriate more money. That is what we have been doing for decades and our national problems still remain largely unsolved.

With the proposed cutbacks in Federal funds for a number of social programs, it is my judgment that we need a totally new approach for social problem solving. One that the Nation can and is willing to afford. I believe the Federal budgetary mechanism can be so modified as to effect such a new approach.

In effect, in the past, our approach in the management of government institutions has been to reward inefficient administrators at the expense of efficient administrators. The fact of the matter is the less productive a program administrator, the more money he receives to expand his operations because we equate spending money to getting the job done.

Money alone will not resolve our Nation's turmoil. The arbitrary slashing of programs in the HEW and HUD budgets will not in my judgment set our Nation on the right course. Revenue sharing will not revive our dying city services. Greater welfare expenditures will not make a dent in urban poverty.

Yes, money must be spent. But to achieve meaningful change we must look beyond the simple application of more dollars. We must insure that funds are applied correctly to solve the right problems. For this we need to add an important new dimension to our budgetary process, a qualitative measurement standard.

Incidentally, implicit in several comments made this morning by Congressman Rees of California was the same point, but he did not identify it separately.

Budgetary authorities should require government and social institutions to take a page from business organizations which effectively use management control and evaluating policies to determine both the objectives and performance of various programs.

By means of the purse strings we should require administrative leadership which will demand qualitative standards, meaningful for accomplishing the true agency objectives. I call this approach Socio-Economic Management.

In poverty programs, Congress tallies the number of people we feed, clothe, house, or how many dollars we give away. Of course, these are important on an emergency basis. But, our objective in poverty institutions really is making ablebodied people self-sufficient, employable, happier through self-respect.

Those responsible for the purse strings never apply this kind of standard to our outputs. Yet, this is what we should evaluate for our

poverty dollar spent. These results are measurable. Many standards for such measurement already exist, and in those areas where none are available, they can be established by interdisciplinary teams of sociologists, economists, psychologists and accounting experts working together.

In our prison and penal programs we measure the number of prison cells maintained, the number of prisoners housed, and use this measurement for determining the size of fund allocations.

What we should give at least equal consideration to is measuring how many men were rehabilitated for the funds spent last year. And how many we expect to rehabilitate for the funds to be spent this year.

Legislators should ask the kind of questions which will bring out whether or not administrators of the penal institutions should change the input combinations, the way they combine the resources in maintaining the prison programs, to get the best results. What combination will give the greatest number of rehabilitated prisoners.

I am afraid too many of our funding authorities do not ask the right questions. The nature of their questions make them satisfied with the easy answers, by the numbers. Value judgments should be placed at least on a par with number judgments.

Government agencies should tune in on a more comprehensive awareness of the need for fuller reporting. Along with each financial report should be a social report for submission to legislators, budgetary authorities, and supervising officials. For example, the number of poverty recipients who have been made self-sufficient during the year should be reported, along with the financial data for that same agency.

When government applies standards in the public sector, they are usually the least relevant ones. The accent is on the quantitative, the old numbers game is being played. As a result of confused goals, too many educational institutions are diploma mills, too many correction facilities are cell blocks, and too many poverty agencies are mainly food and shelter distributors.

I strongly believe that quantitative standards in dollars are no longer adequate. Qualitative standards should also be used to establish budgetary accountability and funding should be directly related.

In the many public agencies I have known in the past 25 years, I have found that administrators often get all mixed up in their objectives.

Several years ago as a consultant to the Secretary of the Department of Health, Education, and Welfare I learned that a unit of the Department which received massive sums of money to improve the health of children, never even determined whether or not its activities accomplished what it was charged to do.

They knew the number of medical checkups given, and the number of treatments but they simply did not know whether the children's health improved.

There was no built-in qualitative measurement procedure to make this determination and to report it to the budgetary authorities.

I urge the adoption of qualitative accountability requirements for all our Government agencies, so that Congress may have available meaningful data from which to establish its own priorities.

Financial audits are effectively used in all sectors of activity including business and Government. Also, many of these same organizations use management audits to examine the efficiency with which the various functions are being executed. Now we need socioeconomic audits for our governmental agencies to verify whether the resources put into a program are directed toward the true objectives of the program.

Regular socioeconomic auditing should be put into widespread use to serve as guidelines for officials with budgetary responsibility for the allocation of public resources and to keep the public informed.

The socioeconomic audit would provide a continuous assessment and reassessment of social performance. First, to assure that needs have been properly defined. Next, that goals have been formed in response to these needs. Finally, that goals are being met as projected and on schedule.

Historically, in the Government sector program action response has been stronger to symptoms than to studied human needs.

In an explosive environment something is always done.

More policies are provided, more money is pumped in, more beds are made available, more guards are hired, more handouts are doled.

But at best crash action produces no more than temporary solutions, if indeed "solutions" is the word at all.

The socioeconomic audit on the other hand, properly designed and built into the system, deals with underlying causes, managerial frailties and human motivations. It delves to the root of problems, seeks to determine for what the money is spent, why men perform as they do, and what can be done to get better performance. It thus prevents crises from erupting and funds from being wasted.

In all budgetary and accounting control it is essential to determine that the right job is done. That the right need has been focused upon. That the right goal has been met. This is the role of the socioeconomic audit. The central focus is on the real human needs, on opportunities and deterrents. The technical-mechanical means of implementation take a secondary place.

Are the needs being met? That is the basic question.

Are youngsters being made employable? Prison inmates rehabilitated? Welfare recipients being made self-sufficient? Are patients getting the quality of health care they are requiring? Are students being educated to function more effectively in society?

These are the questions that none of our budgetary procedures attempt to answer.

What kind of standards are we setting and how well are we applying them?

Creating a structure which permits intelligent answers to these kinds of questions, seem to me to be essential if Congress is to be able to select its budgetary and spending goals priorities in a meaningful way.

In conclusion, what I have respectfully tried to say here today is that the present action for budgetary reform give consideration to two aspects now largely absent from the budgetary process:

(1) Require agency and program administrators to add qualitative reporting and documentation in support of their budgetary requests.

(2) Provide in the budgetary process a system of socioeconomic auditing.

I thank you for your attention and for inviting me to present my views.

Mr. SCHNEEBELI [presiding]. Chairman Ullman asked me to express his regrets. He had a 3 o'clock appointment, but he did read your whole statement and asked me to tell you that he was very impressed with the broad knowledge you bring and the fine recommendations you have made.

On my own part I believe this approach for qualitative reporting is similar to a program President Johnson tried to institute in 1965. I think it was known as program budgeting.

I assume President Nixon will also try to get a qualitative analysis of and reaction to the moneys being spent. This probably is the function of the OMB.

Certainly we want to know that the money that is being spent has an effective reaction.

Mr. LINOWES. I am intimately familiar with that program. What I am referring to is not a part of that.

The important distinction which I have been seeking to make is a qualitative one. PPBS still addresses itself to a quantitative output, and I think this is the dimension.

Mr. SHNEEBELI. I am glad I brought up that point, because otherwise there may be some thought in the minds of many people that it is the same thing.

Mr. LINOWES. It is completely different. If PPBS also applied a qualitative dimension then it would be fine. The problem is that they do not.

Mr. SCHNEEBELI. The problem is having a totally objective view.

Mr. LINOWES. As I mentioned during the process of my prepared comments, Congressman Rees implied this when he indicated in California they have a legislative analyst who helps advise all parties which program should be carried on and which should be stricken.

To do that function in an effective way he must have a measurement standard that is meaningful.

The only kind that is meaningful would have to be a qualitative.

Mr. SCHNEEBELI. Who would establish that?

Mr. LINOWES. This is the type of thing that should be established by an interdisciplinary committee. It could be established by Congress when they pass the legislation.

Mr. SCHNEEBELI. A nonpartisan group?

Mr. LINOWES. Or a partisan one. If, for example, a $10 million appropriation should be made and all efforts should be made to make the indigent employable and self-sufficient, and whatever steps are appropriate should be taken to carry out this objective, then if this program is later monitored by an audit, it would be up to the monitoring agency, whether it is the executive branch or the legislative branch, to determine whether the funds are being so spent.

What is happening today is that a poverty administrator does not set out trying to train those who receive the welfare checks so that he is employable and can seek employment, but rather it is doled out to him.

Therefore, the accountability at the end of a reporting period never takes into consideration whether or not even one person was made

self-sufficient for that expenditure of funds. This is a qualitative dimension.

Mr. SCHNEEBELI. It is going to be difficult for an agency in auditing its own operation, it is going to be difficult for it to criticize its own activity.

I think some independent group will have to do this audit.

Mr. LINOWES. A socioeconomic audit or general accounting audit can be carried on. There is no reason why Congress should not also build it into their appropriations. They report quantitatively and the question is, I am saying in effect, "Will you tell us how many people were made self-sufficient for the moneys spent on the poverty program, let you tell us how many convicts were rehabilitated last year for the moneys spent or what level of education was achieved by a particular school."

Mr. SCHNEEBELI. Thank you very much for your testimony.

Mr. Broyhill.

Mr. JAMES BROYHILL. You have some excellent thoughts here. Of course, this is really getting into something I mentioned the other day. We could conceivably come up with a plan that would set some sort of spending ceiling and relate that to revenues and some mechanism or procedure to set priorities as we allocate funds to various programs. That is a major change in the way we have been appropriating money.

I must agree with that, but I think we are going to have to face the fact that there are other varied major changes that would have to be made to really get the best from such a system, and that is what I would call evaluation of programs.

We really do a poor job of evaluating programs at the present time through either the appropriations or authorization committees. I am one of the few members on this committee that is a member of one of the legislative committees; the rest are members of the Ways and Means and Appropriations Committees.

We need to do a better job of oversight and establish a means to set priorities and assign dollar values to specific programs. We are going to be called upon to vote on amendments to provide funding increases, and there are always going to be more needs than present revenues can meet.

We will have to have more information on which to base a vote other than just political judgment.

So I agree with you, we have to do a lot of thinking along this line. It is going to cause a lot more change than just setting a spending ceiling.

Mr. LINOWES. Yes, this is precisely it. As a matter of fact, I find it almost impossible, if I were to try to evaluate one program as compared to another program, as Congressmen constantly do, based on the reporting that comes out from the administration and the programs themselves, how to select one over the other. Because you really don't have anything that is meaningful in terms of accomplishment.

It just seems to me to fall into the realm of, as I indicated, a political decision. What has been happening increasingly with these massive sums of money and social sectors taking an increasingly important part of our gross national product, is that funds are being spent. There is not real accountability because there is no determina-

tion as to how effective the dollars are being spent and as a result tremendous sums are being wasted and when there is an attempt at fiscal responsibility such as the present administration where arbitrarily programs are cut off, still without evaluation, granted there is quite a bit of waste.

Until we do build in a mechanism and we have to start somewhere, until we build in a mechanism to give us that kind of feedback, I don't see how any one can conceivably reach an intelligent judgment as to why we prefer one kind of poverty program over another.

Mr. JAMES BROYHILL. I think we are going to have to change the way we authorize programs.

For example, last week we passed the vocational rehabilitation program and the program to assist older Americans and both of them, as you know, were vetoed by the President.

Tremendous additional sums of money were authorized for both of these programs.

There is really no basis within the debate or within the committee report to say that we should be spending additional funds for this particular program as opposed to some other program.

That is why I say we are going to have to establish a better procedure of authorizing programs as well as appropriating funds.

Mr. SCHNEEBELI. Thank you very much.

The committee stands adjourned until 10 a.m. tomorrow morning.

[Whereupon, 3:10 p.m., the committee was recessed, to be reconvened at 10 a.m., Thursday, March 15, 1973.]

IMPROVING CONGRESSIONAL BUDGET CONTROL

THURSDAY, MARCH 15, 1973

U.S. CONGRESS,
JOINT STUDY COMMITTEE ON BUDGET CONTROL,
Washington, D.C.

The Joint Committee met, pursuant to notice, at 10:30 a.m., in room 2359, the Rayburn Building, Hon. Jamie L. Whitten, presiding.

Present: Representative Whitten, Davis, James Broyhill, and Burke.

Chairman WHITTEN. The committee will come to order.

We have with us, first, Profs. David J. and Attiat Ott, Clark University. We are glad to have you with us.

STATEMENT OF PROFS. DAVID J. AND ATTIAT F. OTT, CLARK UNIVERSITY

Prof. DAVID OTT. It is a pleasure to have the opportunity to appear before you today to discuss measures to improve congressional control over the budget. Whatever one's position may be with regard to the overall fiscal posture and priorities reflected in the President's budget for 1974, we can all agree that the creation of this committee has been one positive result of the "battle of the budget." For the first time in almost 25 years, a serious effort is underway to improve congressional budgetmaking. Let us hope the result will at least match the strides made in the executive branch in preparation and submission of the budget.

You have undoubtedly received many proposals for detailed structural reform of congressional budget decisionmaking. Senator Proxmire, in a "town hall" meeting last week at the American Enterprise Institute, ticked off several specific proposals, including: (1) an overall congressional ceiling on outlays; (2) a ceiling on outlays by functional category; and (3) inclusion of so-called "tax expenditures in the budget.

At the same session your cochairman, Congressman Ullman, discussed the possibility of separate Committees on the Budget in each House—with a joint staff—which would initiate action early in each session on a congressional resolution on total outlays and total budget authority as well as outlays and authority by major programs. The resolution would then serve as the benchmark for Appropriations Subcommittee actions and as the basis for floor debate in each House.

Doubtless you will receive many more suggestions for structural reform of budget decisionmaking in the Congress. We shall not attempt to add further to your list of possible new committees and subcommittees and the rules by which they might play the "budget game."

Frankly, we hope your collective knowledge of the operating techniques of the Congress and the sometimes delicate balances of power that must be maintained if things are to get done will provide the structure which works best, however neatly it may or may not fit into someone's conception of the proper congressional organizational chart.

We would like instead to offer our view of the concerns that must be the focus of attention for whatever new organizational structure may evolve and to suggest some additional informational inputs which may enable it to in fact achieve the desired ends.

The central problem as we see it, is bringing the Congress to consider taxes together with spending, both at the aggregate level and at the program level. At present, at least in concept, this is done with the social security program. The House Ways and Means Committee and the Senate Finance Committee have responsibility for proposing both the program content and the taxes necessary to finance it. While the result may not be the ideal model of budgeting in the view of many persons, it has to be admitted that the threat of a "payroll tax backlash" has served to put some restraint on spending decisions in this area, and the taxpayer is given some consideration in deliberations on social security in the Congress. This is not the case in many decisions reached in the usual appropriations process. The Appropriations Subcommittees hear extensive testimony from the beneficiaries of their programs.

For several reasons, the taxpayer is not usually heard from in these deliberations. The benefits flowing from many of the services in the budgets tend to be remote and uncertain for most taxpayers. Citizens are much more aware of governmental policies that affect them as income earners or producers than those that affect them as consumers, as far as small changes are concerned. Then there is the high transactions and information costs involved in forming effective lobby groups.

What happens is that the taxpayer is heard from only after several years of appropriations actions bring his taxes to levels he considers too high, as in 1969 and 1971. The tax cuts that result produce a collision between the sharp upward trend of outlays that is produced by the unconstrained appropriations process and the slowdown in revenue growth resulting from efforts to obtain relief from high taxation.

We then end up, as in this budget year, with general resolve not to increase tax rates and a resulting need to restrain outlay growth, but with wide differences within the Congress and among the public over where the restraint should be applied.

Instead of a careful review of the outlays—tax balance, measured at full employment in each budget year, we seem to have to create a "crisis" and confrontation to resolve the conflicts built up and by an outlay process that goes on with little input from taxpayers. There must indeed be a better way to formulate budget policy than to undergo a fiscal crunch every 5 years or so when the wishes of the taxpayers and the trend of outlays diverge so widely.

Most of the solutions we have seen envisage an annual review by Congress of outlays in relation to so-called "full employment" receipts. The Congress would take the President's budget proposals, hold hearings, and then resolve on a total outlay level, the appropriate budget surplus or deficit, measured at full employment, and thus the required

legislative change in taxes required, if any, to produce the necessary amount of full-employment revenues. Following this decision, early in the budget cycle, the individual appropriations decisions would then be made and the overall outcome would somehow be forced to consistency with the initial budget balance decision—excess outlays would either have to be lopped off somewhere, or taxes would have to be increased, or perhaps some combination of both might be used.

Now, we have no doubt that Congress can provide itself with the means to legislate a total budget target for each year, and we further believe that the attempt to do this each year would be of unquestionable merit in increasing public and congressional knowledge of global budget issues. At the same time, we are not at all convinced that the Congress, at present, has the means, or the incentives, to find a way to make the outlays implied by individual appropriations acts add up to desired total outlays. If anything, there will probably be even less likelihood that the needed adjustment would be made via tax changes, especially if tax increases are involved. It will always be easier for Congress, late in a session, to find that business conditions or economic uncertainties or other convenient reasons justify relaxing its proposed balance between outlays and full employment receipts—just enough to accommodate the overrun. The whole process might just give Members a chance for an "economy vote" in the spring and a chance to satisfy clients of Federal programs in the fall.

We say "might" because this outcome can be avoided if we can find a way to provide periodic taxpayer input to the decisions on the composition of the budget—ways by which Congress can get a clear message of which program areas the taxpaying public wants to spend less of the budget dollar on and which programs they might wish to spend more on. The most straightforward way is to ask the taxpayers themselves.

Suppose, for example, each Federal taxpayer is shown, on his 1040, how each budget dollar his taxes finance was spent during the last completed fiscal year. For example, this spring, we would be shown the allocation of fiscal year 1972 outlays. After subtracting social insurance funds, which are financed by separate taxes and interest on the debt, which is completely uncontrollable, you would get an array somewhat less than formerly, nevertheless, the array of outlays for distribution of the budget dollars by functions shown in our statement.

	Cents
National defense	52
International affairs and finance	2
Space research and technology	2
Agriculture and rural development	5
Natural resources and environment	2
Commerce and transportation	7
Community development and housing	3
Education and manpower	6
Health	6
Income security	8
Veterans benefits and services	7
Total	100

The taxpayer is then asked to fill in a blank column showing how he would prefer to see each budget dollar allocated, and for doing so, he is given a credit against his taxes or a cash refund of, say $10.

Shortly after April 15, the Treasury could tabulate the results and publish them for use in the appropriations process. This procedure at a cost of perhaps $700 million to $800 million a year would give Congress current information on taxpayer program preferences, which, at present are only imperfectly provided by biennial congressional elections and the Presidential election each 4 years. The current input of taxpayer preference is so intermingled with their preferences on other issues and on the charisma and personalities of candidates, that it simply doesn't register clearly in the budget process—except when there is a recurrent "taxpayer revolt."

Obviously, such a scheme presents several problems. First, some may object that only those rich enough to pay taxes would get a "vote." But, again, some form of refundable tax credit should induce participation by nontaxpayers as well as taxpayers. And they should participate, they do pay Federal excise taxes and perhaps some portion of corporation income taxes if they are shifted to consumers in the form of higher prices.

Second, there is the issue of how to "weight" the responses. If we could assume that the distribution of income and thus the share of taxes paid by individual taxpayers is fair, then weighting each response by the share of total taxes paid would be appropriate. However, consensus on such assumptions is not likely to be forthcoming, so it might be appropriate to give each response equal weight. Give each person in a sense a dollar to say how I would like to spend it. At the same time, no harm would come from publishing both tabulations.

Third, the outlay categories used in the budget are perhaps not descriptive enough for the average taxpayers and might be rearranged. For example, "Commerce and transportation" is virtually meaningless in describing program content. On the other hand, the number of categories has to be kept small, because we can't ask the taxpayer to allocate his budget dollar between 30 different programs. We must have a smaller number.

While this is a serious administrative problem, it is certainly not an unsuperable obstacle, especially when one considers the mass of material and records the individual taxpayer has to maintain and understand to comply with the Federal income tax.

Finally, in what way would the results enter into congressional budget decisions? One extreme possibility would be to make the percentages binding, at least within narrow limits, on the Congress—outlays for a category could not exceed the percentage of total outlays preferred in the poll. Or, the average percentage for each category for several past polls could be used.

At the other extreme, the poll would simply provide additional information for the Congress. They would not have to follow the preferences revealed by taxpayers, but they would have incentives to either do so or enter a dialog with their constituents to seek a change in their attitudes. This minimum result would, it seems to us, be well worth the price.

Economists have long struggled with the problems of how to induce individuals to reveal their preferences for goods and services provided by government. The basic problem has been the "free rider"—it doesn't pay to offer to pay for, say, defense when you can enjoy it as long as others are willing to pay for it. Our proposal would avoid the free ride

issue by not asking taxpayers how much they want to pay for each Government program, but, given what they will be compelled to pay, how they would prefer it to be spent.

So essentially, in summary, we have a very simple idea which is not original, I understand it goes back to Irving Fisher, and we note in the footnote that Prof. David Meiselman mentioned this recently and started us thinking about it. It is our hope, whatever structural formulas come up, you can find some way to provide, if possible, annual taxpayer input into the budget process. If you don't do that, whatever structure you put up I am afraid in the end will go the way of the structures we tried in 1947 and 1948. Because if you have something that enters into the appropriations process, then I am afraid you will never be able to find a way easily to resolve program decisions into some budget total as you may set earlier in the session. And you may end up with a rather relatively futile exercise.

Chairman WHITTEN. We appreciate both of you appearing before us and appreciate the statement that you have made. I think it will be a real contribution to whatever the Congress may decide to do.

There are several things I might mention at this point. I was one of those here in the period when we tried to have a one-package appropriations bill. As I said frequently, I didn't learn what to do, but I learned what we couldn't do. One of the problems we have every 2 years is time-consuming tasks of organization. This delays the budget process.

We might expedite the ceiling determination by having a special budget committee meet November 15, prior to the convening of Congress.

Yesterday we had one of our colleagues, Mr. Rees of California, discuss the operations in that State. The legislature has a budget analyst with experienced staff who make a study of the budget and make recommendations. This has worked well for 20 years.

It struck me as something that would contribute a whole lot here. The biggest problem I can see from my experience here, is how we are going to get the Congress to give up some of its present ways of doing things. I think we set an example in this Joint Committee. It has 32 members and if you analyze the years of experience and the assignments that these men have, you will see for the first time here, we brought together a cross section of the interests in the Congress itself. I think that is a real accomplishment. I would point out one of the reasons the Interim Report is unanimous is that we didn't try to agree on a specific concrete answer. We offered tentative recommendations for consideration.

I think if we are to get a plan through the Congress everybody is going to have to give up something. I am convinced that we have made some progress and we have a recognition of the situation.

If we are successful in coming up with a workable plan, certainly your recommendations will be of benefit as I see it at this time.

Mr. Davis.

Mr. DAVIS. Let me be the devil's advocate here for a minute. Your suggestion of a general input as to broad priorities raises the question as to whether under the suggestion you made it would be worth something in the neighborhood of $250 million a year for us to get what very well may be an uninformed opinion. I mean it is always so easy

to say, we will cut defense in half or something of this kind without having a fundamental knowledge of the requirement of our defense, and whether on principle it is a good idea to pay people to express their opinion on public matters.

Prof. ATTIAT OTT. First, with respect to the fact that the public doesn't know. I am sure if you ask him to vote he will answer to the question something he read in the paper. When you repeatedly asked some person to try—besides, this is a chance for you as a Congressman to talk to your constituents about these defense expenditures. We have benefited from this last campaign, and talking about cutting defense spending. This is a very healthy thing.

The fact they don't know, doesn't mean we shouldn't do something about making them know. As to the fact we have to pay them, if you don't provide incentive people are not going to do things. There is some sort of apathy; what is the benefit of the taxpayer of doing something. If you tell them you can cut their taxes $10, or they can get a tax refund of $10, you give them an incentive, an interest in expressing the desire to do so. Even if they don't know, you give them an incentive to start learning something about the conduct of our government which I think is terribly lacking.

Prof. DAVID OTT. I would add to that, Congressman, that I simply can't proceed as a member of our society, as a citizen of our country, on the presumption that the voting public is uninformed. It makes no sense to have elections every 2 years if people are basically uninformed. What we are suggesting is a way to improve the input from a supposedly informed public on one issue which we don't get clear inputs on, and that is how they would like to see their budget dollars spent.

You may well be right that there may be a considerable number of the public that are uninformed and even uninterested in these issues, but I think the fact that they will have the opportunity to express themselves, will have the opportunity and incentive to, one, is they will seek to make themselves more informed and two, you will seek to make them more informed.

If the results came in from the first poll that they would like to spend $10 million instead of $75 billion on defense, which you would presume to be unacceptable as a level of defense for our Nation, I am sure the individual Congressman in each district would seek to perform a useful educational task; you do it now, but I think the magnitude of what you consider to be a mistaken idea would be only resolved if we go directly to the taxpayers and try to find out.

Mr. DAVIS. Are you suggesting a breakdown by congressional district of this information.

Prof. DAVID OTT. Why can't you tabulate the poll by zip code area and combine them in individual districts? The central problem is, as it now stands—Congressman Whitten is the Chairman of the Agricultural Appropriations Subcommittee—as it now stands you don't get much input from taxpayers in the appropriations process from taxpayers, and when you do it is by someone who has the ways and means to make a trip to Washington to make an appearance.

It would be essential, I think, to have a routine, periodic, annual input. So the Appropriations Committee sitting there making its decisions would know whether the public wanted more or less spent, say, on agricultural programs or defense.

Mr. DAVIS. That is all, Mr. Chairman, thank you.

Chairman WHITTEN. In that connection I might say there are a lot of things that may be readily evident. We do hold extensive public hearings and receive many expressions of the public interest through our mail, personal contacts, et cetera. I would say that it might not be true of some areas, but my observation of my colleagues is that 99 percent of them reflect the viewpoints of their district. In most cases they were born and raised there and know public opinion in their areas.

If you were to see the six or eight people handling my mail now, you would find out a whole lot about what my district thinks.

There is a whole lot more understanding here as to how the folks feel, than you might realize. The mails and the election returns tell you a great deal.

Getting this information would be helpful. Everybody is so busy writing and talking, such as I am here, that it is hard to take the time to read and study. We do appreciate your coming down here and giving us the benefit of your views.

Now, we have Mr. Roy Bolton, National Association of Manufacturers. Mr. Bolton.

STATEMENT OF A. L. BOLTON, JR., NATIONAL ASSOCIATION OF MANUFACTURERS, ACCOMPANIED BY DOUGLAS A. BROOK

Mr. BOLTON. Mr. Chairman, Mr. Davis, my name is A. L. Bolton, Jr. I am president of Bolton-Emerson, Inc., Lawrence, Mass. I appear here on behalf of the National Association of Manufacturers as chairman of its Government Operations/Expenditures Committee, and as a member of its board of directors.

I am accompanied by Douglas A. Brook, director of public finance of the NAM.

We appreciate this opportunity to appear before this committee to emphasize some of the matters included in our formal statement which was filed with the committee on January 22, 1973. We consider reform of the public expenditure process to be a high priority, and we commend the Joint Committee for initiating what will be, hopefully, a comprehensive and productive inquiry into ways to improve congressional spending procedure. It is certainly time for such an effort and we hope that, upon expiration of this temporary committee, a permanent body is established to provide a continuous congressional overview of spending.

We believe reform of the public expenditure process should be aimed at achieving at least the following three objectives:

First, it should provide Congress and its committees with suitable mechanism for understanding the spending decisions which must be made. Generally, this means that the legislative spending procedures and structure must provide the time and the means to review and control the total Federal financial position, considering the implications of all spending decisions and revenue expectations.

Second, Congress must obtain and use information about program effectiveness, future cost projections, and revenue and spending forecasts to make more rational decisions about which Federal programs should be created, continued, or disbanded, and what the cost consequences of its actions are likely to be.

Third, the recommendations of the Joint Study Committee on Budget Control and the subsequent actions by the Congress should reflect the determination and dedication to use the mechanism and information provided to establish and make decisions about spending priorities; to demand and insure sound, economical, and productive management of public resources; and to maintain control over present and future spending.

The NAM respectfully submits to the committee the following specific proposals to establish effective congresssional control over Federal spending.

As a first step in expenditure control, NAM recommends the annual enactment of a firm expenditure ceiling, applying to both Congress and the executive branch, and encompassing all budget expenditures, including the so-called uncontrollables. We are, therefore, in essential agreement with the Interim Report of this committee regarding the need for an effective and workable spending limit mechanism. We grow somewhat uneasy, however, at the continued mention of flexibility and the allocation of portions of the ceilings to the various committees as the result we fear may serve to weaken the overall limitation. In order to maintain the integrity of any ceiling, we suggest that approval of any spending measure which would violate or revise the ceiling require a two-thirds vote of each House.

Steps should be taken to provide for serious congressional overview of the total budget. One means of accomplishing this would be the combined spending ceiling and budget-control procedure reportedly proposed by Representative Al Ullman, cochairman of this committee. This proposal provides for the development of an annual expenditure ceiling by a new permanent committee on the legislative budget in each House of Congress. Out of this debate in both Houses and the normal lawmaking procedure would emerge an overall spending limit and two "sub-ceilings": one for expenditures not subject to annual appropriations and the other for annually appropriated spending. Congressional review of overall spending would be required to stay within the established spending limit including balancing spending additions and cuts in a "wrap-up" to the appropriations. This appears to us to be a sensible approach deserving of your support. In any event, Congress should revamp its committee procedures to force consolidation of the expenditure review function with respect to both existing and proposed spending programs. The total budget must be examined in one context to facilitate a setting of priorities instead of the present piecemeal procedure which so often encourages wasteful expenditure expansion.

Periodic review of Federal programs, aimed at reducing, restructuring, or terminating outmoded, ineffective, or uneconomic programs, is basic to controlling budget outlays. In doing so, Congress must have the capability to analyze the future costs and financing of new and continuing programs as well as to evaluate program performance. This is necessary because, in recent years, first-year authorization requests and spending estimates for many expensive programs have been very small in relation to subsequent financing. Therefore, Congress should use long-range cost projections and data on alternative programs and cost effectiveness in making spending decisions.

We believe another useful approach would be annual Federal economy acts which would call attention to low-priority programs, or parts of programs, that should be cut back or eliminated. In 1970, the administration did propose such an act which grouped some candidates for reduction or elimination in one package of approximately $1 billion. Unfortunately, the intent of this measure was frustrated when parts of the package were sent to various congressional committees and left to die—the same basic problem besetting many past efforts to economize.

We suggest this approach be revived with some different ground rules. The administration could be empowered to send to Congress with each budget message a Federal economy act which would be reviewed by the Appropriations Committees, but which would go into effect automatically unless specifically voted down by Congress within a certain period. This package could be limited both as to overall size and extent of reductions in any one program area.

This approach attempts to avoid conflicts between the executive and legislative branches as to who sets priorities, at least on a de minimus basis. It would not be, I must stress, any substitute for other more extensive efforts by both the administration and Congress to control spending, and its format is not proposed as any guide or precedent for those more extensive efforts. Paying attention to all possibilities for expenditure control is important, however, and annual Federal economy acts, even if small in their impact on the overall budget, may be a good place to start on the massive review of program performance that is necessary.

The above recommendations certainly do not form an exhaustive list of the proposed reform which could improve congressional spending procedures—they are intended as specific indications of the direction in which we believe expenditure process reform should go. In addition, a number of legislative proposals for improving congressional spending procedures have been offered. One bill, S. 40, would require cost projections of all major Federal expenditures over a 5-year period, pilot-testing every major Federal program, and regular evaluation of all major Federal programs at least once every 3 years. Such an evaluation should cover the funding of the entire program, not just the requested increase—"zero-base" budgeting as recommended to this committee last week by Federal Reserve Board Chairman Arthur Burns.

Some proposals under consideration by the committee may imply annual changes in the Internal Revenue Code to provide a specified amount of revenue relative to anticipated outlays. However, we believe there are good reasons for keeping the rates and methods of taxation relatively stable from year to year. Changes in the tax code should be the result of careful and deliberate planning so as not to compound the problems of financial planning and tax compliance for individuals and business concerns. We recommend that revenue expectations be considered more of a controlling factor in the establishment of outlay levels as part of the annual budget review and not a flexible scale dependent upon budget outlays. We suspect that the yield of the tax system has been the most effective ceiling on public outlays we have had, and it would be a mistake in our view to diminish this effect. This would not preclude, of course, periodic revisions in the

tax system, based on thorough study and consistent with national objectives.

Improvements in congressional spending procedures such as those outlined are very much needed. They are essential to effective expenditure control and sound public programs and should be given immediate attention by Congress. Form should not be mistaken for substance, however.

The key to lasting fiscal responsibility will be how well the Congress uses its new procedures and evaluation capabilities to effect real spending control. Congress, along with the executive branch and the public, must demand that public programs meet legitimate needs and be managed and funded in a sound and economical manner. Congress must commit itself to designing and evaluating programs with greater concern for fiscal responsibility.

In addition to the development of procedural reforms, therefore, we urge the committee and its individual members, as the leaders of the House and Senate most concerned with revenues and expenditures, to include as part of the committee report and to incorporate into their work on appropriations and taxation, an acknowledgment that effective expenditure control essentially depends on using new procedures and capabilities with that goal in mind. The fact that this committee is a temporary one should not imply that the problem of fiscal responsibility is also temporary. The work of the committee should serve as a prelude to continuing congressional attention to the establishment and maintenance of both the procedures and the willpower needed to control Federal spending.

Thank you, Mr. Chairman.

Chairman WHITTEN. Mr. Bolton, we appreciate very much your presentation. We certainly agree on the need for fiscal responsibility and stability in the economy.

You may have noted some of the comments I have made here. We have some major problems in the system that must be overcome. This committee, with all of its different views and background, is united behind this Interim Report and there is a feeling we have got to do something. We have made progress up to this point. From here on we will have to wait to see how far we can get.

With the help of you and others experienced in this area, I hope we can develop a workable procedure that will be accepted by Congress.

Mr. BOLTON. I would hope so, that the deliberation of this committee will be very effective in the Congress.

Chairman WHITTEN. I yield now to one of our outstanding colleagues, the gentleman from North Carolina, Mr. Broyhill.

Mr. JAMES BROYHILL. Thank you, Mr. Chairman.

Mr. Bolton, you have made a very valuable contribution to the work we have before us, and, of course, you have represented a very distinguished organization. Thank you very much.

Mr. BOLTON. Thank you, sir.

Chairman WHITTEN. The committee is glad to welcome before it one of its longtime friends and a former Member of the House, Senator Lloyd Bentsen of Texas. We are glad to have the benefit of your views and your suggestions in connection with the assignment given this special committee, and we appreciate your taking the time to prepare your statement and appear before us.

STATEMENT OF HON. LLOYD BENTSEN, A U.S. SENATOR FROM THE STATE OF TEXAS

Senator BENTSEN. Thank you very much, Mr. Chairman. I appreciate very much the time you are giving me because I know the demands on your time. I must say I left a meeting with about 30 Senators because I wanted to be here with you in front of this committee.

I want to present some of my ideas on the role of Congress in the fiscal affairs of the Federal Government. The formulation and execution of fiscal policy is one of the most important issues of the day and reflects a growing concern about the far broader issue of the erosion of congressional power to the executive branch. I, for one, firmly believe that if we can implement an effective system to deal with fiscal matters, we will find ourselves on the road to full restoration of our constitutional powers—and restoration of the faith of the people in the basic institutions of our Government.

Since the debate last October over the fiscal 1973 expenditure ceiling, thousands of words have been spoken on this subject. I am not sure the average American understands all this and I doubt he is impressed by it. But I have no doubt that he does understand and is impressed when he hears the President say that it is time to get big Government off your back and out of your pocket. Unless we in the Congress can make our case in terms just that direct and just that relevant to the average American, we are going to lose the powers of the purse.

The President obviously has seized the initiative in this struggle. He has the issue, and we have the principle. The issue is whether or not inflation will be curbed, whether we will continue deficit financing, or whether taxes will be raised. The principle is survival of representative government.

The problems of Congress have been identified, discussed, solutions proposed and rehashed for years—but they continue to plague us.

It is not my intention to dwell on our problems today. I simply want to briefly outline a few of the undesirable features of our present system in order to give us a common frame of reference. Then I will propose some alternatives to this system which I believe have a good chance of working.

One of the most serious problems we face is the consideration of single-year authorization bills which divert our attention away from more important matters and result in our devoting less time to the evaluation of each individual piece of legislation.

Failure to complete action on many appropriations bills prior to the beginning of a fiscal year precludes effective planning at all levels of government.

Fragmentation of the process by which we grant spending authority leads to the loss of control over total spending and allows the administration to set spending priorities through impoundments.

Lack of access to meaningful fiscal information denies us the basic tools needed to perform our duties properly.

It became crystal clear in October of last year that our system had failed us miserably. We were given an ultimatum by the President which in effect read: "Place an overall ceiling on expenditures, give me the authority to cut programs indiscriminately, or be prepared to shoulder the blame for a tax increase." We almost bowed to that ulti-

matum because we lacked a better alternative. We found ourselves painted into a corner. Our response to the President's ultimatum was inaction. The President, with apparently wide public support, then implemented his own ultimatum in spite of the fact that we did not give him the legislative authority to do so.

To avoid a recurrence of this situation, we must revise our methods of doing business.

I would like to describe briefly some of the key remedies which I feel are necessary to strengthen the role of Congress in the Nation's fiscal process.

The first concerns the timing of the system. I propose that all authorization bills be written for a period of 3 years. Hopefully, we would be able to stagger the consideration of authorization bills so that roughly one-third of the legislation on the books will be considered each year. This would allow us to focus our time on the evaluation of fewer programs each year. It follows that we should be able to do a much better job of identifying good programs and weeding out bad ones. In addition, an extension of the authorization period should lead to better execution of programs by creating a 3-year planning cycle for Federal agencies and State and local governments.

A second provision affecting timing is that the current Federal fiscal year should be changed to coincide with the calendar year. This change should accomplish at least two things:

First, the Congress would have adequate time to complete the appropriations process prior to the beginning of the year in which the funds would be spent. The actual time available for us to consider spending measures would be doubled from roughly 5 to 10 months. This, in turn, would return sanity to the planning function throughout the Government. Continuing resolutions would become a thing of the past; and

Second, most State and local governments operate on fiscal years that coincide closely with the current fiscal year. These units of government have been basing most of their planning efforts on the amount of the various appropriations measures passed by the Congress. If this proposal were adopted, these local officials could have at least 6 months in which to evaluate the Federal legislation, to coordinate with appropriate Federal agencies, and to learn of the administration's spending intentions.

I am not aware of any boards of directors or business managers who make decisions without access to some type of meaningful accounting information. The Congress also has need for information to review the status and operations of Federal programs as well as the economic condition of the country in general. The Congress cannot make informed decisions without the data on which to base those decisions. I think it is interesting to note, Mr. Chairman, that the Congress has only four computers—primarily used to handle payrolls and other recordkeeping functions—out of approximately 6,700 computers in use throughout the Federal Government. Therefore, I recommend that two new measures in regard to data retrieval be enacted:

One, that standardized information and data processing system for budgetary and fiscal data, required by the Legislative Reorganization Act of 1970, should be implemented by January 1, 1975. The de-

velopment of this system must be accelerated. We must provide adequate funds to develop and implement this system, but at the same time we must require full cooperation by the executive branch. It is imperative that we in the Congress have equal access to meaningful fiscal data; and

Two. The format of the annual budget submitted by the President must be standardized. I recommend that it contain program budgets categorized by each agency. Each program budget must include the same types of information compiled in a standardized format. These might include such items as quantitative and qualitative goals. Three-year spending projections and historical spending projections and historical spending data.

I believe that the recommendations I have just outlined are important. But I believe that the crucial element in our efforts to strengthen our role in the fiscal system lies in our ability to define an expenditure ceiling and legally hold all appropriations and other spending to this level. Many people have proposed the creation of a joint committee to establish such a ceiling. This, I believe, is an excellent solution to the problem. However, we must be aware that to be acceptable and workable, any bill that proposes the formation of a joint committee should meet certain criteria. It should be powerful enough to establish a binding ceiling but its creation must not result in a radical redistribution of power within the Congress or its chances of adoption are minimal. Therefore, its membership should include not only members who hold key positions on the five committees which are deeply involved in fiscal policy—that is to say, the Appropriations Committees of both Houses, the House Ways and Means Committee, the Senate Financing Committee and the Joint Economic Committee—but also the committee should include representatives of the leadership of both Houses and both political parties.

The committee's functions would begin soon after the President's budget is submitted which must be early in the year or we are right back where we started. The committee would hold hearings and determine the expected revenues during the spending year in question and the desired level of Federal deficit or surplus which the economic conditions would indicate desirable. After determining the proper level of deficit or surplus for the spending year, the committee would report a concurrent resolution to the floor of both Houses, setting a firm expenditure ceiling.

Simultaneously, subcommittees of the Appropriations Committees could begin detailed hearings on the various parts of the budget. Bills could be reported out of any appropriations subcommittee to the full committee but no bill could be reported out of a full Appropriations Committee until the concurrent resolution setting an expenditures ceiling had been passed by both Houses of Congress. Upon the passage of the concurrent resolution, each Appropriations Committee would be required to report out one omnibus appropriations bill, including contract authority. This appropriations bill, plus the expected trust fund outlays, could not exceed the expenditure ceiling specified in the joint resolution.

Mr. Chairman. as this committee well knows, one of the major difficulties involved in reasserting congressional control over the budgetary process is getting a handle on "uncontrollable" outlays. I would

like to here bring up some rather startling figures brought out in this committee's Interim Report: "Uncontrollable" outlays have grown from $100 billion in fiscal 1967 to an estimated $200 billion for fiscal 1974. Put into even more meaningful terms, this is an increase from 63 percent of the total budget in 1967 to a projected 75 percent of the total in 1975.

Mr. Chairman, if by fiscal 1975 three-fourths of the total Federal budget will not be subject to meaningful control by the Congress, then I think our efforts to control Federal spending will come to nought. We must look into the nature of these uncontrollables and devise ways to bring them under effective control. Certainly we cannot get our own fiscal house in order until we get Federal spending in hand—and we cannot get Federal spending in hand if we concentrate our attention solely upon new obligational authority and take it for granted that uncontrollables are indeed—and will remain—just that—uncontrollables.

I would propose that the Joint Economic Committee be charged with carrying out a study of these uncontrollables and developing recommendations for exercising greater congressional control over them. I would hope such a study could be accomplished and submitted to the Congress for action within the next year.

In conclusion, Mr. Chairman, the principle for which the Congress is fighting is the survival of representative government. The Constitution assigns the authority to set taxes and appropriate funds to the legislative branch, but I fear that the Congress will lose the current struggle with the executive branch unless it holds the line on spending.

I hope every Senator, particularly those who are currently engaged in preparing or holding hearings on spending measures, will look at every dollar he proposes to spend as if it has to come out of another program which he supports—because that is exactly where it must come from. I think it is safe to say that no permanent machinery will be in operation in time to help us assert sophisticated control over the order of priorities as expressed in 1974 Federal spending. In the absence of such permanent machinery, I urge all committees and all Members to exercise restraint as we pass on these measures.

Because of the limitations of time it will be important that for 1974 we set an arbitrary ceiling on expenditures with some discretion given to the President over minor adjustments to priorities to reduce the sum of the parts to the congressionally-approved ceiling.

Congress has the right to establish its own national priorities on how the Federal tax dollar will be spent and inherent in that right is the obligation to spend the taxpayer's dollar in a responsible manner. Appropriating piecemeal, with no mechanism for judging the level of Federal spending in view of estimated revenues is simply no way to run a nation, a business, or even a railroad. Mr. Chairman, we must develop a system to insure that when we vote additional funds for a program we know exactly where those funds are coming from. If not, we are going to lose the power to determine expenditures because we cannot control the budget.

Congressional power over the purse is too important to our system of representative government to be lost. I, for one, am convinced that the Congress can face up to the challenge—and it will—but we must

begin to demonstrate responsibility by getting Federal spending in hand. We cannot delay in taking action toward that end.

Chairman WHITTEN. Senator Bentsen, I wish to congratulate you for the presentation you made which shows not only experience in the House and Senate, but the value of your business experience too. I think your presentation is as sound as any I have heard.

I think on this Study Committee we have one of the gravest responsibilities we have ever had. We must come out with something practical to end this impasse with the Executive.

We, as the people's representatives, have the same problem with the judiciary. The Supreme Court came out with its opinion on what a congressional district should consist of. They had only the right to advise Congress as to the size of congressional districts. The Constitution says that Congress shall be the sole judge of the qualifications of its Members. The Congress made the mistake of accepting the Court's decision as being final. We should have asked them for their advisory opinion and given it real attention because there is merit to it. But we should not have let them decide congressional districts. It never affected me, luckily, but it leaves many Members of Congress from one month to the next not knowing what their district is. There, again, we have encroachment of one branch on another.

This is no threat. It is only trying to analyze what our Founding Fathers meant when they provided three equal and coordinate branches. I believe former Senator Claude Pepper, now a Member of the House, said it was like three horses used to pull the Russian troika. You couldn't have them going in three different directions. You can't have them trying to get in front of each other, blocking each other.

It appears to me that the executive branch has taken the ball and is running with it and this practice of ignoring the will of the people cannot continue. We have got to come up with a system where we face up to our responsibilities as the representatives of the people.

I want to thank you on behalf of the committee for the study you have given this, and the sound judgment you have shown in the way you presented it to us.

Senator BENTSEN. Thank you very much, Mr. Chairman. Let me say, concerning your comments and concerning representative government. I think the justice branch phrased it well when they said our Founding Fathers set up three branches of government, not because that was the most judicious form of government, but to try to stop an arbitrary exercise of power. That was to try to stop an autocracy. We have been a Nation with almost infinite resources, we thought, and we have been able to spend without a great deal of discipline, and Congress has done much of this, but we know now our resources are finite. We know there is a limit to our largesse, and we are going to have to exercise fiscal responsibility.

Chairman WHITTEN. I have one comment in line with what you have said. Any three equal branches of a government to operate effectively, much each appreciate not only the powers and duties of the other two, but also the limitations on each.

Mr. BURKE. I would like to thank the Senator for the excellent statement. During the past week I have been unable to be here due to the illness of Chairman Mills of the House Ways and Means Committee. As a result, I had to preside over that committee each day. However,

I want to take this occasion to thank the staff for supplying me with a transcript of the testimony. I have spent several hours in my office during the evenings reading the testimony and following the activities of this Joint Committee. I offer this explanation because some people expect you to be in two places at one time; I don't think that the Good Lord has made that possible yet.

Chairman WHITTEN. The gentlemen from North Carolina.

Mr. JAMES BROYHILL. No questions, Mr. Chairman.

Thank you. Senator, for your statement.

Chairman WHITTEN. Senator Chiles from Florida.

STATEMENT OF HON. LAWTON CHILES, A U.S. SENATOR FROM THE STATE OF FLORIDA

Chairman WHITTEN. We will be glad to have your full statement in the record.

Senator CHILES. I would like to introduce Mr. Bob Judson who is with the Government Procurement Commission, Mr. Burt Hall of GAO, and Mr. Les Fettig of the Senate Space Committee. I would like to have them here with me.

A FRAMEWORK FOR BUDGET REVIEW AND CONTROL

Mr. Chairman: Many of us in Congress share a concern that we must improve our review and control over the Federal budget.

I want to compliment this Joint Committee for coming forward with a report and recommendations that transcend the diverse and constant pressures that have often left us feeling the old ways of doing business will be good enough. I consider your report a landmark in congressional evolution—and a genuine credit to the ability of the Congress to assert for itself its prerogatives of control over the budget and national priorities.

I have studied with interest your Interim Report of February 7, 1973, on "Improving Congressional Control over Budget Outlay and Receipt Totals." The 11 general principles outlined in the report will, in my view, provide an excellent foundation for Congress to strengthen its own internal review of the annual budget. Committees of the Congress, particularly the Appropriations Committee, have anticipated some of the recommendations of the Joint Study Committee and are already making efforts to establish total budget targets and allocations within these targets.

My presentation is based on a definition of budget control to include:

(1) Control over total revenues and expenditures;

(2) Allocations, within a total budget, to a distinct set of national needs in accordance with a congressional sense of priorities;

(3) Oversight into how each need is being met: what objectives are being sought, what methods are chosen to meet the need and how effective they are—in short, a regular congressional insight into the evolution of Federal program.

I want to emphasize that meaningful budget control depends on whether the executive branch gives us clear visibility over the purpose and direction of Federal programs; whether programs are coordinated within and between agencies; and, finally, whether all the programs

of the Federal Government are presented to us within a commonly understood structure of national needs. Without this, we can't have meaningful control over total expenditures and allocations.

Further, I will suggest that the most effective way to achieve control over programs is to control the early steps of these programs which eventually set the level of spending that Congress becomes concerned about.

A recent report by the Commission on Government Procurement, a Commission estabilshed by Congress on which I served, found that we in the Congress do not have needed visibility over the early phases of new programs, nor are they adequately coordinated. We don't have visibility because the necessary information isn't available to OMB in preparing the budget. And the reason that OMB does not have the information is that agency heads do not generally require it.

Some recognition of the control problem within the executive branch is evidenced by the efforts to establish a "super cabinet" to oversee the programs of groups of agencies. We in Congress must stay on top of the budget and program implications of the de facto reorganization which the executive branch is initiating, and we must keep pace with the executive branch and control over budget matters. It is the Congress who should set the priorities within a budget target. It is Congress who should understand and confirm the missions and functions of executive agencies. And most importantly, it is Congress that should have the visibility within individual programs to effect control over the dollars that these programs eventually command.

Why doesn't Congress have the key elements of budget and program control now? The basic answer is a lack of organization of budget and program related information; the way it is presented to us; the information we have to work with; and the way we handle this information.

Since HEW and DOD expenditures represent about two-thirds of the Federal budget, I'll be using these two agencies most often to illustrate my comments.

First, why can't we see and consider an organized, comprehensive set of national needs? The reason is that executive budget is a compilation of agency proposals, uncoordinated among the agencies by OMB to a commonly understood structure of national needs. We simply do not have a clear picture of what separate public needs the Federal Government is trying to satisfy, that would allow us to sort out and collect in sensible groupings all the programs and activities we annually budget.

(1) In the case of HEW, there are more than 300 programs of which 54 overlap each other and 36 overlap programs of other departments.

(2) With regard to domestic assistance programs, the OMB 1972 catalog found 1,054 separate programs being administered by 60 different executive departments and agencies.

(3) In case of water resources conservation, there are separate contributions from the Geological Survey; the Army Corps of Engineers; the Bureau of Land Management; the Bureau of Reclamation; the National Aeronautics and Space Administration; the Environmental Protection Agency; and the National Oceanographic and Atmospheric Administration. While Congress has not acted on a bill

to establish a single Department of Natural Resources as proposed every year since 1965, the President, in effect, has proceeded to do so himself by reorganizing his Cabinet.

If Congress is going to build any control over the allocation of resources and national priorities, the foundation must be a well-articulated set of national needs. Once we have that, then agencies and programs can be matched to these needs to see exactly how much is going to what ends.

But this is not enough. Budgets are not controlled and priorities are not set just by pouring money into one account or another, increasing one appropriation and decreasing another. We may know what we are spending but not what we're buying in terms of meeting any public need.

Instead, Congress must participate and have oversight over the key steps in a program:

Defining the purpose—the need—and the goals to be sought;

Exploring different ways to meet the need to know what works best and what doesn't work at all;

Picking the way to meet the need, and

Implementing this selection and monitoring how well the program is achieving its purpose.

These four basic steps in a program gave the Procurement Commission insight into where and how congressional budget control is lost. These four steps are the major turning points in any program; each step requires a key decision and the development of special information to make that decision. When one or more of the steps is not performed or the information to make the key decision is not acquired or is inadequate, programs invariably encounter difficulties in performance, schedule, and costs. Let me discuss each step briefly.

The first step in any program, establishing program purpose, is simply a matter of first understanding what problem we're trying to solve and the goals: how much it is worth to solve it by when, and a measure of output objectives. The purpose should be carefully weighed by the appropriate congressional committee to determine its relationship to national needs, other related Federal programs, and whether any new programs should be started at all.

The Procurement Commission found that, without a clear understanding of the needs and goals for new programs, both the Congress and top management in the executive branch are unable to exercise effectively their responsibilities to review expenditures and the allocation of national resources. This failure is partly encouraged by the timing and format used to present programs and by the kinds of questions this format provokes. The wrong questions are asked early, and when the right ones are provoked by debate on particularly large funding commitments, it is often too late for the answers to be relevant.

According to a survey conducted by one Senator in 1972, only 5 out of 35 surveyed executive agencies defined the goals and objectives for all the programs they undertook.

In one specific case, Congress authorized $100 million—a seemingly large sum—to provide nutrition services for older Americans who cannot afford to eat adequately or who have limited capability to shop and cook. Subsequently, HEW found that this sum represents

but a small fraction of the resources needed to get the intended job done. It will allow approximately 1/20th of the older persons who are eligible under the law to be served. HEW estimates that to serve the eligible population equitably would require at least $2 billion per year. This is a case of poor needs and goals evaluation.

In the DOD, the three military departments work under their own definitions of their missions, none of which match the other.

The Commission found that new weapon programs often start because one of the services feels they "need" a new aircraft or missile without adequate attention to why, what military mission capability is to be upgraded, how much it is worth, and its relationship to other programs being proposed or in being to accomplish a similar purpose.

Congress, for example, has found it difficult to cope with a succession of defense programs once they had reached the development stage: the F–111, C–5A, F–14 aircraft and AH–56 Cheyenne helicopter, Mark–48 torpedo, and some recent shipbuilding programs, to name but a few.

Congress should have an early opportunity to debate and understand an agency's needs and goals for new program efforts.

The second basic step in any rational program is the search for and creation of alternative ways to meet the need. The exploration of alternatives provides competing approaches to meeting program objectives. If competing alternatives are not thoroughly explored at this point, then several things happen.

First, we can become prematurely committed to an apparently preferred way of meeting the need that may, in fact, not work. This has been characteristic of past social welfare programs where we quickly picked a direct payment, or grant, or neighborhood demonstration approach without really first knowing how welfare recipients behave under different incentives.

Second, we won't take the opportunity to harness and direct new technology. If technology is running away with us, this is where we lose control of the benefits it offers for the problems we want to solve, not just in defense but for all public needs. The past Secretary of HEW stated:

> The job of providing satisfactory and equitable human services . . . simply cannot be done with present technologies, for this would require the allocation of impossible sums ($250 billion) . . . and 20 million additional trained personnel. Clearly, we must organize our R. & D. to discover wholly new manpower and capital technologies . . . and overcome the irrational barriers . . . which impede the widespread application of proven new technologies.

Finally, in procurement programs involving the private sector, we lose the benefit of effective competition. Historically, agencies have sidestepped the use of competition. Instead, they have defined a program solution based on in-house analysis of information, received from such sources as their regular contractors, and then held a competition based on technical details, price, and other factors to decide who would win the award to build the Government's solution. The defense programs I mentioned earlier—the F–111, C–5A, F–14 aircraft, and Cheyenne helicopter were all handled in this way.

This second step often involves a low level but highly important expenditure of R. & D. money. From such expenditures, information is obtained and decisions are made which lock in an agency to one solution. For example:

Although the AH–56 Cheyenne helicopter, which Congress canceled last year, appeared for large-scale funding in 1965, it began years earlier in exploratory development under a project titled "Aircraft Suppressive Fire." Another project called air mobility also helped finance this early armed helicopter exploration. In about 1963, the project was moved into an advanced development project listed as "aircraft suppressive fire" and then became an engineering development activity identified as the "aircraft suppressive fire system."

Following these early efforts, the Army held a competition and selected a developer and producer of that helicopter. In the years that followed, the helicopter encountered great difficulty in development and the program was finally terminated after the expenditure of several hundred millions of dollars. These kinds of cases intensify congressional demands for information and justification. But the result has been to burden Congress with detailed reviews that obscure overall patterns. Congress has difficulty overseeing this second basic step because of the way R. & D. expenditures are organized in agency budgets. As an illustration:

> Senator McIntyre, Chairman of the Armed Services R. & D. Subcommittee said last year that the subcommittee—four Senators and one staff man—had to examine $8 billion in R. & D. money going to about 4,000 projects. He said they were lucky if they could take a look or have a briefing or a hearing on 15 percent of the 4,000 projects. Senator McClellan, chairman of the Appropriations Committee, has the same problem. He has to devote his limited resources to the large dollar requests. But as I suggested earlier, by then it is too late; the key program decisions involved in the first two basic steps have been made.

It is virtually impossible to review and analyze the DOD R. & D. budget request effectively because:

> There are too many projects;
>
> The entries generally are not descriptive of the purpose for which the R. & D. activity is to be undertaken;
>
> There is lack of clear correlation between most of the projects and defense needs.

Congress could better understand where R. & D. money is spent if it reviewed, authorized, and appropriated funds for exploring . . . alternative approaches according to agency mission purposes.

Choosing the preferred program approach is the third basic step. When alternative approaches are explored, the choice of a preferred program solution should be based on data sufficient to permit a projection within reasonable approximations of what total program capability and cost will be. Typically, programs do not work out this way, as I will point out more fully when discussing the final basic step, program implementation.

This point of choosing a preferred way to meet a need has often been the point of no return from a budget control standpoint. When the Congress did not have full confidence that what was chosen would work at the advertised price (or adopted a false sense of confidence from agency witnesses), we've soon found the budget bearing tremend-

ous upward pressures. We're soon committed to a C–5A without having understood the technical uncertainties that drive costs up and force levels down. We're soon committed to legislated programs that force us to spend more money every year just to meet previously unappreciated levels of demand. By this time, the poor choices remain the only choices. The only recourse has been to raise the debt ceiling because it is too painful to cancel programs, write off the wasted money, or disappoint these people who have acquired a vested interest in the program.

At least two factors are worth mentioning here. The third step, which usually represents the first time Congress has visibility over a program, is critically dependent on how well the first two steps were conducted. Second, where major R. & D. and procurement moneys are involved, the emphasis is on picking the right contractor rather than to finding the best way for the Government to meet public needs. Invariably, this leads to buy-ins of one kind or another as we have witnessed on many programs. For example, the Comptroller General noted 3 years ago, in the case of the F–14 program:

> The winning contractor reduced its ceiling prices about $400 million during the final competitive negotiation based on a reassessment of development risks. There was no change in the required contract performance. The scope and circumstance of the price reduction may very well be indicative of an unrealistically low price; pressure to pass on cost growth to the Government may be expected to develop.

Notwithstanding other factors in the F–14 program such as higher than expected inflation and unforeseen reductions in the contractors' business base, we had buy-in contract pressures for more money from the very beginning.

The fourth and final basic step is program implementation. Implementation has to do with developing in final form and producing the operational capability chosen for program performance and then putting the new capability into use. It often involves considerable procurement, operating costs, training, and support efforts. There is a constant feedback here both to improve the operational capability provided and the performance achieved from the capability.

The review of the actual conduct of program implementation must be a function of budget control. Otherwise, to deal with increasing costs of programs, agencies may pursue one or more of the following:

> Shift money between programs;
>
> Obtain reprograming authority from Congress;
>
> Obtain higher than planned appropriations from Congress in succeeding years; or
>
> Reduce the number of units to be procured.

The last noted remedy—referred to in the DOD as reducing force levels—has caused increasing concern. For example, Chairman Stennis of the Senate Armed Services Committee said:

> At these stratospheric price levels, there has been a tendency in the Pentagon to cut back on costly weapon orders—to reduce the numbers of planes to be bought—for example, when costs under

a given contract begin to escalate. Our committee has suggested that this sort of backing and filling would leave us with forces inadequate to perform their assigned missions.

What is the extent of this force level reduction? The Comptroller General reported in 1972 a net decrease of $11 billion for quantity changes on 46 defense programs. For example, quantities have been reduced for the F–111 by two-thirds, for C–5A by one-third, for the F–14 by more than half, for the light helicopter assault ship by one-half and for the Navy's DLGN–38 ships by more than three-fourths.

Even further cutbacks in capabilities previously justified to Congress can be anticipated. A sampling of programs conducted by DOD itself last year, shows that, based on current budget levels, an estimated $5 billion shortage will occur on programs included in that sample. The fact is we are getting substantially less capability than originally justified to Congress as vital for our defense and less for the dollars we have allocated. This is de facto loss of control by Congress.

In summary, current budgeting and review procedures expose the need and goals for a program to Congress at a time when a single solution is proposed and when cost and performance estimates are predicated on insufficient analysis, research, and development efforts. At this stage, it is difficult to control costs because program characteristics are predetermined within a narrow range. What has happened is that the cost to meet a need is largely determined by the cost of a prematurely committed program, not the worth of the new capability chosen in competition with other alternatives. This leaves the Congress a futile choice: either pay the price—or let the need go unsatisfied or only partially satisfied. Congressional ability to deal with agency budgets and to provide meaningful guidelines to allocate limited national resources is thereby seriously undermined.

I offer the following as the essential key elements of budget control:

Budget information must be organized to national needs, programs, and basic program steps.

Budget targets must be established based on a balancing of total Federal revenues and expenditures.

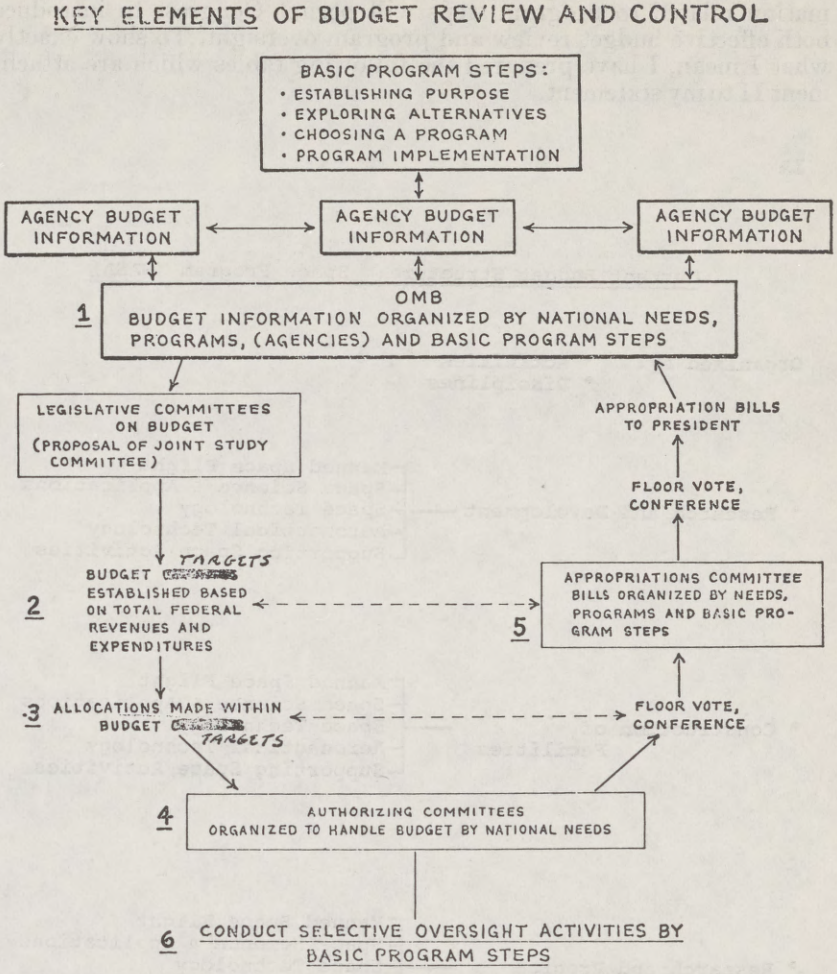
Allocations within the budget target must be made in accordance with congressional views of priorities.

Authorizing committees should be organized to handle budget information by national needs.

Appropriation bills should reflect the hierarchy of needs, programs, and program steps considered by the authorizing committees.

Legislative oversight activities should utilize the performance objectives of the basic program steps as standards to measure compliance with legislative intent.

These key elements of budget control may be depicted in chart form, which I have included in these remarks.



We must be able to establish ceilings, priorities, and control by national need area. This requires an executive branch reorganization of the budget information it presents to Congress. We must be able to relate specific programs to these national needs. Such programs would be reconciled by OMB to give Congress a clear, coordinated presentation of all Federal programs related to a given national need area. OMB should coordinate individual agency responsibilities for programs meeting similar needs. Agency heads should do the same for programs proposed by their components.

Essential to the conduct of review and control are the basic steps that any program should go through and the budget control considerations related to each. The realization of the requirements for different infor-

mation related to program steps will permit Congress to introduce both effective budget review and program oversight. To show exactly what I mean, I have prepared the following tables which are attachment II to my statement.

1A

Current Budget Structure: Space Program (NASA)

Organized by:
- Activities
- Disciplines

- Research and Development
  - Manned Space Flight
  - Space Science & Applications
  - Space Technology
  - Aeronautical Technology
  - Supporting Space Activities
- Construction of Facilities
  - Manned Space Flight
  - Space Science & Applications
  - Space Technology
  - Aeronautical Technology
  - Supporting Space Activities
- Research and Program Management
  - Manned Space Flight
  - Space Science & Applications
  - Space Technology
  - Aeronautical Technology
  - Supporting Space Activities

2A CURRENT BUDGET STRUCTURE: NATIONAL DEFENSE (DOD)

Organized by:
- Activities
- Military departments
- Kinds of products

- Military Personnel
  - Army
  - Navy
  - Marines
  - Air Force

- Reserve Personnel
  - Army
  - Navy
  - Marines
  - Air Force

- Operation and Maintenance
  - Army
  - Navy
  - Marines
  - Air Force

- Procurement
  - Army
    - Aircraft
    - Missiles
    - Weapons & Tracked Vehicles
    - Ammunition
    - Other
  - Navy
    - Aircraft
    - Weapons
    - Shipbuilding and Conversion
    - Other
  - Marines
  - Air Force
    - Aircraft
    - Missiles
    - Other
  - Defense Agencies

- RDT&E
  - Army
  - Navy
  - Air Force
  - Defense Agencies

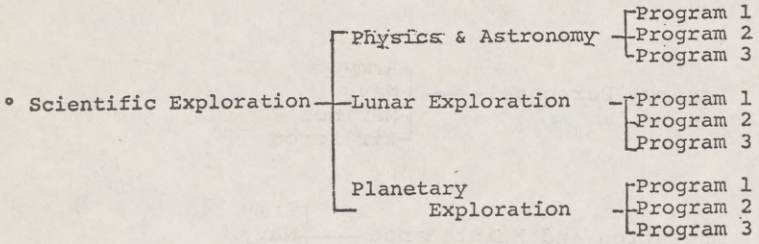
- Military Construction
  - Army
  - Navy
  - Air Force
  - Defense agencies
    - Army National Guard
    - Air National Guard
    - Army Reserve
    - Air Force Reserve

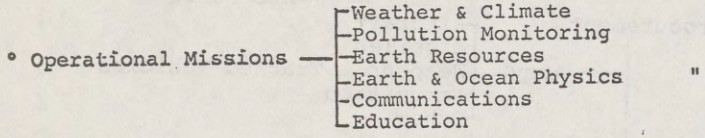
- Family Housing

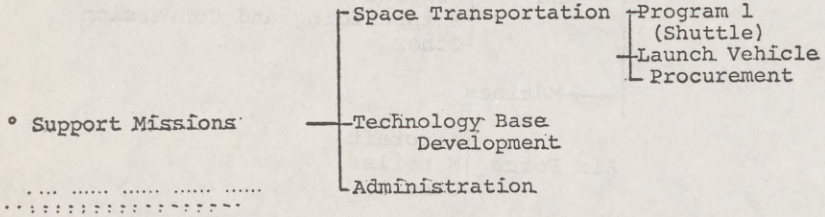
1B

Sample Alternative Structure: Space Program (NASA)

Organized by: °Missions
°Programs/Agencies*
°Steps
↑
Basic Program



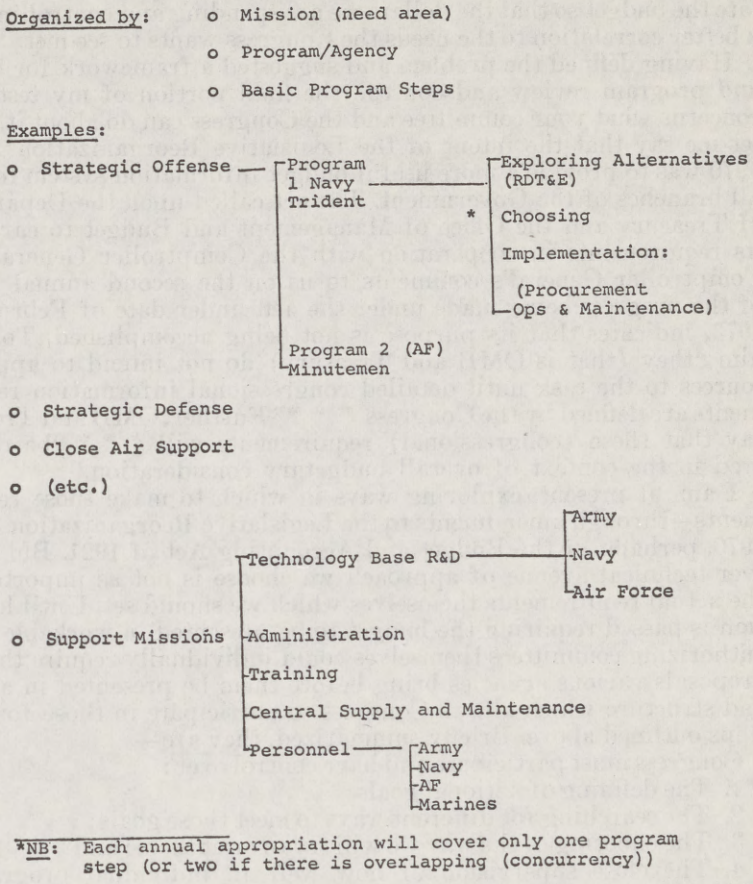




*Cross agency correlation is particularly important here because NASA basically explores and chooses space options to meet national problems; other agencies must do the implementation.

2B

Sample Recommended Budget Structure



Tables 1–A and 2–A show roughly how we receive, analyze, and digest the budget today for the space program (NASA) and national defense (DOD). They're not precise reproductions in every detail but show the major breakdowns in the way the budget is organized. I don't want to debate the details on these charts but rather to point out one simple fact: looking at each one, it is difficult at best and nearly impossible for us in the Congress to answer the question "Why are we spending these moneys; what are the end purposes in terms of national needs which are to be met?" As a consequence, it is impossible to use the current budget structure as a sensible handler for allocating resources to national needs; that is, setting priorities.

Tables 1–B and 2–B likewise are not intended to be exact specifications for a new budget structuring but only to demonstrate how a hierarchy of national needs can form the basis for budget review and authorizations. They are just examples of how it is possible to reformulate the budget so that the dollars we are spending and controlling bear a better correlation to the needs the Congress wants to see met.

Having defined the problem and suggested a framework for budget and program review and control, the final portion of my testimony concerns what your committee and the Congress can do about it. First, let me say that the intent of the Legislative Reorganization Act of 1970 was to provide a more useful budget information system to serve all branches of the Government. The act called upon the Department of Treasury and the Office of Management and Budget to carry out its requirements in cooperation with the Comptroller General. The Comptroller General's comments to us on the second annual report of the progress being made under the act, under date of February 7, 1973, indicates that its purpose is not being accomplished. To quote him "they (that is OMB and Treasury) do not intend to apply resources to the task until detailed congressional information requirements are defined by the Congress * * *" Further, OMB and Treasury say that these (congressional) requirements will * * * "be considered in the context of overall budgetary consideration."

I am, at present, exploring ways in which to make those requirements—through amendments to the Legislative Reorganization Act of 1970, perhaps, or the Budget and Accounting Act of 1921. But whatever technical avenue of approach we choose is not as important as the actual requirements themselves which we should set. Until legislation is passed requiring the budget to be presented in workable form, authorizing committees themselves could individually require that the proposals various agencies bring before them be presented in a form and structure which allows Congress to participate in those four key steps outlined above. Briefly summarized, they are—

Congress must participate and have control over:

1. The defining of national goals;
2. The searching for different ways to meet those goals;
3. The choosing of the way we will try to meet them; and
4. The close supervision of how well an individual program is achieving its purpose.

The budget as presented to Congress today is not meaningful. It force-fits activities into program labels that are not real or actual, are not easily comparable to other similar or even identical programs in other departments. What I am arguing for is a structure that is functional and workable. Congress ought, at a glance, to be able to determine who is doing what—so that it can spend more time deciding whether or not we should be doing it at all.

Chairman WHITTEN. Thank you, Senator. I think your point is well taken. I do say that perhaps a little more information is available than might appear on the outside. I speak here only for the Appropriations Committee.

On the Appropriations Committee years ago we set up a system of investigation where any subcommittee could request—and I have never known one to be denied—our investigative staff to recruit whatever

temporary staff was required to undertake a special investigation. This is not publicized. The reports are given to the committee for its use.

I recall some years ago that at my insistence we had an investigation of procurement policies and practices in the Defense Department. As a former district attorney, I was not so interested in the policies, because that is what they said they were going to do; I was interested in the practice. On the subcommittee that I chair, we have investigations going on now in six or eight different areas. So there are numerous investigations underway at all times under the direction of our Appropriations Committee. We are not so helpless as it may appear insofar as having available to us manpower to get the facts. We have a special group now trying to come up with an improved system for utilizing computers to analyze information.

You are right in the many things you say. What I did want to say here for the record is we are not as helpless as it might appear.

I am intrigued about some of the things that we have heard here this morning. It has been most helpful.

I wish to thank you for making a real contribution here. The things that I point out to you are somewhat in self-defense, that we have made the effort. It is not that I don't agree with you.

I yield to the gentleman from Massachusetts.

Mr. BURKE. I want to thank you for your statement.

Just to give you an idea of what bothers me. In our area, the New England caucus met yesterday. We have been given to understand there is a movement afoot by the Defense Department to cancel out the entire North Atlantic Fleet which would mean moving out of Narragansett Bay, could threaten the closing of the Boston Navy Shipyard, close the Chelsea Naval Hospital, and could cost at least 20,000 or 25,000 jobs. Yet in the face of this, we find the Defense Department is seeking an increase in their budget of over $4 billion and we just wound down the war in Vietnam. These are the things that bother me. When you look into your district and find out during the past 3 years 25,000 people were laid off as a result of defense cuts in your State, and on the other hand you find the Defense Department, after making these cuts and creating such economic upheaval in the area, is coming in and requesting an additional $4 billion, it makes you wonder what projects are getting all the money. As the chairman points out, everybody is for national security, but we do need some information.

I think the whole problem is that this administration and other administrations have been reluctant to give Congress the information, and yet we are very dependent on them for information. I recall, back a few years ago, before the House Ways and Means Committee, when a question was asked of the Secretary of HEW as to what the cost of title XIX would be to the Federal Government. The answer he gave us off the top of his head was $200 million; he was only 90 percent out of the way—it was $2 billion the first year!

These are some of the problems we have in Congress in depending upon the statements made by the administration. They have all of the personnel, all of the computers and everything else. I think there is a woeful deficiency on the part of the Congress in being able to put together the facts and figures. Ninety-nine percent of the time we have

to depend upon the statements made by the administration. And, of course, this is such a tremendous job, an awesome job, for the appropriations people to try to dig into with the budget this year running into almost 300 billions of dollars; it is almost a hopeless task.

I am hopeful this Joint Committee will be able to put some of it together and come up with some answers.

Your statement today is to be commended.

Senator CHILES. Thank you, sir.

Chairman WHITTEN. I should note it is impossible for a number of the committee members to attend all our meetings because of other committee assignments. We have to divide our time. Mr. Ullman and I have been named Cochairmen. Sometimes I preside and sometimes he does. As you know the committee members will be given copies of all the statements and they will be used at future meetings.

Mr. Broyhill.

Mr. JAMES BROYHILL. I have two other places I have to be right now. I don't have any questions. Thank you very much.

Senator CHILES. Thank you, Mr. Chairman, I appreciate your comments and the comments of Mr. Burke. I think, really, what we are talking about is that our activities are such and our time is so taken up that we can't run a department, we can't oversee the running of the department, and really utilize our time to do what the people sent us up here to do. I think they sent us up here to try to make some decisions, to try to say yes or no as to whether we should start programs, what the priorities should be, what real areas of spending should be and unless we get information that allows us to see clearly and to be able to make those decisions clearly, then we are going to be overseeing some kind of department or operation or trying to do that, but we are never going to be the decisions-maker. I think in the past, really, the decisions have not been made by the Congress. They come in under R. & D., and in many instances the program is so far along that by the time we start funding the *Trident* submarine we are in the phase of not really deciding whether the *Trident* and its large size and the tools we are going to place on that is the kind of submarine we should have, or whether we should have smaller subs. We are already past that decision, long past it. We are trying to decide whether we should accelerate it or not. We come in at the stage when we are not making the decision, the decision is already made.

Maybe we can sit more like a board of directors and say yes to this and no to that and decide on this rather than come in after the fact.

Chairman WHITTEN. Thank you, Senator, again, and my comments were to recognize the value of your contribution here. It might interest you to know that some years ago, we checked to see what agencies in the government might be escaping annual review. Among other things we still had the American Spruce Co., out in the State of Washington which supplied timber in World War I. It was doing nothing at that time, but some colonel was assigned there to enjoy life.

This closes our oral hearings, we will keep the record open for 10 days to receive any additional statements that may be filed.

[Whereupon at 12 m., the hearing was concluded.]

ADDITIONAL STATEMENTS SUBMITTED FOR THE RECORD

STATEMENT OF HON. JACK BROOKS, A U.S. REPRESENTATIVE FROM THE STATE OF TEXAS

Mr. Chairman and members of the committee.—I congratulate you on the work that you are doing toward seeking a solution to one of the most difficult and complex problems confronting the Congress and the Nation.

We in the Congress have the obligation to determine national priorities and to make those priorities fit within our national budget capability, and we must fulfill that duty to our constituents.

In the past, Congress has relied too heavily upon the national budget prepared by the Executive Branch. In practice, that budget has all too often become equivalent to a determination of national priorities. The ordering of national priorities is not an Executive function, but a Legislative function. The budget submitted by the Executive should serve only as a guideline, not a conclusive framework within which we must operate.

The question becomes, "How does Congress retrieve control over the national budget so that we do, in fact, put our own imprint on determining national priorities?" In my opinion, the problem is not one of congressional organization, but one of operational deficiencies. More committee hierarchy or more organizational steps through which appropriations and other fiscal matters must travel are not needed and would not be particularly beneficial. We have an adequate organizational structure at this time to consider all sides of our national budgetary situation. Our problem is a lack of adequate budgetary and fiscal information with which the Congress as a whole can evaluate all appropriations suggestions whether originating in the Executive budget or in Congressional legislation.

Budget ceilings established on the basis of data we have available at this time would be highly conjectural and little more than a routine confirmation of the Executive budget submission; or, at best, an arbitrary deviation therefrom. Unfortunately, the Congress presently has no better data base on which to base a budget estimate than that submitted by the Executive.

Our real need is for more and better information with which to evaluate all appropriations and other fiscal issues coming before the Congress. A start in that direction was made in 1970 with passage of the Legislative Reorganization Act which, in Title 2, provided for the development of a standardized information and data processing system for budgetary and fiscal data insofar as practical for use by all Federal agencies. That Act provided that the Congress was to participate in the development of that system by way of the Comptroller General, so that the information maintained in that system would serve the needs of the Congress. It further provided for congressional access to all such information.

That same Act provided for the establishment of the Joint Committee on Congressional Operations, of which I was Chairman during the 92nd Congress and of which I am Vice Chairman at this time. A primary reason for creating a Joint Committee was to provide Congress with a means of assuring that whatever data processing system is developed will be compatible with and serve the needs of both the House and the Senate as well as the General Accounting Office and the Library of Congress. The Joint Committee has monitored the implementation of the provisions of Title 2 of that Reorganization Act, and I must report that I have been somewhat disappointed at the progress made so far.

The Director of the Office of Management and Budget, who has primary responsibility for developing the data processing system, testified at a congressional hearing recently that the OMB was behind in the development of that system and probably had not given it the priority it deserved. Indeed, he testified that he did not even consider this responsibility to be one of the substantial functions vested in his office.

Unfortunately, the Comptroller General has demonstrated an unwillingness to assume the primary responsibility for the development of this system, or to move ahead on his own in the absence of a diligent effort on the part of OMB. I am contemplating introducing legislation to direct him to do so, as I firmly believe that the Congress will be able to fully participate in the development of the national budget only when it has such information processing capability available.

The development of standard classifications of programs, activities, receipts, and expenditures is essential if we are to realistically evaluate appropriations requests. Many similar programs cross jurisdictional lines, and, at present, we have no way to evaluate their relative cost effectiveness. The OMB has been working on a program to provide standard classifications and cost units, but I am not convinced that they appreciate the urgency required in developing this system. In the present climate of Legislative-Executive relations, they may lack the necessary incentive to give this program its proper priority.

The Congress also needs to have available appropriation requests on a simplified program basis. Appropriations reported on a program basis would be far more meaningful to us than those reported on an object classification basis, such as we follow today. Appropriations requests relating to expenditures for personnel, travel, supplies, equipment, etc., of an entire department are meaningless so far as determining program priorities is concerned. Appropriations priorities must be based on activity needs and benefits.

Five years ago, in a very primitive approach toward obtaining this information, I asked each of the departments and agencies under the oversight jurisdiction of my Subcommittee on Government Activities to submit to the Subcommittee a breakdown of the expenditures of their agency for that year on the basis of their program activities. This information was most revealing and gave the Subcommittee a vastly increased capability of determining the productivity and effectiveness of various programs within the departments.

The determination of national priorities should not be the prerogative of any particular congressional committee, but of the Congress as a whole. Only as a whole do we represent all of the people of this nation. It is essential that each and every one of us have available the fundamental budgetary evaluation data upon which to base our individual decisions. This information and evaluation capability should not be confined to the private domain of any particular committee or group.

I believe it would be helpful if a budget handbook containing a simplified program breakdown of major activities of the Federal government were available to each of us shortly after the Executive budget is submitted to the Congress each year. We could use this handbook as a guideline in evaluating appropriations proposals as they come before us. We would not be bound by the figures contained therein, but we would know in what respect the appropriations legislation deviates from income estimates and from the priorities suggested by the Executive Branch. It would be fully within our province to modify those in any way we like, but at least we would have a yardstick. I realize this information is available in various forms now, but not in a straightforward format that can be easily referred to and used by Members of Congress.

In order to develop such basic budgetary and fiscal data for the Congress, it is mandatory that the General Accounting Office acquire and operate the automatic data processing capability for storing budget data and for comparing that with various appropriations proposals and calculating very rapidly the effect that such would have on the national budget. It is further essential that such a system be capable of maintaining basic budget data so that we in the Congress will have ready access to the cost effectiveness figures on various programs and activities in the Federal government.

If this information handling capability is available to us in the Congress, we will once again assume our rightful role in determining national priorities. Exercising this role in a responsible manner will enable Congress to fulfill its obligation in a far more acceptable manner than would the adoption of arbitrary budget ceilings that might be established on the basis of information we presently have available.

Thank you.

STATEMENT BY HON. JACOB K. JAVITS, A U.S. SENATOR FROM THE STATE OF NEW YORK

UNITED STATES SENATE,
Washington, D.C., March 23, 1973.

Hon. JAMIE L. WHITTEN,
Hon. AL ULLMAN,
Co-chairmen, Joint Study Committee on Budget Control, House Annex, Washington, D.C.

DEAR MESSRS. CHAIRMEN: Thank you for giving me the opportunity to submit testimony on this very important subject, namely, reforming the Congressional

budget process so that Federal spending outlays reflect national priorities without contributing to inflatonary fiscal policies and insuring that Congress can assert its proper responsibility in this crucial area.

OFFICE OF GOALS AND PRIORITIES ANALYSIS

As we have become recently aware, this country faces a major budget crisis brought about by the fact that we in Congress have been voting to spend money at a rate faster than our ability to gather revenues at full employment. No reasonable person could deny that one of the chief contributing factors to this deplorable situation has been the absence of anybody in the Congress responsible for informing the Congress about the hard facts of priorities planning.

No existing office or committee provides the kind of overview which is necessary. This arises simply from the fact that most Committees are specialists in and advocates for a certain slice of the federal dollar. It is assumed that when a bill is considered by the Senate or the House on the floor that an overview will be provided. But we all know that the Congress itself too often proceeds piecemeal— as do the Committees—without overview.

Thus, the Congress needs a mechanism which would assist it by providing a framework for and encouraging that overview as well as additional information to make keen assessments of relative priorities within that framework.

For some years, I have proposed an Office of Goals and Priorities Analysis—in effect, a Budget Bureau responsible to the Congress—so that we might be able to make rational choices among appropriations with the same analytical capability as the Executive Branch has when drafting its own budget proposals. The most recent version of my proposal is contained in Title II of S. 5 (attached), which has been re-introduced in 1973 after having passed the Senate last year.

Title II of S. 5 would establish within the Congress an Office of Goals and Priorities Analysis. The Director and Assistant Director of the Office are to be appointed jointly by the Majority Leader in the Senate and the Speaker of the House. Drawing from the social data and program evaluations generated by the Council of Social Advisers and other sources, the Office of Goals and Priorities Analysis would submit an annual report to the Congress setting forth goals and priorities in the general context of needs, costs, available resources, and program effectiveness. It would also provide information to members of the Congress on an ongoing basis.

At a time when the ability of Congress to carry out its responsibilities even in its own domain of power over the purse has been challenged, it is essential that those of us who serve in the public trust have at our disposal more adequate means of making enlightened priority decisions.

Of course, the appropriations process is the vital mechanism through which the Congress seeks to reflect its views on budgetary priorities. But there remains a great need to equip Congress with the kind of manpower, data and technology that would furnish it with the information necessary if it is to fully examine and evaluate each appropriations measure, separately and—perhaps most crucially—in view of all other appropriations measures, with regard to the relative needs of the Nation. The office proposed in title II would not supplant the efforts of the Appropriations Committees to determine the Nation's expenditures. Rather, it would further explain, coordinate and compare the various budgetary proposals so as to provide the overview so necessary to responsible fiscal planning. The program information it would collect and interpret would be made available to other committees and individual Members of Congress.

The Congress needs such an institution in order to attempt to redress the imbalance that exists in the information available to the legislative, as opposed to the executive branch, in the essential matter of expenditures.

Since 1965, budget outlays on a unified basis have increased by $111 billion. As a result, we are now in a budget crisis of major dimensions, wherein tax hikes or cutting back on established programs has to be seriously considered and cutbacks are in fact taking place. Furthermore, many observers agree that the helter-skelter way in which certain programs were enacted has impaired their effectiveness. The authors of the recent Brookings Institution study on national priorities have pointed out to us that some effective prior planning as to how we could best have spent this $111 billion would have prevented the budget crisis from occurring. That is what the Office of Goals and Priorities Analysis could have given us.

Therefore, I strongly urge that as a first step in Congressional budgetary reform you establish a Congressional budget bureau, along the lines which the Senate has already approved in Title II of S. 5.

MANDATING APPROPRIATIONS

While Congress must reform its budgetary and appropriations processes, it also must take action to recapture its control over the expenditure of federal funds. By this I refer to the impoundment problem.

I am a member of the Senate Ad Hoc Subcommittee on Impoundment of Funds which includes members of the Judiciary Committee and Government Operations Committee.

This subcommittee held hearings on S. 373, which is cosponsored by over 50 members of the Senate, including myself, and which seeks to limit the ability of the Executive to impound appropriated funds without the approval of the Congress. Similar legislation has been introduced in the House by its leadership and it is quite likely that some type of measure will pass both Houses of Congress seeking to limit the ability to impound appropriated funds.

However, it should be recognized that Congress throughout the years has not only acquiesced in impoundments by the Executive but has made most of its appropriations permissive rather than mandatory. When Deputy Attorney General Joseph T. Sneed testified before the Ad Hoc Subcommittee on Impoundment, he stated that there had been few instances where Congress had expressed an unequivocal intention to mandate spending for a particular program. Mr. Sneed concluded that if Congress wishes to mandate full spending for a particular program it must do so in unmistakably clear terms.

Mr. Sneed further stated in his testimony that the President often must consider other laws such as the debt limit in deciding whether or not to spend money appropriated by the Congress in an appropriations law.

In addition, Mr. Sneed also felt that to mandate spending Congress must explicitly express an intention to override the Anti-Deficiency Act and all other direct and indirect statutory sources of Presidential spending control. Even then he felt Congress' power was limited in the area of foreign affairs and military affairs by the President's Constitutional powers. During the course of the questioning, Mr. Sneed did admit that Congress could mandate that funds be spent notwithstanding other laws and that the Executive would probably have to spend them.

At another hearing on the confirmation of Secretary of Health, Education and Welfare Weinberger, I asked whether the Department would spend monies mandated by the General Education Provisions Act and Mr. Weinberger said that those funds would be spent as called for by the Congress.

Thus, without conceding the correctness of any arguments made by Deputy Attorney General Sneed, I believe the Congress can and should mandate spending in those areas where it feels this should be done. When the supplemental appropriations bill was before the Senate, I suggested language mandating spending since it was clear that HEW was going to spend over $2 billion less than was called for by Congress in that bill. At the time, the Chairman of the Appropriations Committee thought that the problem should be dealt with on a broad basis and not just on one particular bill which basically only covered expenditures in the Department of Labor and HEW. I agreed and did not press the amendment at that time.

I believe that this Committee should consider recommending to the Appropriations Committees of the House and Senate that they include the following language in appropriations bills to mandate spending:

> Notwithstanding any other provision of law, the full amounts appropriated under this Act for projects and activities shall be made available and obligated by the appropriate departments, agencies, corporations, offices and other organisational units of the Government during the period for which appropriated.

This language would obviate the Anti-Deficiency Act, the Debt Limit and any other statutory authorities relied upon by the President for his authority to impound appropriated funds.

If we are to recapture our authority over the spending of federal funds, it is imperative that Congress mandate spending so that the Executive will be presented with a clear expression of Congressional intent to spend funds in an area. If we do not want all the funds spent then we should appropriate less or give the President discretion to hold back a certain amount in particular appropriations bills.

It is not enough to reform the budgetary and appropriations process alone but we must also reassert Congressional power and prerogatives over the purse if we are to prevent further erosion of Congressional power and further imbalance in the Constitutional separation of powers.

With best wishes,

Sincerely,

JACOB K. JAVITS.

93D CONGRESS
1ST SESSION

S. 5

IN THE SENATE OF THE UNITED STATES

JANUARY 4, 1973

Mr. MONDALE (for himself and Mr. JAVITS) introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To promote the public welfare.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Full Opportunity and National Goals and Priorities Act."

TITLE I—FULL OPPORTUNITY

DECLARATION OF POLICY

SEC. 101. In order to promote the general welfare, the Congress declares that it is the continuing policy and responsibility of the Federal Government, consistent with the pri-

mary responsibilities of State and local governments and the private sector, to promote and encourage such conditions as will give every American a full opportunity to live in decency and dignity, and to provide a clear and precise picture of whether such conditions are promoted and encouraged in such areas as health, education and training, rehabilitation, housing, vocational opportunities, the arts and humanities, and special assistance for the mentally ill and retarded, the deprived, the abandoned, and the criminal, and by measuring progress in meeting such needs.

SOCIAL REPORT OF THE PRESIDENT

SEC. 102. (a) The President shall transmit to the Congress not later than February 15 of each year a report to be known as the social report, setting forth (1) the overall progress and effectiveness of Federal efforts designed to carry out the policy declared in section 101 with particular emphasis upon the manner in which such efforts serve to meet national social needs in such areas as health, education and training, rehabilitation, housing, vocational opportunities, the arts and humanities, and special assistance for the mentally ill and retarded, the deprived, the abandoned, and the criminal; (2) a review of State, local, and private efforts designed to create the conditions specified in section 101; (3) current and foreseeable needs in the areas served by such efforts and the progress of development of plans to meet such

needs; and (4) programs and policies for carrying out the policy declared in section 101, together with such recommendations for legislation as he may deem necessary or desirable.

(b) The President may transmit from time to time to the Congress reports supplementary to the social report, each of which shall include such supplementary or revised recommendations as he may deem necessary or desirable to achieve the policy declared in section 101.

(c) The social report, and all supplementary reports transmitted under subsection (b) of this section, shall, when transmitted to Congress, be referred to the Committee on Labor and Public Welfare of the Senate and the Committees on Education and Labor and Interstate and Foreign Commerce of the House of Representatives. Nothing in this subsection shall be construed to prohibit the consideration of the report by any other committee of the Senate or the House of Representatives with respect to any matter within the jurisdiction of any such committee.

COUNCIL OF SOCIAL ADVISERS TO THE PRESIDENT

SEC. 103. (a) There is created in the Executive Office of the President a Council of Social Advisers (hereinafter called the Council). The Council shall be composed of three members who shall be appointed by the President, by and with the advice and consent of the Senate, and each of whom

shall be a person who, as a result of his training, experience, and attainments, is exceptionally qualified to appraise programs and activities of the Government in the light of the policy declared in section 101, and to formulate and recommend programs to carry out such policy. Each member of the Council, other than the Chairman, shall receive compensation at the rate prescribed for level IV of the Executive Schedule by section 5315 of title 5 of the United States Code. The President shall designate one of the members of the Council as Chairman who shall receive compensation at the rate prescribed for level II of such schedule.

(b) The Chairman of the Council is authorized to employ, and fix the compensation of, such specialists and other experts as may be necessary for the carrying out of its functions under this Act, without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title title 5, United States Code, governing appointments in the competitive service, and without regard to the provisions of relating to classification and General Schedule pay rates, and is authorized, subject to such provisions, to employ such other officers and employees as may be necessary for carrying out its functions under this Act, and fix their compensation in accordance with the provisions of such chapter 51 and subchapter III of chapter 53.

(c) It shall be the duty and function of the Council—

(1) to assist and advise the President in the preparation of the social report;

(2) to gather timely and authoritative information and statistical data concerning developments and programs designed to carry out the policy declared in section 101, both current and prospective, and to develop a series of social indicators to analyze and interpret such information and data in the light of the policy declared in section 101 and to compile and submit to the President studies relating to such developments and programs;

(3) to appraise the various programs and activities of the Federal Government in the light of the policy declared in section 101 of this Act for the purpose of determining the extent to which such programs and activities contribute to the achievement of such policy, and to make recommendations to the President with respect thereto;

(4) to develop priorities for programs designed to carry out the policy declared in section 101 and recommend to the President the most efficient way to allocate Federal resources and the level of government—Federal, State, or local—best suited to carry out such programs;

(5) to make and furnish such studies, reports thereon, and recommendations with respect to programs,

activities, and legislation to carry out the policy declared in section 101 as the President may request.

(6) to make and furnish such studies, reports thereon, and recommendations with respect to programs, activities, and legislation as the President may request in appraising long-range aspects of social policy and programing consistent with the policy declared in section 101.

(d) Recognizing the predominance of State and local governments in the social area, the President shall, when appropriate, provide for the dissemination to such States and localities of information or data developed by the Council pursuant to subsection (c) of this section.

(e) The Council shall make an annual report to the President in January of each year.

(f) In exercising its powers, functions, and duties under this Act—

(1) the Council may constitute such advisory committees and may consult with such representatives of industry, agriculture, labor, consumers, State and local governments, and other groups, organizations, and individuals as it deems advisable to insure the direct participation in the Council's planning of such interested parties;

(2) the Council shall, to the fullest extent possible, use the services, facilities, and information (including statistical information) of Federal, State, and local government agencies as well as of private research agencies, in order that duplication of effort and expense may be avoided;

(3) the Council shall, to the fullest extent possible, insure that the individual's right to privacy is not infringed by its activities; and

(4) (A) the Council may enter into essential contractual relationships with educational institutions, private research organizations, and other organizations as needed; and

(B) any reports, studies, or analyses resulting from such contractual relationships shall be made available to any person for purposes of study.

(g) To enable the Council to exercise its powers, functions, and duties under this Act, there are authorized to be appropriated (except for the salaries of the members and officers and employees of the Council) such sums as may be necessary. For the salaries of the members and salaries of officers and employees of the Council, there is authorized to be appropriated not exceeding $900,000 in the aggregate for each fiscal year.

TITLE II—NATIONAL GOALS AND PRIORITIES

DECLARATION OF PURPOSES

SEC. 201. The Congress finds and declares that there is a need for a more explicit and rational formulation of national goals and priorities, and that the Congress needs more detailed and current budget data and economic analysis in order to make informed priority decisions among alternative programs and courses of action. In order to meet these needs and establish a framework of national priorities within which individual decisions can be made in a consistent and considered manner, and to stimulate an informed awareness and discussion of national priorities, it is hereby declared to be the intent of Congress to establish an office within the Congress which will conduct a continuing analysis of national goals and priorities and will provide the Congress with the information, data, and analysis necessary for enlightened priority decisions.

ESTABLISHMENT

SEC. 202. (a) There is established an Office of Goals and Priorities Analysis (hereafter referred to as the "Office") which shall be within the Congress.

(b) There shall be in the Office a Director of Goals and Priorities Analysis (hereafter referred to as the "Director") and an Assistant Director of Goals and Priorities Analysis (hereafter referred to as the "Assistant Director"), each of

whom shall be appointed jointly by the majority leader of the Senate and the Speaker of the House of Representatives and confirmed by a majority vote of each House. The Office shall be under the control and supervision of the Director, and shall have a seal adopted by him. The Assistant Director shall perform such duties as may be assigned to him by the Director, and, during the absence or incapacity of the Director, or during a vacancy in that office, shall act as the Director. The Director shall designate an employee of the Office to act as Director during the absence or incapacity of the Director and the Assistant Director, or during a vacancy in both of such offices.

(c) The annual compensation of the Director shall be equal to the annual compensation of the Comptroller General of the United States. The annual compensation of the Assistant Director shall be equal to that of the Assistant Comptroller General of the United States.

(d) The terms of office of the Director and the Assistant Director first appointed shall expire on January 31, 1977. The terms of office of Directors and Assistant Directors subsequently appointed shall expire on January 31 every four years thereafter. Except in the case of his removal under the provisions of subsection (e), a Director or Assistant Director may serve until his successor is appointed.

(e) The Director or Assistant Director may be removed at any time by a resolution of the Senate or the House of Representatives. A vacancy occurring during the term of the Director or Assistant Director shall be filled by appointment, as provided in this section.

(f) The professional staff members, including the Director and Assistant Director, shall be persons selected without regard to political affiliations who, as a result of training, experience, and attainments, are exceptionally qualified to analyze and interpret public policies and programs.

FUNCTIONS

SEC. 203. (a) The Office shall make such studies as it deems necessary to carry out the purposes of section 201. Primary emphasis shall be given to supplying such analysis as will be most useful to the Congress in voting on the measures and appropriations which come before it, and on providing the framework and overview of priority considerations within which a meaningful consideration of individual measures can be undertaken.

(b) The Office shall submit to the Congress on March 1 of each year a national goals and priorities report and copies of such report shall be furnished to the Committee on Appropriations of the Senate and of the House of Representatives, the Joint Economic Committee, and other interested committees. The report shall include, but not be limited to—

(1) an analysis, in terms of national goals and priorities, of the programs in the annual budget submitted by the President, the Economic Report of the President, and the Social Report of the President;

(2) an examination of resources available to the Nation, the foreseeable costs and expected benefits of existing and proposed Federal programs, and the resources and cost implications of alternative sets of national priorities; and

(3) recommendations concerning spending priorities among Federal programs and courses of action, including the identification of those programs and courses of action which should be given greatest priority and those which could more properly be deferred.

(c) In addition to the national goals and priorities report and other reports and studies which the Office submits to the Congress, the Office shall provide upon request to any Member of the Congress further information, data, or analysis relevant to an informed determination of national goals and priorities.

POWERS OF THE OFFICE

SEC. 204. (a) In the performance of its functions under this title, the Office is authorized—

(1) to make, promulgate, issue, rescind, and amend

rules and regulations governing the manner of the operations of the Office;

(2) to employ and fix the compensation of such employees, and purchase or otherwise acquire such furniture, office equipment, books, stationery, and other supplies, as may be necessary for the proper performance of the duties of the Office and as may be appropriated for by the Congress;

(3) to obtain the services of experts and consultants, in accordance with the provisions of section 3109 of title 5, United States Code; and

(4) to use the United States mails in the same manner and upon the same conditions as other departments and agencies of the United States.

(b) (1) Each department, agency, and instrumentality of the executive branch of the Government, including independent agencies, is authorized and directed, to the extent permitted by law, to furnish to the Office, upon request made by the Director, such information as the Director considers necessary to carry out the functions of the Office.

(2) The Comptroller General of the United States shall furnish to the Director copies of analyses of expenditures prepared by the General Accounting Office with respect to any department or agency in the executive branch.

(3) The Office of Management and Budget shall furnish

to the Director copies of special analytic studies, program and financial plans, and such other reports of a similar nature as may be required under the planning-programing-budgeting system, or any other law.

(c) Section 2107 of title 5, United States Code, is amended by—

(1) striking out the "and" at the end of paragraph (7);

(2) striking the period at the end of paragraph (8) and inserting in lieu thereof a semicolon and the word "and"; and

(3) adding at the end thereof the following new paragraph:

"(9) the Director, Assistant Director, and employees of the Office of Goals and Priorities Analysis.".

JOINT ECONOMIC COMMITTEE HEARINGS

SEC. 205. The Joint Economic Committee of the Congress shall hold hearings on the national goals and priorities report and on such other reports and duties of the Office as it deems advisable.

PAYMENT OF EXPENSES

SEC. 206. All expenses and salaries of the Office shall be paid by the Secretary of the Senate from funds appropriated for the Office upon vouchers signed by the Director or, in the event of a vacancy in that Office, the Acting Director.

STATEMENT BY HON. BILL ALEXANDER, A U.S. REPRESENTATIVE FROM ARKANSAS

Mr. ALEXANDER. Mr. Chairman and members of the Joint Committee, thank you for giving me this opportunity to offer for consideration some proposals for gaining and maintaining control of the national budget. Congress has recognized the critical need for this by the establishment of this committee. The interim report of the Joint Committee has pointed clearly to the many facets of the complicated budgetary control problem which has arisen.

Another point which should be made is that failure to obtain control of the budget—from the raising of income, to the allocating of resources through spending of the available funds—will continue to restrain the power of the Congress to reorder national priorities.

Congress must adopt a firm policy that will hold the line on spending. The nation's taxpayers are already overburdened. A tax increase could be the straw that breaks the camel's back.

Congress must establish a firm policy of working within a fiscally sound budget. Individuals and companies adopt this as good business practice in order to avoid bankruptcy. Is it not also sound governmental policy?

Congress must establish a national policy that is designed to curb and end inflation. The cruelest method of payment for government services is through the allowance of inflation which indirectly taxes those who can least afford to pay—persons on the lower end of the income scale and persons on small fixed incomes.

Some very basic reform is needed in the Federal budgetary process.

Congress must establish a national fiscal policy directed at achieving maximum employment, productivity and purchasing power in non-governmental activities and maximum efficiency and effectiveness in using governmental financial resources.

Ceilings must be established on spending and on new obligational authority. This is not to say that new activities should not be considered, or authorized, but that spending should not be mandated for them which would violate Congressionally adopted fiscal policies.

A policy for appropriating funds to be available for a limited period of time should be adopted. If, in accordance with responsible fiscal policies, the funds have not been spent or definitely obligated at the end of the period the spending, obligational or contracting authority should lapse. And, if Congress deems it necessary and wise, new appropriations should be made. The minimum time limit on this authority should be one year and the maximum period should be two years.

I recognize the work-load this implies. But, I believe continuous and timely review of the spending, contracting and obligational policies of the Federal government is absolutely necessary to the maintenance of budgetary control.

Trying to do the work required of Congress without the staff and equipment it needs is like trying to fly a jet aircraft on a washing machine motor.

A mechanism—informational system staffed by non-partisan, professional personnel and provided with sufficient modern equipment—should be established to provide the Ways and Means and the Finance Committees with accurate data on the income which will be available for federal programs.

The Appropriations Committees of the House and Senate should be provided with a similar mechanism which can provide all members of the Congress with clear, up-to-date information on financial obligations of the Federal Government.

There should be established within the House and the Senate budget committees charged with the responsibility of recommending to their respective Houses the level at which the federal budget should be set. These committees should have the authority to recommend allocations for each of the committees of the House and the Senate telling them what portion of the budget they may use in authorizing the continuation, or the establishment of programs over which they have jurisdiction.

The membership of the House Budget Committee should be composed of the Speaker, the Majority Leader, the Minority Leader, the Minority Whip and the chairman and ranking members of each standing committee.

In the Senate the Budget Committee should be composed of the Majority Leader, the Majority Whip, the Minority Leader, the Minority Whip and the chairman and ranking members of each standing committee.

The budget level recommendations of each House should become effective only after a vote of approval by the membership of that House. A joint committee of the membership of the House and Senate Budget Committees should be established and charged with the responsibility of reconciling the differences in the levels and allocations to committees of the budgets agreed on by the two Houses. When they have completed their work, their agreement should be brought to each House for acceptance or rejection.

A strict schedule for these committees to complete their work and the Congress to agree on budgetary levels and allocations to committees should be established.

Depending on the time schedule that is adopted, it would be possible for the other committees of both Houses of Congress to be carrying on their work for hearings, studies and investigations at the same time that the first steps in the budgetary processes are taken. By the time budget levels and allocations are agreed upon by the Congress much, if not all, of the hearings in these committees could also have been completed.

A ceiling should be included in each appropriations bill. And, no individual appropriations bill should become effective until Congressionally approved within the context of the total budget. At, or near, the end of each year, the Congress should meet specifically for the purpose of considering whether budget ceilings should be adjusted and whether taxes should be increased or deficit spending should be accepted.

The proposal that Congress regain and maintain control of the national budget means a significantly increased workload. But, it is a job that we as elected representatives of the People are morally and constitutionally bound to accept and carry out.

It is essential that the Congress gain and maintain control of the national budget. To do so will require increased efficiency of operation with the Congress. Vital to this is the development of a system of communication and coordination within each House and between the Houses of Congress. Congress is not now equipped to play in the same league with the Executive. The task of handling the national budget is a demanding one which cannot be carried out unless Congress is willing to equip itself with sufficient professional staff and equipment to develop and analyze the information required for budget making.

Throughout the 20th Century, Congress has taken a backseat to the Executive. Now, more than at any other time in this century, we of the Congress have an opportunity to strive for the position of an equal legislative branch which would restore the balance of powers as intended by the Constitution.

I am convinced that Mr. Nixon has skillfully captured the feeling of the general public on the subject of government spending. But, most every American would agree that it is far better to return the responsibility for the budget to the Congress than to allow it to continue to concentrate in the Executive.

Thank you for providing me with the opportunity to comment on the budget problems facing the Congress.

STATEMENT OF HON. J. J. PICKLE, A U.S. REPRESENTATIVE FROM TEXAS

Distinguished Co-Chairmen and members of the Joint Committee, I want to describe briefly a bill that I have introduced for fiscal responsibility. In doing so, I will touch upon the impoundment question, which this Committee is studying ("Improving Congressional Control Over Budgetary Outlay and Receipt Totals." Interim Report, Joint Study Committee on Budget Control, February 7, 1973, Page 4).

Before I begin, I compliment this Committee's work. The Interim Report of the Committee I feel will be one of the most important Congressional documents published in the seventies. The Report presents an extremely factual and analytical survey of how the Congress handles the budget, what is wrong with the present process, and how to improve the process.

My bill is H.R. 3676. Last year I co-sponsored similar legislation with Congressman Horton and Esch. Because of a difference of opinion over how to handle the impoundment problem, I have re-introduced this fiscal responsibility bill in a slightly altered form from last year's version. Title III of H.R. 3676 deals with the impoundment problem, and I will discuss this later on.

I understand that Congressmen Horton and Esch have re-introduced last year's bill.

In reviewing this Committee's report, my bill and other bills on fiscal responsibility, I note there seems to be one central thrust to the various proposals. This thrust is that at the beginning of a Congressional session there should be established a spending ceiling, and as the year progresses, the ceiling is subject to an established review procedure. Title II of my bill sets up such a spending ceiling procedure.

Title II provides that within 45 days after the President's budget message, the Congress is to set a spending ceiling by concurrent resolution.

If during the year, on a basis of quarterly review, the Director of the OMB found that the ceiling was being exceeded by Congressional action, then the OMB would reduce spending for the fiscal year on an across-the-board pro-rata basis. Within thirty days the Congress would decide whether or not to exempt any or all programs from the reduction. In other words, the Congress would decide whether or not to break the ceiling.

On Pages 10 and 11 of this Committee's Interim Report, there is the firm support by this Committee for some kind of a ceiling.

Of course, the Committee has examined and detailed all the problems and the feasibility of such a ceiling with greater thoroughness than I have. This Committee has also seriously studied why the ceiling procedure did not work in the late '40's, and how the mistakes made in those years can be avoided.

In short, I am stating to this Committee that I welcome this Committee's suggestion that the mechanism be established to set a Congressional spending ceiling each fiscal year.

There are two other titles to my bill.

Title I would change the fiscal year to match the calendar year. I frankly do not see how Congress can order the spending policies for the next fiscal year on a two to four month lead in time before the next fiscal year. By changing to a calendar year, the Congress would have eight to ten months to appropriate for the next year.

This brings me to Title III. Title III is identical to a bill that Congressmen Sarbanes, Harrington, William Ford, and I have been soliciting co-sponsors for since early January. The bill is identical to one introduced by former Congressman Bill Anderson of Tennessee last session, and very similar to Senator Sam Ervin's bill in the Senate. Here in the House, there are 113 co-sponsors for our bill, and Senator Ervin's bill has 50 co-sponsors in the Senate.

I have written the very knowledgeable Co-Chairmen of this Committee, Mr. Ullman and Mr. Whitten, about my bill.

Briefly, my Title III, or the impoundment bill, which has several numbers because of re-introduction, requires the President to notify the Congress within 60 days of any impoundment, and the reasons therefor. Within a 60-day period after receiving the notification, Congress has to ratify the impoundment or the impoundment is to cease.

I urge this Committee to recommend this type of procedure as a solution to the impoundment problem.

In summary I ask this Committee to devise a workable procedure for establishing a spending ceiling, to change the fiscal year to a calendar year, and to require Congressional ratification of Executive Branch impoundments.

STATEMENT OF HON. H. JOHN HEINZ III, A U.S. REPRESENTATIVE FROM PENNSYLVANIA

Mr. Chairman, I appreciate the opportunity to present my views to this exceptionally distinguished Committee on the need for developing a rational system to deal with the priorities and budget needs of this nation.

Although I have not been a Member of Congress long enough to claim any expertise in this field, it did not take me much time to realize what a frustrating and incomprehensible process the matter of the budget analysis and preparation poses for the Congress as well as for taxpayers of this nation.

I commend the Members of this Joint Committee for your work and your suggestions to help Congress develop the capacity for dealing with the budget and for exercising its Constitutional power over the pursestrings. I would venture to say that the present confrontation between the Congress and the Executive branch of government is one outgrowth of Congressional inability to develop, analyze, and evaluate the budget in a rational manner.

If we are to perform our duties under the Constitution, we will require a plan which changes the budgetary process so that Congress takes a more active and conscious role in setting the course of the nation. However, if the budget as developed through the appropriations process is to be a Congressional expression of national priorities, then the present piecemeal approach which relies heavily on backdoor obligatory and mandatory expenditures will have to be changed.

I would add that the present process makes it impossible for Congress to set a ceiling on expenditures which we can realistically expect to live under. However, this failure to set a ceiling and to determine how funds will be apportioned under that ceiling became an invitation to the President to take the initiative in controlling spending and determining priorities.

I believe that the recommendations of this Committee go a considerable way toward providing the mechanism for Congress to exercise its Constitutional powers of the pursestrings. I would warn, however, that no system, no matter how comprehensive and detailed, can substitute for the will to take power and to use it. Until the present crisis over impoundments, Congress has been reluctant to act in a concerted fashion. What's more, it still has not developed a strategy or a consensus to express its sense of priorities, and this we must do.

To this end, I introduced legislation in the 92nd Congress and reintroduced it on the opening day of the 93rd Congress. This legislation, H.R. 630, set forth a framework for dealing with our present budget dilemma, although it does not have the breadth or scope of many of this Committee's recommendations.

First: this bill requires the setting of a budget, including a spending ceiling, which is based on anticipated revenues, the amount of interest on the debt ceiling, and the establishment of priorities in outlays.

Second: it requires all appropriations must be passed by the end of the fiscal year. If they are not, neither increases, nor for that matter decreases, can be established in any budgetary items and the government will continue to operate at levels established for the previous year. Thus, the steady increase of uncontrollable expenditures would not necessarily cause an increase in outlays.

Third: appropriations as well as mandatory and obligated spending except for interest on the national debt and social insurance funds, must be totaled and compared with the total for the budget ceiling minus interest on the national debt and social insurance funds.

Fourth: should potential expenditures exceed the ceiling on the budget, a pro-rata reduction shall be applied to all prospective outlays. For example, at the time the Congress was considering appropriations for fiscal 1973, we were faced with the choice of setting a $250 billion ceiling on the budget. The appropriations voted, combined with the mandatory and obligated funds totaled $261.8 billion. By eliminating from these totals $71.7 billion for social insurance funds and $22.8 billion for interest on the national debt, we find that a budget ceiling of $155.5 billion is exceeded by $167.3 billion in obligated funds. This is 9.29% over the budget ceiling. To bring the budget under the ceiling, across the board 9.29% reductions are exacted on the budgets of each government function. These budgets, I would guess, constitute an aggregate of appropriated and obligated funds, or semi-uncontrollable, obligated expenses. While I recognize that each year the uncontrollable, obligated "backdoor" proportion of government spending increases, I believe that applying this method of cutbacks would subject increases to Congressional scrutiny and perhaps lead to legislative reform and elimination of backdoor financing of many costly programs. It seems odd to me that many of the less popular but necessary social welfare programs are receiving the exacting scrutiny of the front door legislative appropriations process while many of the conventionally more popular, and more expensive programs, receive the certain commitment of funds through the backdoor method. The latter include environmental water pollution control funds, veterans and military pensions, highway trust funds, and general revenue sharing. Although I support many of these programs, I believe that we make a travesty of the legislative and appropriations process when 24 major programs are activated without clearing the Appropriations Committees of the House and Senate, as was the case in fiscal 1973. Certainly such an arrangement makes it difficult to coordinate and develop an orderly and responsive budgetary process.

The methods of cutting back each department of major budget item by an overall percentage leaves to the Executive branch the decision of where to cut. For example, budget outlays for both civil and military defense totaled $75.953 billion in fiscal 1973. Of this amount, $19.2 billion was in obligated funds. However,

requiring a 9.29% cutback in defense expenditures would have reduced outlays by $7.056 billion for the current fiscal year, with the Department of Defense selecting the fat to be cut. For another example, the $555 million Department of Commerce budget would have been pared down by $51.6 million, the same pro-rata reduction.

I believe my own legislation, which is limited in scope, does deal with the first recommendations set forth by the Interim Report of the Joint Study Committee on Budget Control. Although I am currently modifying, and I hope am improving, this bill for reintroduction, the following comments I offer will be helpful not just with respect to my own proposals but as guidelines in evaluating others as well.

Here are my suggestions with respect to these recommendations:

1. Interim Report recommendation 1

There should be a mechanism for Congress to—

(*a*) determine the proper level of expenditures for the coming fiscal year after full consideration of the fiscal, economic, monetary, and other factors involved.

(*b*) provide an overall ceiling on expenditures and on budget authority for each year, and

(*c*) determine the aggregate revenue and debt levels which appropriately should be associated with the expenditure and budget authority limits.

To a large extent, my legislation conforms with this recommendation. Both are designed to change the Congressional tendency of taking a cue for action from the President's budget as well as from the Executive Branch's evaluations of the efficiency and goals of programs. By developing a full picture of the operations of the budget, the sources of revenue and debt, the Congress is in a better position to help set a national course and to translate in dollars keeping to that course by means of a composite unified budget.

2. Interim Report recommendation 2

Any limitation of expenditures and new obligational authority should cover not only budgetary outlays handled through the Appropriations Committees but also any legislation which provides funding separately from the annual appropriations process.

The frightening prospect of "backdoor" uncontrollable expenditures increasing from 63% of the budget in fiscal 1974 to 75% in fiscal 1975 calls for close scrutiny of these costs by Congress in the context of overall budget control with priorities more clearly defined. In the budget prepared by the President, less than half of the dollar outlays, 43%, will require action by the Appropriations Committee. believe the Appropriations Committees should not only prepare full subtotals of budgetary expenditures, but that the Congress as a whole evaluate the nature of the backdoor spending and consider legislation that makes these funds subject to the controls of the appropriations process. I would strongly urge that Congress, using its improved machinery for developing budget information, include in appropriations, measures, constraints in budget outlays, which take into account appropriations levels, as well as mandatory and obligated funds. I believe that the power of Congress to raise revenue should be balanced by the power to direct its expenditure.

3. Interim Report recommendation 3

Initial action taken with respect to expenditures ceilings and new obligational authority limitations should occur early in each session of Congress, but there should be a procedure established for reconsideration of these ceilings in the latter part of each Congressional session.

Because many decisions on spending are not usually made until well along in a legislative year, it has been extremely difficult for states, communities, and agencies which rely on federal dollars, to plan intelligently, nor has the federal government been able to track properly the carryover of funds from previous years. The imprecision of last minute consideration of appropriations and authorization blurs any vision of the effective use of federal expenditures. It also defies any proper Congressional scrutiny of individual budgets against the backdrop of the unified budget. The proposal in my legislation to bar any expenditures of new funds until all appropriations are approved and conform to a ceiling is consistent with the call for early approval of the budget recommended by the Committee.

4. Interim Report recommendation 4

A procedure should be developed for allocating the appropriate portions of expenditures and budget authority ceilings to various committees having jurisdiction over the legislation affecting the budget.

Provision must be made for the application of the expenditure and budget authority ceilings to each committee having jurisdiction over spending. Also, a way of subdividing these amounts on a broad program basis must be found if Congress is to make its own decisions as to priorities.

Implicit in this recommendation is the need for full accounting of all costs which must be applied to each of the 13 appropriations subcommittee categories. What's more, development of full information in each subcommittee must be coordinated with the work of all subcommittes, so that there is a general awareness of the budget goals which are achievable in a given year. More to the point, legislative committees will also have to consider new programs other than emergency programs, in the light of future programs which take effect in subsequent fiscal years. Such a method should go some way to curbing the size of ambitious and oversold ideas which bring with them the disillusionment that comes with the realization that government program objectives are difficult to achieve, but without stripping the authorizing committees of their traditional function of indicating the scale of resources required to meet national objectives or needs.

5. Interim Report recommendation 5

Procedures should be developed to assure compliance with the expenditure and budget authority ceilings.

Again, I believe that H. R. 630 provides a mechanism to assure compliance with ceilings by requiring the approval of appropriations which remain under a budget ceiling. The threat of across the board cutbacks would provide a disincentive to overrun the budget in any of the 13 categories considered by the Appropriations Committees. However, I believe it would be a mistake to adopt a procedure which would make the voice of each individual congressman irrelevant to setting priorities, as might be the case if there was no opportunity if a new or more powerful committee were given an absolute or final voice in the allocation of resources among competing priorities.

6. Interim Report recommendation 6

Procedures should be developed to present to Congress the effect on expenditures of existing and proposed legislation, not only in the current year, but also for years up to 3 to 5 years ahead.

Such a procedure would help to eliminate the present problem of trying to evaluate the effectiveness or direction of programs in a vacuum. It would also provide a better indication of the true costs of programs versus projections. However, I am not certain that such awareness will help to hold down costs. The Defense Department, probably more than any other, has sophisticated cost projections, but it has done a rather poor job in living up to these, as overruns in systems like the C–5A and MIRV have demonstrated. Last year a number of Senators co-sponsored legislation requiring the development of long range budgets, and I believe these include five year cost projections for programs. While these statistics may not be completely on target, they at least point in the direction of developing a rational method for tracking government activities and for providing a guide to future expenditures. My bill does not address this point directly.

7. Interim Report recommendation 7

An organization to implement the control procedures outlined above probably should encompass the formation of permanent legislative committees on the budget. The appropriations and tax committees in the case of each House should be adequately represented in the membership of the budget committee. A legislative committee of this type is needed so there will be an opportunity for overall review of tax and expenditure policy.

Historically spending and taxing measures have originated in the House, although on occasion such measures are considered by the Senate first. Although I believe that the various and different inputs from each legislative body is vital to preserving the Congress as a democratic institution, coordination must be achieved in the development of a budget that sets the pace for achieving national goals. I would question, however, the ability of a joint committee to control the legislation which emanates from both the House and Senate Appropriations Committees as well as from the Ways and Means Committee and the Senate Finance Committee. My bill does not propose such a committee and I find myself in opposition to creating yet another committee to do something we can and should already be doing.

8. Interim Report recommendation 8

Any permanent legislative committees on the budget should have an adequate non-partisan, professional staff which will need to develop skill on translating funding actions into expenditure and budget authority totals.

As a member of the minority party, I believe that it is imperative that a "non-partisan staff" be considered, but I also believe that the nature of committee work is such that close contact will have to be maintained between members of the staff of any joint committee and the individual legislative committees of each House in order to develop a coherent picture of legislative proposals under consideration. Such an undertaking would call for a sizeable staff of experts, which I believe serves to emphasize the added problems of coordination and communication that such a new committee might well entail.

9. Interim Report recommendation 9

There should also be an opportunity for Congress to review periodically the different ways in which budget authority and expenditures are in fact authorized or incurred.

The proposal in H.R. 630 that all budget items be examined except the interest on the national debt and social insurance funds is a recognition that the budget should be held up to scrutiny and that interest in solving particular problems is only temporal. At another point in our history, a close look at social insurance funds would also probably be necessary. I believe, however, that we have carved out a considerable task in examining and explaining the operation of existing budget authorities and other backdoor expenditures.

10. Interim Report recommendation 10

Provision for authorization at least one year in advance should be required

There is no question that the Congress will have a clearer picture of the job it has to do in developing a budget and setting priorities if authorizations were passed well before the President's budget message and the Congressional target date for completion of work on appropriations. While the practice of clearing authorizations almost simultaneously with appropriations has become a habit in Congress, I am not certain that one year's lead time is necessary to developing a respectable time for contemplation and consideration of appropriations that live within a budget ceiling constraint. Perhaps authorizations could be considered at the end of a session; approximately three to six months before work begins on appropriations. In any event, I believe H.R. 630 provides a strong, even an absolute incentive for early authorizing actions because of its provision that prevents increases in any budget authorities until all budget authorities have been enacted.

11. Interim Report recommendation 11

The committee recognizes that the study of the subject of impoundments is an important part of its assignment

While there has been considerable heat and fury over the question and even the definition of impoundments, a major part of the problems stem from the current notion that an appropriation is a license to spend up to the ceiling, rather than guidelines within which spending may take place. Development of a mechanism for developing a rational budget ceiling–appropriations system may serve to create the cooperative atmosphere in which impoundments disappear as an issue, and the executive and legislative branch work creatively to develop a proper and effective role for government activity in this country.

To the list of eleven recommendations I would add a hope that the integrity of individual contributions from the 535 Members of the House and Senate be preserved and expected in deciding budget priorities, because while it is necessary to assign to a few individuals the task of structuring a mechanism for the budget, forceful assertion of our Constitutional powers will require the cooperation and inputs of every Member.

In closing I would note that the history of the nation is marked by periods of assertion by the executive and legislative branch. We function best when the separation of powers are observed and branches exercise their powers. For the sake of this democracy and its people, it's time for Congress to face up to its obligation in the preparation of fiscally sound and responsive budgets.

I thank you for your attention to this matter of great concern to us all.

STATEMENT OF HON. MARVIN L. ESCH, A U.S. REPRESENTATIVE FROM THE STATE OF MICHIGAN

[From the Congressional Record, Wednesday, May 31, 1972]

FEDERAL FISCAL RESPONSIBILITY

The Speaker pro tempore, Under a previous order of the House, the gentleman from Michigan (Mr. ESCH) is recognized for 15 minutes.

Mr. ESCH. Mr. Speaker, the following is a white paper prepared through research conducted in the past few weeks by members of my staff and with the assistance of the Congressional Research Service.

The white paper details several reasons why I believe that enactment of the Federal Fiscal Responsibility Act of 1972 would move our Nation to greater responsibility in fiscal and budgetary matters. In line with my concern for Federal fiscal responsibility, I am including an estimate by the Acting Public Printer of the cost of printing this manuscript in the Congressional Record. In a letter to me the Acting Public Printer stated that my white paper will cost an estimated $1,645 and will cover 11¾ pages in the Congressional Record.

In recent years Congress has abdicated its role in the budgetary process to a minimum level of policy assent. If Congress is to reassert its role in the process it must move to modernize its appropriations procedures, Senator Warren Magnuson put it this way last year in hearings on the budgetary process:

"Congress is attempting literally to run a business ten times as large as A.T. & T. or GM combined or 50 corporations combined with machinery as obsolete as a quill pen and a slanting bookkeeper's desk."

Enactment of the Fiscal Responsibility Act of 1972, which I introduced on March 23, will make a major contribution toward helping Congress to improve its planning process and increase its oversight capabilities for Federal programs.

In these days of $246 billion budgets, it has become obvious that Congress lacks the capability for comprehensive consideration of the budget. Since 1956 the budget has increased by over 300 percent. Yet in the best of years the Congress has less than 6 months to review the 1,100-page budget document before the beginning of the fiscal year.

In order to present a complete picture of Federal spending, President Nixon forwarded his first budget in a unified format which included all trust funds. While this innovation has helped Congress see the total budgeting picture, it does not assure that Congress considers the budget from this comprehensive perspective.

The tremendous growth of Federal budgets is best illustrated by the following charts. Chart 1 compares budget estimates and appropriations since fiscal year 1946. Chart 2 compares budget data since 1954 on a Federal funds and unified-budget basis.

CHART 1.—COMPARISON OF BUDGET ESTIMATES AND APPROPRIATIONS BY SESSIONS OF CONGRESS

Congress and session	Budget estimates	Appropriations	Increase (+) or decrease (−), appropriations compared with estimates
79th Cong., 1st sess., fiscal year 1946 and prior fiscal year	$68,941,364,648	$67,545,660,880	−$1,395,703,768
79th Cong., 2d sess., fiscal year 1947 and prior fiscal years	35,153,239,093	33,571,494,011	−1,581,745,082
80th Cong., 1st sess., fiscal year 1948 and prior fiscal years	36,725,853,652	34,159,097,708	−2,566,655,944
80th Cong., 2d sess., fiscal year 1949 and prior fiscal years	41,053,346,713	38,282,717,957	−2,770,628,756
81st Cong., 1st sess., fiscal year 1950 and prior fiscal years	45,524,384,067	43,708,265,798	−1,816,118,269
81st Cong., 2d sess., fiscal year 1951 and prior fiscal years	80,172,585,565	72,200,190,841	−1,972,394,724
82d Cong., 1st sess., fiscal year 1952 and prior fiscal years	102,449,917,037	97,729,806,397	−4,720,110,640
82d Cong., 2d sess., fiscal year 1953 and prior fiscal years	91,205,894,252	82,596,777,411	−8,609,116,841
83d Cong., 1st sess., fiscal year 1954 and prior fiscal years	73,976,821,699	61,942,992,897	−12,033,828,802

CHART 1.—COMPARISON OF BUDGET ESTIMATES AND APPROPRIATIONS BY SESSIONS OF CONGRESS—Continued

Congress and session	Budget estimates	Appropriations	Increase (+) or decrease (−), appropriations compared with estimates
83d Cong., 2d sess., fiscal year 1955 and prior fiscal years	$57,422,327,386	$54,812,457,263	−$2,609,870,123
84th Cong., 1st sess., fiscal year 1956 and prior fiscal years	62,030,092,195	59,954,284,321	−2,075,807,874
84th Cong., 2d sess., fiscal year 1957 and prior fiscal years	68,587,724,820	68,330,229,608	−257,495,212
85th Cong., 1st sess., fiscal year 1958 and prior fiscal years	73,113,555,340	68,070,096,556	−5,043,458,784
85th Cong., 2d sess., fiscal year 1959 and prior fiscal years	81,737,060,999	81,119,818,276	−617,242,723
86th Cong., 1st sess., fiscal year 1960 and prior fiscal years	83,452,687,259	81,572,357,732	−1,880,329,527
86th Cong., 2d sess., fiscal year 1961 and prior fiscal years	84,010,398,836	83,799,241,957	−211,156,879
87th Cong., 1st sess., fiscal year 1962 and prior fiscal years	101,185,574,673	96,194,946,610	−4,990,628,063
87th Cong., 2d sess., fiscal year 1963 and prior fiscal years	107,203,876,735	102,661,536,812	−4,542,339,923
88th Cong., 1st sess., fiscal year 1964 and prior fiscal years	110,270,774,856	103,798,631,671	−6,472,140,185
88th Cong., 2d sess., fiscal year 1965 and prior fiscal years	[1] 110,204,088,176	[2] 106,070,110,056	−4,133,978,120
89th Cong., 1st sess., fiscal year 1966 and prior fiscal years	[3] 121,719,754,896	[4] 119,310,113,527	−2,409,641,369
89th Cong. 2d sess., fiscal year 1967 and prior fiscal years	[5] 144,812,809,086	[6] 143,883,626,282	−929,182,804
90th Cong., 1st sess., fiscal year 1968 and prior fiscal years	[7] 162,988,905,929	[8] 156,917,115,912	[9] −6,071,790,017
90th Cong., 2d sess., fiscal year 1969 and prior fiscal years	[10] 209,439,260,996	[11] 196,537,244,324	−12,902,016,672
Consisting of:			
Trust funds	(54,012,887,000)	(54,012,887,000)	
All other (Federal funds)	(155,426,373,996)	(142,524,357,324)	(−12,902,016,672)
91st Cong., 1st sess., fiscal year 1970 and prior fiscal years	[12] 210,843,237,215	[13] 207,248,470,494	−3,594,755,721
Consisting of:			
Trust funds	(60,619,823,000)	(60,619,823,000)	
All other (Federal funds)	(150,223,414,215)	(146,628,658,494)	(−3,594,755,721)
91st Cong., 2d sess., fiscal year 1971 and prior fiscal years	[14] 217,605,978,434	[15] 232,139,894,882	+14,533,916,448
Consisting of:			
Trust funds	(65,381,174,000)	(65,381,174,000)	
All other (Federal funds)	(152,224,804,434)	(166,758,720,882)	(+14,533,916,448)

[1] Includes $225,000,000 requested in 1965 for fiscal year 1966.
[2] Includes $75,000,000 appropriated in 1965 for fiscal year 1966.
[3] Includes $937,500,000 requested in 1966 for fiscal year 1967.
[4] Includes $926,000,000 appropriated in 1966 for fiscal year 1967.
[5] Includes $900,000,000 requested in 1967 for fiscal year 1968.
[6] Includes $875,000,000 appropriated in 1967 for fiscal year 1968.
[7] Includes $1,055,000,000 requested in 1968 for 1969.
[8] Includes $995,000,000 appropriated in 1968 for fiscal year 1969.
[9] Does not reflect additional reductions in controllable obligations effected pursuant to Public Law 90–218 (H.J. Res. 888) estimated at $3,400,617,000 on June 30, 1968. Reserves established $6,075,520,000; reserves subsequently released, $2,674,903,000; reserves remaining $3,400,617,000. (See pp. 278–282 for detail.)
[10] As in tables IV and IVa, VIIIa, and VIIIb, these totals are adjusted to exclude $12,800,000,000 of interfund and intergovernmental transactions—see par. 4, "Compilers' Notes," p. 3. Budget estimates include $2,895,000,000 requested in 1969 for 1970.
[11] As in tables IV and IVa, VIIIa, and VIIIb, these totals are adjusted to exclude $12,800,000,000 of interfund and intergovernmental transactions—see par. 4. "Compilers' Notes," p. 3. Appropriations include $1,965,814,300 appropriated in 1969 for 1970.
[12] Totals adjusted to exclude $13,915,525,000 of interfund and intergovernmental transactions—see par. 4, "Compilers' Notes," p. 3. Budget estimates include $1,651,000 requested in 1970 for 1971.
[13] Totals adjusted to exclude $13,915,525,000 of interfund and intergovernmental transactions—see par. 4, "Compilers' Notes," p. 3. Appropriations include $214,000,000 appropriated in 1970 for 1971.
[14] Totals adjusted to exclude $18,232,767,000 of interfund and intergovernmental transactions—see par. 4, "Compilers' Notes," p. 3. Budget estimates include $188,011,000 requested in 1971 for 1972.
[15] Totals adjusted to exclude $18,232,767,000 of interfund and intergovernmental transactions—see par. 4, "Compilers' Notes," p. 3. Appropriations include $150,000,000 appropriated in 1971 for 1972.

Note: Concept of "budget estimates" and "appropriations" as used in the above tabulations, beginning with the 90th Cong., 2d sess., differs to some limited general extent from previous tabulations, and significantly differs in respect to inclusion of trust fund appropriation amounts not included in this tabulation prior to the 90th Cong., 2d sess. See explanation, par. 4, "Compilers' Notes," p. 3. Also, beginning with the 85th Cong., 2d sess. (fiscal year 1959), figures exclude amounts relating to refunding Internal Revenue collections and sinking fund and other debt retirement funds.

Source: S. Doc. 91–122.

CHART 2.—COMPARISON OF U.S. GOVERNMENT ANNUAL BUDGET DATA ON THE UNIFIED BUDGET CONCEPT AND THE FEDERAL FUNDS BASIS AND PUBLIC DEBT OUTSTANDING AT FISCAL YEAR END, 1954–73

[In millions of dollars]

Fiscal year	Unified budget concept[1]			Federal funds budget basis[1]			U.S. Government public debt[2]
	Receipts	Outlays	Surplus or deficit (—)	Receipts	Outlays	Surplus or deficit (—)	
1954	67,719	70,890	—1,170	62,790	65,924	—3,134	270,790
1955	65,479	68,509	—3,041	58,112	62,279	—4,167	273,915
1956	74,547	70,460	4,087	65,376	63,761	1,606	272,361
1957	79,990	76,741	3,249	68,768	67,142	1,626	270,188
1958	79,636	82,575	—2,939	66,580	69,731	—3,151	276,013
1959	79,249	92,104	—12,855	65,827	77,071	—11,244	284,398
1960	92,492	92,223	269	75,650	74,865	785	286,065
1961	94,389	97,795	—3,406	75,179	79,336	—4,157	288,862
1962	99,676	106,813	—7,137	79,703	86,594	—6,891	298,212
1963	106,560	111,311	—4,751	83,550	90,141	—6,591	306,099
1964	112,662	118,584	—5,922	87,205	95,761	—8,556	312,164
1965	116,833	118,430	—1,596	90,943	94,807	—3,864	317,581
1966	130,856	134,652	—3,796	101,427	106,512	—5,085	320,102
1967	149,552	158,254	—8,702	111,835	126,779	—14,944	326,471
1968	153,671	178,833	—25,161	114,726	143,105	—28,379	350,743
1969	187,784	184,548	3,236	143,236	148,811	—5,490	356,932
1970	193,743	196,588	—2,845	143,158	156,301	—13,143	373,425
1971	188,392	211,425	—23,033	133,785	163,651	—29,866	399,475
1972 (estimate)	197,827	236,610	—38,783	137,788	182,519	—44,731	446,022
1973 (estimate)	220,785	246,257	—25,472	150,617	186,784	—36,167	481,878
Cumulative deficit (1954–73)			—159,768			—225,543	

[1] The unified budget concept includes both Federal funds and trust funds for receipts and outlays. Federal funds correspond roughly to the old administrative concept used by the Federal Government prior to fiscal year 1969. Federal funds are those which the Government administers as owner as distinguished from those administered in a trustee or fiduciary capacity (the trust funds). Historical functions of Government, such as national defense, veterans' benefits, commerce, labor, agriculture, interest on the public debt, and others are paid from Federal funds (tax revenue and borrowed funds). Income taxes (individuals and corporations), most excise taxes, estate and gift taxes, customs duties, and miscellaneous receipts are paid into the Federal funds accounts from which all Federal funds expenditures are paid. All trust funds receipts are paid into the specific trust fund accounts for which the revenue is earmarked. All trust fund payments are made from the specific trust funds accounts. Trust funds surplus receipts are invested in Federal securities (public debt or Federal agencies obligations). At the end of fiscal year 1971 the trust funds owned $96,000,000,000 of public debt securities. Major Federal trust funds are old-age and survivors insurance, disability insurance, health insurance, unemployment, Federal employees retirement, railroad employees retirement, and the highway trust fund.

[2] Since the Second Liberty Bond Act of Sept. 24, 1917, the U.S. Government gross public debt has been subject to a statutory ceiling or maximum limit. Public Law 92–5, Mar. 17 1971, established a debt limit of $400,000,000,000 and temporarily increased the limit to $430,000,000,000 through June 30, 1972. Since 1954 there have been 21 legislative measures increasing or extending the public debt limit. During this period the debt limit has been raised from $275,000,000,000 to $430,000,000,000. New legislation as expected in the immediate future to raise the public debt limit above the current level of $430,000,000,000 so as to permit financing of the current budget deficit.

Sources: U.S.O ffice of Management and the Budget (selected budget documents). U.S. Treasury Department (selected Treasury reports).

As our budget has grown, Congress has been forced to increase its reliance on continuing appropriations measures. These stopgap measures extend the time available for consideration of the budget, but wreak havoc on orderly budgeting and spending. They allow the processes of government to continue, but they do not allow rational planning and spending of funds.

Starting in 1954 Congress dramatically increased its use of the continuing appropriation. Chart 3 presents a record of continuing appropriations since 1954.

CHART 3—A RECORD OF CONTINUING RESOLUTIONS: FISCAL YEARS 1954–72

The single source for this record was the *Final Calendars* for each session of Congress from the 1st Session of the 83rd Congress through the 1st Session, 92nd Congress. Two points of variance in the Calendars' record of continuing resolutions might be noted:

(1) Continuing resolutions and their legislative history were included in the tables titled "Status of Major Bills" at the back of the Calendars for the 91st and 92nd Congresses. They were not included in such tables of the Final Calendars for the 83rd-90th Congresses; however continuing resolutions are listed in the index under "Appropriations, Continuing Resolutions" and their Legislative histories appear under "House Joint Resolutions" in the body of each Calendar.

(2) Continuing resolutions were consistently termed "temporary resolutions" before the 85th Congress and both terms were employed for the same kind of resolution during the 85th and 86th Congresses.

"Temporary resolutions" and "continuing resolutions" are stopgap funding provisions that enable various agencies of the Government to continue their operations uninterrupted pending final action on the regular appropriation bills.

Although the terms are used interchangeably on the floor and in committee, the resolutions are consistently listed as "continuing resolutions" in the Calendars from the 87th Congress to the present.

CONTINUING APPROPRIATIONS, FISCAL YEAR 1954

Number of bill	Reported	Passed House	Reported in Senate	Passed Senate	Reported to conference	Date approved	Law No.
1. H.J. Res. 287	June 27, 1953, Report 681	June 27, 1953	June 27, 1953, Report 474	June 29, 1953	N/A, 1953	June 30, 1953	83–91.

CONTINUING APPROPRIATIONS, FISCAL YEAR 1955

1. H.J. Res. 552	June 30, 1954, Report 2008	June 30, 1954	N/A, 1954	July 2, 1954	N/A, 1954	July 6, 1954	83–475.

CONTINUING APPROPRIATIONS, FISCAL YEAR 1956

1. H.J. Res. 366	June 30, 1955, Report 1033	June 30, 1955	N/A, 1955	June 30, 1955	N/A, 1955	June 30, 1955	84–123.

CONTINUING APPROPRIATIONS, FISCAL YEAR 1957

1. H.J. Res. 671	July 2, 1956, Report 2550	July 2, 1956	N/A, 1956	July 2, 1956	N/A, 1956	July 3, 1956	84–658.

CONTINUING APPROPRIATIONS, FISCAL YEAR 1958

1. H.J. Res. 391	Discharged, 1957	July 1, 1957	N/A, 1957	July 1, 1957	N/A, 1957	July 1, 1957	85–7.
2. H.J. Res. 426	July 30, 1957, Report 931	July 30, 1957	July 30, 1957, Report 771	Aug. 13, 1957	N/A, 1957	Aug. 14, 1957	85–13.

CONTINUING APPROPRIATIONS, FISCAL YEAR 1959

1. H.J. Res. 640	June 27, 1958, Report 2046	June 27, 1958	June 27, 1958, Report 1765	June 27, 1958	N/A, 1958	June 30, 1958	85–472.
2. H.J. Res. 672	July 29, 1958, Report 2298	July 29, 1958	N/A, 1958	July 30, 1958	N/A, 1958	July 31, 1958	85–572.

A RECORD OF CONTINUING RESOLUTIONS: FISCAL YEARS 1954–72—Continued

CONTINUING APPROPRIATIONS, FISCAL YEAR 1954—Continued

Number of bill	Reported	Passed House	Reported in Senate	Passed Senate	Reported to conference	Date approved	Law No.
CONTINUING APPROPRIATIONS, FISCAL YEAR 1960							
1. H.J. Res. 439	June 25, 1959, Report 578	June 30, 1959	June 30, 1959, Report 455	June 30, 1959	N/A, 1959	July 1, 1959	86–76.
2. H.J. Res. 475	N/A, 1959	July 29, 1959	N/A, 1959	July 29, 1959	N/A, 1959	July 31, 1959	86–118.
3. H.J. Res. 510	N/A, 1959	Aug. 31, 1959	N/A, 1959	Aug. 31, 1959	N/A, 1959	Sept. 3, 1959	86–224.
CONTINUING APPROPRIATIONS, FISCAL YEAR 1961							
1. H.J. Res. 778	N/A, 1960	July 1, 1960	N/A, 1960	July 1, 1960	N/A, 1960	July 2, 1960	886–569.
CONTINUING APPROPRIATIONS, FISCAL YEAR 1962							
1. H.J. Res. 465	June 29, 1961, Report 612	June 29, 1961	N/A, 1961	June 29, 1961	N/A, 1961	June 30, 1961	87–65.
2. H.J. Res. 544	N/A, 1961	Aug. 28, 1961	N/A, 1961	Aug. 28, 1961	N/A, 1961	Aug. 30, 1961	87–182.
CONTINUING APPROPRIATIONS, FISCAL YEAR 1963							
1. H.J. Res. 769	June 28, 1962, Report 1944	June 28, 1962	N/A, 1962	June 28, 1962	N/A, 1962	July 1, 1962	87–513.
2. H.J. Res. 839	N/A, 1962	July 26, 1962	July 27, 1962, Report 1789	July 27, 1962	N/A, 1962	July 31, 1962	87–564.
3. H.J. Res. 864	N/A, 1962	Aug. 28, 1962	Aug. 28, 1962, Report 1978	Aug. 29, 1962	N/A, 1962	Aug. 31, 1962	87–625.
4. H.J. Res. 897	N/A, 1962	Sept. 28, 1962	N/A, 1962	Sept. 28, 1962	N/A, 1962	Sept. 29, 1962	87–724.
CONTINUING APPROPRIATIONS, FISCAL YEAR 1964							
1. H.J. Res. 508	June 25, 1963, Report 448	June 25, 1963	June 25, 1963, Report 306	June 25, 1963	N/A, 1963	June 29, 1963	88–55.
2. H.J. Res. 667	N/A, 1963	Aug. 27, 1963	N/A, 1963	Aug. 27, 1963	N/A, 1963	Aug. 28, 1963	88–109.
3. H.J. Res. 782	N/A, 1963	Oct. 28, 1963	N/A, 1963	Oct. 28, 1963	N/A, 1963	Oct. 30, 1963	88–162.
4. H.J. Res. 809	N/A, 1963	Nov. 26, 1963	N/A, 1963	Nov. 27, 1963	N/A, 1963	Nov. 29, 1963	88–188.

CONTINUING APPROPRIATIONS, FISCAL YEAR 1965

1. H.J. Res. 1056	N/A, 1964	June 25, 1964	June 25, 1964, Report 1116	June 25, 1964	N/A, 1964	June 29, 1964	88–325.
2. H.J. Res. 1160	N/A, 1964	Aug. 18, 1964	N/A, 1964	Aug. 18, 1964	N/A, 1964	Aug. 22, 1964	88–488.

CONTINUING APPROPRIATIONS, FISCAL YEAR 1966

1. H.J. Res. 553	June 28, 1965, Report 553	June 28, 1965	N/A, 1965	June 28, 1965	N/A, 1965	June 30, 1965	89–58.
2. H.J. Res. 591	July 28, 1965, Report 689	July 28, 1965	N/A, 1965	July 28, 1965	N/A, 1965	July 30, 1965	89–96.
3. H.J. Res. 639	Aug. 25, 1965, Report 856	Aug. 25, 1965	N/A, 1965	Aug. 30, 1965	N/A, 1965	Sept. 1, 1965	89–159.
4. H.J. Res. 673	Sept. 27, 1965, Report 1095	Sept. 28, 1965	Sept. 29, 1965, Report 796	Sept. 29, 1965	N/A, 1965	Sept. 30, 1965	89–221.
5. H.J. Res. 695	Oct. 13, 1965, Report 1157	Oct. 13, 1965	N/A, 1965	Oct. 13, 1965	N/A, 1965	Oct. 15, 1965	89–256.

CONTINUING APPROPRIATIONS, FISCAL YEAR 1967

1. H.J. Res. 1180	June 27, 1966, Report 1662	June 28, 1966	N/A 1966	June 28, 1966	N/A 1966	June 30, 1966	89–481.
2. H.J. Res. 1284	Aug. 29, 1966, Report 1907	Aug. 29, 1966	N/A, 1966	Aug. 29, 1966	N/A, 1966	Aug. 31, 1966	89–549.
3. H.J. Res. 1308	Sept. 26, 1966	Sept. 28, 1966	N/A, 1966	Sept. 28, 1966	N/A, 1966	Sept. 30, 1966	89–611.

CONTINUING APPROPRIATIONS, FISCAL YEAR 1968

1. H.J. Res. 652	June 21, 1967, Report 374	June 26, 1967	June 27, 1967, Report 366	June 28, 1967	N/A, 1967	June 30, 1967	90–38.
2. H.J. Res. 804	Aug. 24, 1967, Report 596	Aug. 24, 1967	N/A, 1967	Aug. 24, 1967	N/A, 1967	Aug. 29, 1967	90–75.
3. H.J. Res. 853	Sept. 28, 1967, Report 724	Oct. 3, 1967	Oct. 4, 1967, Report 580	Oct. 4, 1967	Oct. 4, 1967	Oct. 5, 1967	90–102.
4. H.J. Res. 936	Discharged, 1967	Nov. 28, 1967	N/A, 1967	Nov. 28, 1967	N/A, 1967	Nov. 28, 1967	90–162.
5. H.J. Res. 888	Oct. 16, 1967, Report 785	Oct. 18, 1967	Oct. 20, 1967, Report 672	Oct. 25, 1967	Dec. 7, 1967, Report 1011	Dec. 18, 1967	90–218.

CONTINUING APPROPRIATIONS, FISCAL YEAR 1969

1. H.J. Res. 1368	June 26, 1968, Report 1588	June 27, 1968	N/A, 1968	June 28, 1968	N/A, 1968	June 29, 1968	90–366.
2. H.J. Res. 1420	July 26, 1968, Report 1800	July 26, 1968	N/A, 1968	July 26, 1968	N/A, 1968	July 31, 1968	90–447.
3. H.J. Res. 1461	Discharged, 1968	Sept. 26, 1968	Sept. 27, 1968	Sept. 30, 1968	N/A, 1968	Oct. 1, 1968	90–451.

CONTINUING APPROPRIATIONS, FISCAL YEAR 1970

1. H.J. Res. 782	N/A, 1969	June 17, 1969	N/A, 1969	June 17, 1969	N/A, 1969	June 18, 1969	91–31.
2. H.J. Res. 790	June 24, 1969, Report 324	June 24, 1969	June 25, 1969, Report 274	June 25, 1969	N/A, 1969	June 30, 1969	91–33.
3. H.J. Res. 966	Oct. 23, 1969, Report 595	Oct. 28, 1969	Nov. 12, 1969, Report 529	Nov. 13, 1969	N/A, 1969	Nov. 14, 1969	91–117.
4. H.J. Res. 1017	Discharged, 1969	Dec. 1, 1969	N/A, 1969	Dec. 4, 1969	N/A, 1969	Dec. 5, 1969	91–141.
5. H.J. Res. 1072	Discharged, 1969	Feb. 2, 1970	Feb. 3, 1970	Feb. 3, 1970	N/A, 1969	Feb. 9, 1970	91–193.
6. H.J. Res. 1232	May 14, 1970, Report 1094	May 14, 1970	N/A, 1969	May 14, 1970	N/A, 1969	May 19, 1970	91–257.

A RECORD OF CONTINUING RESOLUTIONS: FISCAL YEARS 1954–72—Continued

CONTINUING APPROPRIATIONS, FISCAL YEAR 1954—Continued

Number of bill	Reported	Passed House	Reported in Senate	Passed Senate	Reported to conference	Date approved	Law No.
CONTINUING APPROPRIATIONS, FISCAL YEAR 1971							
1. H.J. Res. 1264	June 18, 1970, Rept. 1220	June 24, 1970	June 24, 1970, Rept. 959	June 24, 1970	N/A, 1970	June 24, 1970	91–294.
2. H.J. Res. 1328	July 27, 1970, Rept. 1334	July 28, 1970	July 29, 1970, Rept. 1041	July 29, 1970	N/A	July 30, 1970	91–370.
3. H.J. Res. 1388	Discharged	Oct. 5, 1970	Oct. 6, 1970, Rept. 1280	Oct. 12, 1970	N/A	Oct. 15, 1970	91–454.
4. H.J. Res. 1421	Discharged	Dec. 31, 1970	N/A	Jan. 2, 1971	N/A	Jan. 2, 1971	91–645.
5. H.J. Res. 468	Mar. 15, 1971, Rept. 41	Mar. 18, 1971	Mar. 19, 1971, Rept. 40	Mar. 24, 1971	N/A	Mar. 30, 1971	92–7.
CONTINUING APPROPRIATIONS, FISCAL YEAR 1972							
1. H.J. Res. 742	June 23, 1971, Report 302	June 24, 1971	June 25, 1971, Report 240	June 29, 1971	N/A	July 1, 1971	92–38.
2. H.J. Res. 829	Aug. 2, 1971, Report 439	Aug. 2, 1971	Aug. 5, 1971, Report 354	Aug. 6, 1971	N/A	Aug. 9, 1971	92–71.
3. H.J. Res. 916	Oct. 6, 1971, Report 551	Oct. 6, 1971	Oct. 7, 1971, Report 391	Oct. 8, 1971	N/A	Oct. 15, 1971	92–139.
4. H.J. Res. 946	Nov. 4, 1971, Report 612	Nov. 10, 1971	N/A	Nov. 16, 1971	Nov. 18, 1971, Report 676	Nov. 20, 1971	92–162.
5. H.J. Res. 1005	N/A	Dec. 15, 1971	Dec. 15, 1971, Report 585	Dec. 17, 1971	N/A	Dec. 18, 1971	92–201.

Note: N/A—Not available.

NUMBER OF CONTINUING RESOLUTIONS BY CONGRESS

83d Cong.	2
84th Cong.	2
85th Cong.	4
86th Cong.	4
87th Cong.	6
88th Cong.	6
89th Cong.	8
90th Cong.	8
91st Cong.	11
92d Con. (1st sess.)	5

The continuing appropriations process does little to assure careful Federal planning. It helps to create an uneven funding pattern for Federal programs. Many may be funded late in the fiscal year so that Federal officials are forced to "use or lose" funds in a short period of time because funds not used by the end of the fiscal year revert back to the Treasury. Since 1964 the average delay between the beginning of the fiscal year and passage of all appropriation acts has been over 3 months. In the last 9 years we have passed a total of only seven appropriation acts before the beginning of the fiscal year. This record rests on the base of 116 appropriation measures presented during that period. During our consideration of the fiscal year 1972 budget, four of the 14 measures considered were passed later than 4 months into the new fiscal year. One of the bills was finally passed 252 days into the new fiscal year. Chart 4 illustrates the delay in approval dates for appropriation acts between fiscal 1964 and 1972.

93-764—73——24

CHART 4.—APPROVAL DATES AND NUMBER OF ELAPSED DAYS AFTER BEGINNING OF FISCAL YEAR FOR ALL REGULAR APPROPRIATION ACTS, FISCAL YEARS 1964–72

Titles of appropriation act[1]	Fiscal years— 1964 (1963[2])	1965 (1964[2])	1966 (1965[2])	1967 (1966[2])	1968 (1967[2])	1969 (1968[2])	1970 (1969[2])	1971 (1970[2])	1972 (1971[2])	Total number of elapsed days between start of fiscal year and appropriations: Total	Average per year
Agriculture, environmental and consumer protection programs:											
Date of approval	Dec. 30	Sept. 2	Nov. 2	Sept. 7	Oct. 24	Aug. 3	Nov. 26	Dec. 22	Aug. 10		
Number of days elapsed beyond beginning of fiscal year	183	64	125	69	116	39	149	175	41	961	107
Department of Defense:											
Date of approval	Oct. 17	Aug. 19	Sept. 29	Oct. 15	Sept. 29	Oct. 17	Dec. 29	Jan. 1, 1971	Dec. 18		
Number of days elapsed beyond beginning of fiscal year	109	50	91	107	91	109	182	185	171	1,095	122
District of Columbia:											
Date of approval	Dec. 30	Aug. 22	July 16	Nov. 2	Nov. 13	Aug. 10	Dec. 24	July 16	Dec. 18		
Number of days elapsed beyond beginning of fiscal year	183	53	16	125	136	41	177	16	171	918	102
Office of Education:											
Date of approval	([3])	([3])	([3])	([3])	([3])	([3])	([3])	Aug. 18	July 9		
Number of days elapsed beyond beginning of fiscal year								49	9	58	29
Foreign assistance and related agencies:											
Date of approval	Jan. 1, 1964	Oct. 7	Oct. 20	Oct. 15	Feb. 2, 1968	Oct. 17	Feb. 1, 1970	Dec. 31	Mar. 8, 1972		
Number of days elapsed beyond beginning of fiscal year	190	99	112	107	217	109	216	184	252	1,486	165
Independent offices and Department of HUD:											
Date of approval	Dec. 19	Aug. 30	Aug. 16	Sept. 6	Nov. 3	Oct. 4	Nov. 26	Dec. 17	Aug. 10		
Number of days elapsed beyond beginning of fiscal year	172	61	47	68	126	96	149	170	41	930	103
Department of Interior and related agencies:											
Date of approval	July 26	July 7	June 28	May 31	June 24	July 26	Oct. 29	July 31	Aug. 10		
Number of days elapsed beyond beginning of fiscal year	26	7	----------			26	121	31	41	252	28
Labor and Health, Education, and Welfare and related agencies:											
Date of approval	Oct. 11	Sept. 19	Aug. 31	Nov. 7	Nov. 8	Oct. 11	Jan. 26, 1970	Jan. 11, 1971	Aug. 10		
Number of days elapsed beyond beginning of fiscal, year	103	81	62	130	131	103	210	195	41	1,056	117

Legislative branch:																			
Date of approval	Dec.	30	Aug.	20	July	27	Aug.	27	July	28	July	23	Dec.	12	Aug.	18	July	9	
Number of days elapsed beyond beginning of fiscal year		183		51		27		58		28		23		165		49		9	593	66
Military construction:																			
Date of approval	Dec.	21	Sept.	2	Sept.	25	Nov.	2	Dec.	8	Sept.	26	Dec.	29	Dec.	11	Nov.	18	
Number of days elapsed beyond beginning of fiscal year		174		64		87		125		161		88		182		164		141	1,186	132
Public works and AEC:																			
Date of approval	Dec.	31	Aug.	30	Oct.	28	Oct.	15	Nov.	20	Aug.	12	Dec.	11	Oct.	7	Oct.	5	
Number of days elapsed beyond beginning of fiscal year		184		61		120		107		143		43		164		99		97	1,018	113
Department of State, Justice, Commerce, the Judiciary and related agencies:																			
Date of approval	Dec.	30	Aug.	31	Sept.	2	Nov.	8	Nov.	8	Aug.	9	Dec.	24	Oct.	21	Aug.	10	
Number of days elapsed beyond beginning of fiscal year		183		62		64		131		131		40		177		113		41	942	105
Department of Transportation and related agencies:																			
Date of approval		(4)		(4)		(4)		(4)	Oct.	23	Aug.	8	Dec.	26	Mar.	30, 1971	Aug.	10	
Number of days elapsed beyond beginning of fiscal year										115		39		179		273		41	647	129
Treasury, Postal Service, and Executive Office of the President:																			
Date of approval	June	13	Aug.	1	June	30	June	29	July	7	June	9	Sept.	29	Sept.	26	July	9	
Number of days elapsed beyond beginning of fiscal year				32						7				91		88		9	227	25
National Aeronautics and Space Administration:																			
Date of approval		(5)		(5)		(5)		(5)	Nov.	8		(5)		(5)		(5)		(5)	
Number of days elapsed beyond beginning of fiscal year										131									131	131
Number of regular appropriation acts		12		12		12		12		14		13		13		14		14	
Number of acts approved prior to July 1		1		0		2		2		1		1		0		0		0	
Total number of days elapsed between start of fiscal year and approval of appropriation acts		1,690		685		751		1,027		1,533		756		2,162		1,791		1,105	11,500	1,278

[1] The titles of the appropriation acts are listed on the basis of fiscal year 1972 breakdown. Through the years there have been changes in some of the agencies and activities included in specific appropriation acts.

[2] The years listed at the head of the columns represent the calendar years applicable to the approval date of the specific acts.

[3] Prior to fiscal year 1971, appropriations for the Office of Education were included in the Labor, HEW Appropriation Act.

[4] Prior to establishment of the Department of Transportation, appropriations for various activities of this department were distributed among several appropriations acts, i.e., Coast Guard in the Treasury Act, highways in Commerce Act, and Federal Aviation Administration in independent offices, etc.

[5] Appropriations for the National Aeronautics and Space Administration were provided in a separate act for fiscal year 1968. NASA appropriations generally are included in the independent offices and Department of Housing and Urban Development Appropriations Act.

Source: U.S. Statutes at Large.

If Congress were able to consider the budget on a 12-month cycle the use of the continuing resolution could be substantially reduced. More importantly, Congress could become involved in developing long-range plans for Federal spending. Chart 4A illustrates congressional progress on passing budget measures as of May 25, 1972.

CHART 4A.—FISCAL YEAR 1973 APPROPRIATION BILLS, AND SUPPLEMENTAL APPROPRIATION BILLS FOR FISCAL YEAR 1972—SHOWING BUDGET AUTHORITY AND ESTIMATED OUTLAYS BY BILL, AS REQUESTED BY THE PRESIDENT, AS PASSED BY THE HOUSE AND SENATE, AND AS ENACTED IN THE 2D SESS. OF THE 92D CONG.

[In thousand of dollars]

	Budget request	House action to date	Senate action to date	Enacted
FISCAL YEAR 1973				
Legislative branch (H.R. 13955):				
Budget authority in bill	[1] 519,348	427,605	514,723	(7)
Requests not considered		85,721		
Outlays	523,054	436,390	518,754	
Requests not considered		81,164		
Outlays from current (1973) budget authority	[469,198]	[382,534]	[464,898]	
Requests not considered		[81,164]		
State, Justice, Commerce, the judiciary and related agencies (H.R. 14989):				
Budget authority in bill	[1] 4,704,327	4,587,104		
Requests not considered		16,338		
Adjustment to budget basis [4]	+138,690	+138,690		
Appropriations to liquidate contract authority	(233,312)	(233,312)		
Outlays [2]	4,286,768	4,199,495		
Requests not considered		13,273		
Outlays from current (1973) budget authority	[2,905,619]	[2,818,346]		
Requests not considered		[13,273]		
Housing and Urban Development, Space, Science, and related agencies (H.R. 15093):				
Budget authority in bill	[1] 20,258,183	19,718,490		
Requests not considered		84,998		
Outlays	19,055,965	19,023,035		
Requests not considered		2,430		
Outlays from current (1973) budget authority	[14,726,766]	[14,693,836]		
Requests not considered		[2,430]		
Transportation and related agencies (H.R. 15097):				
Budget authority in bill	[1] 2,946,542	2,791,614		
Requests not considered		37,361		
Adjustments to budget basis [5]	−118,834	−80,400		
Appropriations to liquidate contract authority	(5,418,000)	(5,393,990)		
Advance (1974) appropriation	(131,181)	(131,181)		
Outlays [2]	8,511,957	8,429,457		
Requests not considered		7,500		
Outlays from current (1973) budget authority	[2,076,888]	[2,012,388]		
Requests not considered		[7,500]		
Agriculture and Environmental and Consumer Protection:				
Budget authority in bill	[1] 12,952,220			
Appropriations to liquidate contract authority	(195,500)			
Outlays [2]	12,270,420			
Outlays from current (1973) budget authority	[10,226,616]			
Department of Defense:				
Budget authority in bill	[1] 76,986,184			
Outlays	72,586,284			
Outlays from current (1973) budget authority	[54,926,357]			
District of Columbia:				
Budget authority in bill	343,306			
Outlays	371,048			
Outlays from current (1973) budget authority	[343,306]			
Foreign assistance and related agencies:				
Budget authority in bill	[1] 5,163,024			
Outlays	3,483,594			
Outlays ,from current (1973) budget authority	[1,314,797]			
Interior and related agencies:				
Budget authority in bill	[1] 2,527,154			
Appropriations to liquidate contract authority	(228,540)			
Outlays	2,533,657			
Outlays from current (1973) budget authority	[1,785,873]			
Labor, Health Education, and Welfare, and related agencies:				
Budget authority in bill	[1] 32,317,498			
Outlays	30,427,340			
Outlays from current (1973) budget authority	[21,780,679]			
Military construction:				
Budget authority in bill	[3] 3,017,800			
Outlays	1,998,300			
Outlays from current (1973) budget authority	[640,641]			

CHART 4A.—FISCAL YEAR 1973 APPROPRIATION BILLS, AND SUPPLEMENTAL APPROPRIATION BILLS FOR FISCAL YEAR 1972—SHOWING BUDGET AUTHORITY AND ESTIMATED OUTLAYS BY BILL, AS REQUESTED BY THE PRESIDENT, AS PASSED BY THE HOUSE AND SENATE, AND AS ENACTED IN THE 2D SESS. OF THE 92D CONG.—Continued

[In thousand of dollars]

	Budget request	House action to date	Senate action to date	Enacted
Public Works and Atomic Energy:				
Budget authority in bill	[1] [2] 5,489,058			
Appropriations to liquidate contract authority	(53,000)			
Outlays [2]	5,709,840			
Outlays from current (1973) budget authority	[3,092,677]			
Treasury, Postal Service, and general Government:				
Budget authority in bill	[1] 5,066,603			
Outlays	5,186,644			
Outlays from current (1973) budget authority	[3,767,330]			
1972 Foreign Assistance and related agencies (H.R. 12067, Public Law 92-242) (scorekeeping effect of congressional action in current session):				
Outlays		[4] −105,000	[4] −105,000	−105,000
Urgent supplemental, 1972 (H.J. Res. 1097, Public Law 92-256):				
Outlays	5,765	5,765	5,765	5,765
2d supplemental, 1972 (H.R. 14582):				
Outlays	415,389	250,139	956,889	[8] 501,889
Requests not considered		65,250	8,500	8,500
Total, fiscal year 1973:				
Budget authority in bills	172,291,247	27,524,813	514,723	
Requests not considered		224,418		
Adjustments to budget basis [5] [6]	+19,856			
Total, budget authority	172,311,103			
Appropriations to liquidate contract authority	(6,128,352)	(5,627,302)		
Advance (1974) appropriation	(131,181)	(131,181)		
Outlays [2]	167,366,025	32,239,281	1,376,408	402,654
Requests not considered		169,617	8,500	8,500
Outlays from current (1973) budget authority	[118,056,747]	[19,907,104]	[464,898]	
Requests not considered		[104,367]		
FISCAL YEAR 1972				
Foreign assistance and related agencies, 1972 (H.R. 12067, Public Law 92-242) (scorekeeping effect of congressional action in current session):				
Budget authority		[4] −353,230	[4] −353,230	−353,230
Outlays		[4] −50,000	[4] −50,000	−50,000
Urgent supplemental, 1972 (H.J. Res. 1097, Public Law 92-256):				
Budget authority	957,476	957,476	957,476	957,476
Outlays	951,711	951,711	951,711	951,711
2d supplemental, 1972 (H.R. 14582):				
Budget authority	4,881,943	3,954,453	5,063,517	[8] 4,347,698
Budget authority treated in bill as offsetting receipts	66,138	66,138	66,138	66,138
Appropriations to liquidate contract authority	(33,000)	(33,000)	(33,000)	(33,000)
Requests not considered		106,682	16,000	16,000
Outlays	4,229,010	3,848,400	3,991,510	3,956,510
Requests not considered		15,610	7,500	7,500
Supplemental, special payments to international financial institutions, 1972 (H.J. Res. 1174, Public Law 92-301):				
Budget authority	1,600,000	1,600,000	1,600,000	1,600,000
Total, fiscal year 1972:				
Budget authority	7,505,557	6,224,837	7,333,901	6,618,082
Outlays	5,180,721	4,750,111	4,893,221	4,858,221

[1] Amended by H. Doc. 267, 268, 271, 272, 275, 277, 278, 286, 289, 291, 292, 300, and 301.
[2] Includes outlays from appropriations to liquidate contract authority.
[3] Includes $180,000,000 for Appalachian development, carried in the budget as permanent contract authority with $175,000,000 in appropriations to liquidate contract authority, and treated in the bill as direct appropriation.
[4] Enacted figure used for comparability.
[5] To adjust to budget basis, add $138,690,000 for maritime subsidies treated in budget as budget authority, and in the bill as appropriation to liquidate contract authority.
[6] To adjust to budget basis (1) deduct $125,419,000 for Urban Mass Transportation appropriation which under law automatically is offset against prior year contract authority, (2) add $6,585,000 appropriation to airway trust fund treated in budget as offsetting receipt and as nonadd item in the transportation bill.
[7] Subject to or in conference.
[8] Pending signature.

The Fiscal Responsibility Act requires Congress to consider the economic state of the country at the beginning of each budgetary cycle. It is required to establish an overall limitation on expenditures 45 days after the President's economic message. Congress is encouraged at that time to establish a comprehensive plan for Federal budget priorities. Additionally, the Fiscal Responsibility Act re-establishes the fiscal year to coincide with the calendar year.

In 1842 Congress authorized changing the beginning of the fiscal year from January 2 to July 1. They customarily would meet in December to pass all the appropriations bills before January 1. The change in the fiscal year was required so that the Congress would review the budget carefully. Congress is now a full-time job. Our budget considerations should take into account changes in the budget. We now use machinery which we used 40 years ago to consider $5 billion budgets. If Congress is not to abdicate its responsibilities completely, it must modernize its mechanism to consider our budget of $240 billions. Deliberations on the budget would then become a series of competing spending decisions between departments and agencies. We have heard a great deal of rhetoric lately about changing the Nation's priorities, but Congress cannot have a hand in this process until it starts to consider the budget as a plan for action which makes basic choices between competing categories. Aaron Wildavsky, author of "The Politics of Budgetary Process," describes several different uses for the budget. He states that it is a financial document, a plan of "intended behavior," a statement of goals, a choice mechanism, and a contract. In recent years Congress has worked from the President's budget exclusively so that its adjustments have been made without reference to an overall congressionally established spending plan. The rules in the budget which include planning and evaluation are lacking in congressional deliberation. This seems incongruous in light of the many thousands of hours of thought and work which goes into individual pieces of legislation which creates the programs the budget later funds.

In the last 5 years Congress has found it necessary to pass 29 supplemental appropriations bills. These represent several midyear corrections in Federal spending policy. However, they also represent a serious deficiency in congressional budgetary planning. In the last 9 fiscal years we have appropriated almost $10 billion a year through supplementals. Chart 5 presents a record of supplemental appropriations since 1964. Chart 5A presents the cost of these supplemental measures for each fiscal year since 1964.

CHART 5.—A RECORD OF SUPPLEMENTAL RESOLUTIONS, FISCAL YEARS 1964–72

SUPPLEMENTAL APPROPRIATIONS, FISCAL YEAR 1964

Number of bill	Reported	Passed House	Reported in Senate	Passed Senate	Reported to conference	Date approved	Law No.
1. H.J. Res. 875(HEW)	Dec. 14 (63) Report 1401	Dec. 19, 1963	Dec. 20, 1963	Dec. 21, 1963	(1)	Feb. 10, 1963	88–268, 1963.

SUPPLEMENTAL APPROPRIATIONS, FISCAL YEAR 1965

1. H.R. 12633	Sept. 17 (64) Report 1891	Sept. 22, 1964	Sept. 29, 1964	Oct. 1, 1964	Oct. 1, 1964	Oct. 7, 1964	88–635.
2. H.J. Res. 234 (Agriculture)	Jan. 26 (65) Report 2	Jan. 26, 1965	Feb. 1, 1965	Feb. 3, 1965	Feb. 8, 1965	Feb. 11, 1965	89–2.
3. H.R. 7091 (Second)	Apr. 2 (65) Report 224	Apr. 6, 1965	Apr. 23, 1965	Apr. 27, 1965	Apr. 28, 1965	Apr. 30, 1965	89–16.
4. H.J. Res. 447 (Defense)	May 5 (65) Report 286	May 5, 1965	May 5, 1965	May 6, 1965	N/A, 1965	May 7, 1965	89–18.

SUPPLEMENTAL APPROPRIATIONS, FISCAL YEAR 1966

1. H.R. 10586 (Labor, HEW)	Aug. 19 (65) Report 818	Aug. 24, 1965	Sept. 2, 1965	Sept. 7, 1965	Sept. 7, 1965	Sept. 23, 1965	89–199.
2. H.R. 11588	Oct. 13 (65) Report 1162	Oct. 14, 1965	Oct. 19, 1965	Oct. 20, 1965	Oct. 20, 1965	Oct. 31, 1965	89–309.
3. H.R. 13546 (Defense)	Mar. 11 (66) Report 1316	Mar. 15, 1966	Mar 17, 1966	Mar. 22, 1966	(2)	Mar. 25, 1966	89–374.
4. H.R. 14012 (Second)	Mar. 25 (66) Report 1349	Mar. 29, 1966	Apr. 25, 1966	Apr. 27, 1966	May 3, 1966	May 13, 1966	89–426.

SUPPLEMENTAL APPROPRIATIONS, FISCAL YEAR 1967

1. H.R. 18381	Oct. 14 (66) Report 2284	Oct. 18, 1966	Oct. 19, 1966	Oct. 20, 1966	Oct. 27, 1966	Oct. 27, 1966	89–697.
2. H.R. 7123 (Defense)	Mar. 13 (67) Report 119	Mar. 16, 1967	Mar. 17, 1967	Mar. 20, 1967	(3)	Apr. 4, 1967	90–8.
3. H.R. 9481 (Second)	Apr. 28 (67) Report 217	May 3, 1967	May 17, 1967	May 19, 1967	May 23, 1967	May 29, 1967	90–21.

SUPPLEMENTAL APPROPRIATIONS, FISCAL YEAR 1968

1. H.R. 14397	Dec. 12 (67) Report 1037	Dec. 12, 1967	Dec. 13, 1967	Dec. 14, 1967	Dec. 14, 1967	Jan. 2, 1968	90–239.
2. H.J. Res. 1268 (highways and claims)	May 9 (68) Report 1373	May 9, 1968	June 12, 1968	June 13, 1968	N/A	June 19, 1968	90–352.
3. H.R. 17734 (Second)	June 7 (68) Report 1531	June 11, 1968	June 19, 1968	June 26, 1968	June 27, 1968	July 9, 1968	90–392.

CHART 5.—A RECORD OF SUPPLEMENTAL RESOLUTIONS, FISCAL YEARS 1964–72—Continued

SUPPLEMENTAL APPROPRIATIONS, FISCAL YEAR 1964—Continued

Number of bill	Reported	Passed House	Reported in Senate	Passed Senate	Reported to conference	Date approved	Law No.
SUPPLEMENTAL APPROPRIATIONS, FISCAL YEAR 1969							
1. H.R. 20300	Oct. 7 (68) Report 1953	Oct. 9, 1968	Oct. 9, 1968	Oct. 10, 1968	Oct. 10, 1968	Oct. 21, 1968	90–608.
2. H.J. Res. 414 (unemployment compensation.)	N/A	Feb. 6, 1969	N/A	Feb. 7, 1969	N/A	Feb. 9, 1969	91–2.
3. H.J. Res. 584	Mar. 24 (69) Report 91–112	Mar. 25, 1969	Mar. 26, 1969	Mar. 27, 1969	N/A	Apr. 1, 1969	91–7.
4. H.R. 11400 (Second)	May 15 (69) Report 91–252	May 21, 1969	June 11, 1969	June 19, 1969	June 24, 1969	July 22, 1969	91–47.
SUPPLEMENTAL APPROPRIATIONS, FISCAL YEAR 1970							
1. H.R. 15209	Dec. 11 (69), Report 91–747	Dec. 11, 1969	Dec. 17, 1969	Dec. 18, 1969	Dec. 19, 1969	Dec. 26, 1969	91–166.
2. H.R. 17399 (Second)	Apr. 30 (70), Report 91–1033	May 7, 1970	June 8, 1970	June 22, 1970	June 23, 1970	July 6, 1970	91–305.
SUPPLEMENTAL APPROPRIATIONS, FISCAL YEAR 1971							
1. H.R. 19928	Dec. 9 (70), Report 91–1688	Dec. 10, 1970	Dec. 11, 1970	Dec. 14, 1970	Dec. 15, 1970	June 8, 1971	91–665.
2. H.J. Res. 465 (Labor)	Mar. 15 (71), Report 92–40	Mar. 16, 1971	Mar. 16, 1971	Mar. 16, 1971	N/A	Mar. 17, 1971	92–4.
3. H.J. Res. 567 (Urgent)	Apr. 22 (71), Report 92–144	Apr. 22, 1971	Apr. 23, 1971	Apr. 23, 1971	N/A	Apr. 30, 1971	92–11.
4. H.R. 8190 (Second)	May 6 (71), Report 92–187	May 12, 1971	May 13, 1971	May 19, 1971	May 20, 1971	May 25, 1971	92–18.
SUPPLEMENTAL APPROPRIATIONS, FISCAL YEAR 1972							
1. H.J. Res. 915 (Labor)	Oct. 6 (71) Report 92–550	Oct. 6, 1971	Oct. 7, 1971	Oct. 8, 1971	N/A	Oct. 15, 1971	92–141.
2. H.R. 11955	Nov. 30 (71) Report 92–689	Dec. 2, 1971	Dec. 2, 1971	Dec. 3, 1971	Dec. 6, 1971	Dec. 15, 1971	92–184.
3. H.J. Res. 1097 (Second)	Mar. 9 (72) Report 92–909	Mar. 14, 1972	Mar. 14, 1972	Mar. 15, 1972	N/A	Mar. 21, 1972	92–256.
4. H.R. 14582 (Second)	Apr. 24 (72) Report 92–1015	Apr. 26, 1972	Apr. 27, 1972	May 1, 1972	May 3, 1972		

[1] Senate agreed to House amendments to Senate amendment Jan. 29, 1964.
[2] House agrees to Senate amendments Mar. 23, 1966.
[3] House agrees to Senate amendments Mar. 21, 1967

Note: N/A—Not available.

Source: The Final Calendar for each Congress, 88th–91st, and the Calendar of May 3, 1972 of the 2d sess., 92d Cong. Supplemental resolutions and their legislative history are included in a table for each session titled "Status of Major Bills" at the back of the Calendars.

CHART 5A.—TOTAL DOLLAR AMOUNT FOR SUPPLEMENTALS

FISCAL YEARS 1964–72[1]

Fiscal year and Public Law	
1964: 88–264 (total)	$289, 688, 000
1965:	
88–635	1, 117, 196, 068
89–2	1, 600, 000, 000
89–16	2, 227, 563, 977
89–18	700, 000, 000
Total	5, 644, 760, 045
1966:	
89–199	1, 223, 181, 500
89–309	4, 741, 644, 602
89–374	13, 135, 719, 000
89–426	2, 788, 143, 303
Total	21, 888, 688, 405
1967:	
89–697	5, 025, 264, 579
90–8	12, 196, 520, 000
90–21	2, 197, 931, 417
Total	19, 419, 715, 996
1968:	
90–239	1, 842, 923, 790
90–352	50, 980, 863
90–392	6, 295, 831, 498
Total	8, 189, 736, 151
1969:	
90–608	446, 688, 727
1969:	
90–608	
91–2	36, 000, 000
91–7	1, 000, 000, 000
91–47	4, 352, 357, 644
Total	5, 835, 046, 371
1970:	
91–166	278, 281, 318
91–305	6, 021, 535, 005
Total	6, 299, 816, 323
1971:	
91–665	1, 853, 372, 792
92–4	50, 675, 000
92–11	1, 037, 872, 000
92–18	7, 028, 195, 973
Total	9, 970, 115, 765

See footnote at end of table.

CHART 5A.—TOTAL DOLLAR AMOUNT FOR SUPPLEMENTALS—Continued

FISCAL YEARS 1964–72 [1]—Continued

Fiscal year and Public Law—Continued	
1972:	
92–141	$270, 500, 000
92–184	3, 406, 385, 371
92–256	957, 476, 059
(In conference)	4, 347, 698, 270
Total	8, 982, 059, 700

[1] These figures represent new budget—obligational—authority, not budget expenditures—budget outlays—which in addition to expenditures from new budget authority include billions of dollars of expenditures from carryover balances of appropriations made in previous years, and also expenditures from certain so-called permanent appropriations, such as interest on the public debt and a number of trust funds which Congress is not required to act upon at each session. Neither were release of reserves counted.

Source: Congressional Record—end-of-the-year tables titled "New Budget (Obligational) Authority in the Appropriation Bills, fiscal year ——" and general discussion on the supplemental bills themselves.

The Federal Fiscal Responsibility Act provides for periodic reassessments during the year of the congressional expenditure limitation. The Director of the Office of Management and Budget is required to submit a report to Congress at the end of the second and third quarters which details his estimate of how well Federal spending policies are complying with the expenditures limitation. If the Director estimates that spending will be in excess of the limitation for the present fiscal year he can establish pro-rata reductions in all Federal departments and agencies to bring spending in line with the limitation. Upon submission of the Director's report Congress has 30 days to specify or exempt appropriations categories where the reductions shall be made. This allows the Congress an on-going responsibility in staying within its own spending limits. Previous congressional expenditures limitations have been exceeded because Congress did not continue to monitor spending levels after they had established their priorities.

Several Members of Congress have introduced measures which would regulate executive impoundment of funds. The President has claimed the right not to spend appropriated funds since the time of Jefferson. The practice has become more widespread since the Dawes memorandum of 1921. Charles Dawes, the first Director of the Bureau of the Budget, stated that appropriations from the Congress were to be treated as ceilings on expenditures rather than as directives to spend the full amount." Louis Fisher, who has written extensively on the Federal budgetary process, comments that the passage of the Employment Act of 1946 broadened the President's role in determining economic policy. This has led all postwar Presidents toward the use of impoundment as one of their anti-inflationary tools.

The impoundment of funds has been hotly debated since the Dawes memorandum. It can be defined as the withholding or delaying of expenditure or obligation of appropriated funds.

There is some question as to what constitutes impoundment for appropriated funds which are made available on an "until expended basis." However, the President's use of impoundment is made more open to inquiry for funds which are appropriated on an annual basis. In a 1969 memorandum Assistant Attorney General Rehnquist questioned the practice of impoundment. He said:

With respect to the suggestion that the President has a constitutional power to decline to spend appropriated funds, we must conclude that existence of such a broad power is supported neither by reason or precedent.

He continued:

It may be argued that the spending of money is inherently an executive function, but the execution of any law is, by definition, an executive function and it seems an analogous proposition that because the executive branch is bound to execute the laws, it is free to decline to execute them.

Congress must use on-going evaluations as well as regulation of impoundment to insure that its appropriations acts will be carried out.

The Fiscal Responsibility Act establishes two types of impoundment. The first is a pro rata reduction across the board in any department or agency, If the President decides to impound on this basis he must notify Congress of his impoundment. Either House of Congress then has 60 days to disapprove of the

impoundment. The President is allowed to establish variations of up to 10 percent between appropriations categories. This allows the President sufficient flexibility in carrying out his economic policies while preserving congressional prerogatives in establishing spending categories.

The second type of impoundment established in the bill is called special impoundment. In cases where the President decides that he wants to impound in one budget category without regard to the prorata restrictions established under the regular impoundment procedure, he must come to Congress 30 days in advance of his proposed impoundment. Either House of Congress then has 30 days to disapprove of the proposed action. In cases of special impoundment Congress should have the opportunity to express its wishes on proposed cuts in a program prior to its implementation. The most common reasons given for impoundment are related to economic considerations. When impoundment is carried out for noneconomic considerations such as in impoundment which is targeted against a particular program or activity Congress should have the opportunity to review the proposed action taking into account the program goals established in the authorizing legislation.

In order to show the impact of impoundment on the Federal Budget Chart 6 is a copy of a statement of budgetary reserves compiled by Caspar Weinberger in April of this year.

BUDGETARY RESERVES, APRIL 1972

Under authority delegated by the President, the Office of Management and Budget operates a system of apportioning the funds provided by the Congress. The apportionments generally are for the current fiscal year and limits the amounts the agencies may obligate during specified periods.

There are occasions when the amounts of available funds are not fully apportioned. That is, some amounts are either withheld from apportionment, or their use is temporarily deferred. In these cases, the funds not apportioned are said to be held or placed "in reserve." This practice is one of long standing and has been exercised by both Republican and Democratic Administrations as a customary part of financial management.

The reasons for withholding or deferring the apportionment of available funds usually are concerned with routine financial administration. They have to do with the effective and prudent use of the financial resources made available by the Congress. Thus, specific apportionments sometimes await (1) development by the affected agencies of approved plans and specifications, (2) completion of studies for the effective use of the funds, including necessary coordination with the other Federal and non-Federal parties that might be involved, (3) establishment of a necessary organization and designation of accountable officers to manage the programs, (4) the arrival of certain contingencies under which the funds must by statute be made available (e.g., certain direct Federal credit aids when private sector loans are not available). In other cases the funds may be withheld in accordance with provisions of the Anti-Deficiency Act (31 U.S.C. 665) for such reasons as a change in conditions since they were appropriated or to take advantage of previously unforeseen opportunities for savings.

Table A, attached, lists the items and amounts currently reserved for such routine financial administration. They total $9.4 billion, which is a reduction of more than $1 billion since January of this year. This reduction is indicative of the fact that amounts are frequently released from reserve—and put to use—during each fiscal year as plans, designs, specifications, studies, project approvals, and so on are completed. As a result, the total amount held in reserve usually reaches a low point at the end of the fiscal year.

The reserves established for reasons of routine financial administration are recognized by all concerned to be temporary deferrals, and their need or wisdom is usually not questioned. In addition, however, there has been a long-standing and consistent practice in both Republican and Democratic Administrations to establish some—a much smaller amount of—reserves for reasons other than routine financial administration. It is these later reserves which have sometimes been criticized as "impoundments" of funds.

Amounts being held in reserve for reasons other than routine financial administration generally could be used (i.e., obligated) during the apportionment time period. They have not been apportioned from time to time for such reasons as the Executive's responsibility to (1) help keep total Government spending within a congressionally-imposed ceiling, (2) help meet a statutory limitation

on the outstanding public debt, (3) develop a governmentwide financial plan for the current year that synchronizes program-by-program with the budget being recommended by the President for the following year, or (4) otherwise carry out broad economic and program policy objectives.

Table B, attached, lists the items and amounts currently held in reserve for reasons other than routine financial administration. They total $1.6 billion, a reduction of almost $200 million from the amount so reserved in January of this year.

The total of all current reserves (i.e., Tables A and B) is 4.6% of the total unified budget outlays estimated for fiscal 1972. The comparable percentage at the end of fiscal years 1959 through 1961 ranged from 7.5% to 8.7%. At the end of fiscal 1967, it stood at 6.7%, and a range in the neighborhood of 6% has been normal in recent years. The amount currently reserved is expected to decline still further during the remainder of the fiscal year.

(In thousands of dollars)

Agency and account:	Amount
Executive Office of the President:	
Council on Environmental Quality and Offices of Environmental Quality	53
Apportionment awaits development of proposals for contract studies of environment problems.	
National Security Council	108
Apportionment awaits development by the agency of approved plans.	
Special Action Office for Drug Abuse Prevention	682
Apportionment represents the balance of appropriation which cannot be utilized by the Office in 1972 due to late enactment of legislation. Release will occur as needed in 1973 operations.	
Funds appropriated to the President:	
Appalachian Regional Development Programs	40,000
Apportionment awaits development of approved plans and specifications.	
Economic Stabilization Activities	300
A total of $100 thousand is reserved for subsequent use, as needed and anticipated, by the U.S. Courts in support of the Temporary Emergency Court of Appeals. The remainder is reserved for contingencies and will be apportioned as required.	
International Security Assistance:	
Foreign military credit sales	98,100
Apportionment awaits development by affected agencies of coordinated plans and specifications.	
International development assistance:	
Prototype desalting plant	20,000
Apportionment awaits development by the agency of approved plans and specifications.	
Inter-American Foundation	41,642
Amount represents balance of initial funding from AID transfer to cover first 4 years of the Foundation's operations. Apportionments will continue to be made annually as plans and specifications are developed.	
Department of Agriculture:	
Agricultural Research Service:	
Construction	70
Represents residual amount of appropriation for planning that is not required for that purpose. Apportionment awaits additional appropriation for construction.	
Scientific Activities Overseas (special foreign currency program)	352
Amount shown here is in excess of current estimates of 1972 needs. If conditions change and the funds are needed, apportionments will be made.	

TABLE A.—*Budgetary reserve for routine financial administration, April 1972*

[In thousands of dollars]

TABLE A.—*Budgetary reserve for routine financial administration, April 1972*—Continued

[In thousands of dollars]

	Amount
Animal and Plant Health Service	2,049
This amount is in excess of current estimate of 1972 needs. The funds will be apportioned, if needed, for animal and pest control.	
Farmers Home Administration:	
Mutual and self-help housing grants	729
Amount shown here is in excess of current estimates of 1972 needs. If conditions change and the funds are needed, apportion will be made.	
Direct loan account (farm operating loans limitation)	49,453
Amount reflects balances of loan authority now held pending demonstration of the need for funds.	
Consumer and Marketing Service:	
Consumer protective marketing, and regulatory programs	850
Amounts shown here is in excess of 1972 needs. If conditions change and funds are needed, apportionments will be made.	
Perishable Commodities Act Fund	1
Amounts shown here is in excess of current estimates of 1972 needs. If conditions change and the funds are needed, apportionments will be made.	
Forest Service:	
Forest protection and utilization:	
Cooperative range improvement	624
Amount shown here is in excess of current estimates of 1972 needs. If conditions change and the funds are needed, apportionments will be made.	
Youth Conservation Corps	1,730
These funds will be release later for the fiscal year 1973 portion of the calendar year summer program.	
Forest roads and trails	402,040
Reserve reflects amount of available contract authority above the obligation program that was approved and financed by the appropriation Congress enacted to liquidate the obligations.	
Expenses, brush disposal	13,803
Amount shown here is in excess of current estimates of 1972 needs. If conditions change and the funds are needed, apportionments will be made.	
Forest Fire Prevention	115
Amount shown here is in excess of current estimates of 1972 needs. If conditions change and the funds are needed, apportionments will be made.	
Department of Commerce:	
Bureau of the Census:	
19th Decennial Census	11,028
These funds are to be used for printing costs and will be apportioned when needed for this purpose.	
Regional Action Planning Commissions:	
Regional Action Planning Commissions	300
Funds will be released when Mississippi Valley Regional Commission is formed.	
Promotion of industry and commerce:	
Trade adjustment assistance (financial assistance)	50,000
Amount shown here is in excess of current estimates of 1972 needs. If conditions change and the funds are needed, apportionments will be made.	
Inter-American Cultural and Trade Center	5,446
Funds will be released when plans for participation in U.S. Bicentennial are completed and approved.	

TABLE A.—*Budgetary reserve for routine financial administration, April 1972*—Continued

[In thousands of dollars]

	Amount
National Oceanic and Atmospheric Administration:	
Research, development, and facilities	294
These funds are for disaster relief to fisheries. Apportionment awaits arrival of contingencies under which the funds must, by statute, be made available.	
Research, development, and facilities: (special foreign currency program)	411
Apportionment awaits development of research contracts with foreign organizations.	
Promote and develop fishery products and research pertaining to American fisheries	257
Amount shown here is in excess of current estimates of 1972 needs. If conditions change and the funds are needed, apportionments will be made.	
National Bureau of Standards:	
Plant and facilities	1,495
Funds are for a new laboratory now in the planning stage. Apportionment awaits development of approved plans and specifications.	
Department of Defense—Military Shipbuilding and conversion	1,388,946
For use in subsequent years; these projects are fully funded when appropriated.	
Other procurement programs	21,020
For use in subsequent years; these projects are fully funded when appropriated.	
Military construction and family housing	302,602
Apportionment awaits development by the agency of approved plans and specifications.	
Civil defense programs	1,080
Amount is in excess of currently estimated needs. It will be used, as needed, in subsequent fiscal years.	
Special foreign currency program	4,903
Apportionment awaits development by the agency of approved plans and specifications.	
Department of Defense—Civil Corps of Engineers:	
Construction, general: Lafayette Lake, Ind	183
Funds are being held in reserve because of local opposition to initiation of construction of the project. Lukfata Lake, Oklahoma	450
Funds are being held in reserve because the State of Oklahoma is considering designating one of the streams to be inundated as a wild and scenic stream.	
New York Harbor Collection and Removal of Drift	80
Funds are being held in reserve because, although the project has been authorized by the Congress for initiation and partial accomplishment, initiation of construction must await approval of the Secretary of the Army and the President. The Secretary of the Army has neither approved the project nor sent the project report to the President.	
Panama Canal Government: Capital outlays	850
Under a proposal now pending before the Congress, these fiscal year 1972 funds will be combined with the 1973 appropriation for the purchase of major items of capital equipment.	
Wildlife conservation	474
Includes estimated receipts not needed for current year program. Will be used in subsequent years.	
Department of Health, Education, and Welfare:	
National Institutes of Health: Buildings and facilities	2,565
Apportionment awaits development by the agency of approved plans and specifications. Construction obligations are to be incurred in subsequent years.	

TABLE A.—*Budgetary reserve for routine financial administration, April 1972*—Continued

[In thousands of dollars]

	Amount
Office of Education: School assitance in federally affected areas—Apportionment awaits development by the agency of approved plans and specifications. Construction obligations are to be incurred in subsequent years.	4,996
Higher education—Apportionment awaits development by the agency of approved plans and specifications.	1,462
Educational activities overseas (special foreign currency program—Apportionment of this amount awaits development of approved plans and specifications by the agency.	16
Social Security Administration: Construction—Apportionment awaits development of approved plans and specifications by the agency. These plans will depend at least in part on the outcome of legislation pending before the Congress to authorize acquisition of these facilities through purchase contracts that will provide for installment payments.	12,095
Special Institutions: Gallaudet College—This part of an appropriation for a national continuing education program for the deaf is being held pending the development of a plan for the effective use of the funds, including necessary coordination with the other Federal and non-Federal parties that might be involved.	516
Howard University—Appointment of this amount awaits development of approved plans and specifications. Construction obligations are to be incurred in subsequent years.	3,714
Office of Child Development—Apportionment of this amount awaits development of approved plans and specifications.	54
Department of Housing and Urban Development:	
Model cities programs—The 1972 appropriation is available for use in 1972 and 1973; the amount reserved is being allocated among cities to cover obligations to be made early in 1973. Thus, each such city will have in advance a target figure against which to plan.	105,000
Department of the Interior:	
Bureau of Land Management:	
Public lands development, roads and trails—Reserve reflects amounts of available contract authority above the obligation program that was approved and financed by the appropriation Congress enacted to liquidate the obligations.	16,694
Bureau of Indian Affairs: Road construction—Reserve reflects amounts of available contract authority above the obligation program that was approved and financed by the appropriation Congress enacted to liquidate the obligations.	53,699
Bureau of Outdoor Recreation: Land and water conservation fund—Consists of 1972 annual contract authority which the 1973 budget shows as not being obligated. This contract authority, which was made available annually through fiscal year 1989 by Public Law 91-308, approved July 7, 1970, is not being used because the Federal agencies purchasing park lands have found annual contract authority cumbersome to administer. Instead, they prefer ordinary appropriations to finance such land purchases and the budget proposes appropriation of the full $300 million annual authorization for the fund, of which about $98 million is for Federal land purchases in 1973.	30,000

TABLE A.—*Budgetary reserve for routine financial administration, April 1972*—Continued

[In thousands of dollars]

	Amount
Department of the Interior—Continued	
Bureau of Mines: Drainage of anthracite mines	3,623
Funds are spent on a matching basis with Pennsylvania as that the State and Department of the Interior develop projects for this purpose. Apportionment awaits development of approved plans and specifications.	
Bureau of Sports Fisheries and Wildlife: Construction	9,075
Appropriated funds for D.C. Aquarium withheld because authorized facility cannot be constructed within the funding limits established by the authorization.	
National Park Service: Parkway and road construction	73,589
Reserve reflects amounts of available contract authority above the obligation program that was approved and financed by the appropriation Congress enacted to liquidate the obligations.	
Bureau of Reclamation: Construction and rehabilitation	1,055
Funds are being held in reserve pending completion and review of the economic restudy to determine the most effective use of funds for the Second Bacon Siphon and Tunnel Unit, Wash.	
Operation and maintenance and replacement of project works, North Platte project	84
This amount fulfills the legal requirements for this account of an annually established contingency reserve.	
Department of Justice: Federal Prison System: Buildings and facilities	4,299
The apportionment awaits development by the affected agency of approved plans and specifications.	
Department of State:	
Education exchange fund (earmarked proceeds of payment by Finland on World War I debt)	22
Apportionment awaits development by the agency of specific plans for the exchange of students.	
Bureau of Educational and Cultural Affairs:	
International Educational Exchange Activities (special foreign currency program)	5
Funds represent recent recovery of prior year obligations in excess of current year needs. These funds are expected to be utilized in the future.	
Department of Transportation—Coast Guard:	
Acquisition, construction and improvements	7,607
Funds are for equipment or improvements and will not be needed until construction on seven projects is in an advanced stage. They will be released when needed.	
Alteration of bridges	1,000
Apportionment awaits development of approved plans and specifications.	
Retired pay	571
Appropriation is in excess of needs due to a lag in voluntary retirements.	
Federal Aviation Administration:	
Facilities and equipment (Airport and Airway trust fund)	53,639
Grants-in-aid for airports (Airport and Airway trust fund)	56,458
Construction, National Capital Airports	900
U.S. International Aeronautical Exposition	218
Civil Supersonic aircraft development termination	4,506
Apportionment of the above FAA accounts awaits development of approved plans and specifications.	

TABLE A.—*Budgetary reserve for routine financial administration, April 1972*—Continued

[In thousands of dollars]

	Amount
Federal Highway Administration: Territorial Highways	5,000
New program established by the 1970 Highway Act, effective December 30, 1970. No appropriation was provided until August 1971, although $4.5 million of contract authority was authorized for each of 1971 and 1972. Territories were not prepared to handle programs and have just begun to organize agencies and prepare studies for use of the funds. Total obligations through December 31, 1971, were about $93,000.	
Federal-aid highways:	
(1) 1973 contract authority	5,700,000
(2) Remaining balance from prior reductions to meet outlay ceilings and abate inflation	246,798
Urban Mass Transportation Administration:	
Urban mass transportation	299,970
The Congress provided a total of $3.1 billion of contract authority for the five-year period 1971–1975. Executive Branch apportionments will result in $1.0 billion of this amount having been used by June 30, 1972, another $1.0 billion (including this $300 million) will be apportioned July 1, 1972, for fiscal 1973, leaving $1.1 billion, or $550 million per year for the fiscal years 1974 and 1975. By appropriation action in fiscal years 1971 and 1972, the Congress effectively limited the amount of the contract authority that could be used each fiscal year. Thus, the $300 million shown is the difference between the $600 million apportioned for 1972 and the $900 million upper limit for which administrative expenses may be incurred under the 1972 Appropriation Act for the Department of Transportation: "Sec. 308. None of the funds provided in this Act shall be available for administrative expenses in connection with commitments for grants for Urban Mass Transportation aggregating more than $900,000,000 in fiscal year 1972."	
Treasury Department:	
Office of the Secretary:	
Construction, Federal Law Enforcement Training Center	22,239
Appointment awaits development by the agency of approved plans and specifications.	
Expenses of administration of settlement of World War Claims Act of 1928	1
Amount shown here is in excess of current estimate of 1972 administrative costs. If conditions change and funds are needed, apportionment will be made.	
Bureau of the Mint: Construction	79
Apportionment awaits the completion of studies for the effective use of funds.	
Atomic Energy Commission: Operating expenses:	
Reactor development—	
Funds held in reserve for the Liquid Metal Fast Breeder Reactor (LMFBR) demonstration plant awaiting the completion of detailed negotiations now underway involving AEC and the Commonwealth Edison Company and TVA	43,350
Biomedical Research—	
Funds held in reserve pending development of a plan for effective utilization	370

TABLE A.—*Budgetary reserve for routine financial administration, April 1972*—Continued

[In thousands of dollars]

	Amount
Atomic Energy Commission—Continued	
Plant and capital equipment:	
Funds held in reserve awaiting AEC's development of firm plans or specifications for two projects in the nuclear materials and weapons programs	175
Funds held in reserve awaiting AEC's completion of feasibility studies or the results of research and development efforts for the national radioactive waste repository and two other projects	3,133
Funds held in reserve for possible cost overruns and other contingencies	5,000
Environmental Protection Agency:	
Operations, research and facilities	35,294
Awaiting completion of EPA study of requirements for Cincinnati laboratory ($28.0 million) and other laboratory facilities ($7.294 million).	
General Services Administration:	
Operating expenses, Public Buildings Service	5,000
Amount shown here is in excess of the current estimate of 1972 needs. It reflects revised estimates of rent and utility costs. If conditions change and the funds are needed, apportionments will be made.	
Construction, public buildings projects	45,514
San Antonio, Texas, project awaiting Congressional approval of revised prospectus—$7,402 thousand.	
Philadelphia project—additional awards awaiting completion of present construction works—$23,046 thousand.	
$10,803 thousand proposed in the 1973 budget for obligation in accordance with legislation now pending in the Congress to authorize private financing and installment payment/purchase of various projects.	
$4,263 thousand is reserved to meet possible contingencies that might arise in the course of construction.	
Sites and expenses, public buildings projects	14,665
Reserved to meet possible contingencies or for use in subsequent years—$10,380 thousand.	
Projects involving space for Postal Service are being restudied—$4,285 thousand. Apportionment awaits the completion of this action for the effective use of the funds.	
Operating expenses, Property Management and Disposal Service	769
Amount shown here is in excess of the current estimate of 1972 needs for stockpile disposals. If conditions change and the funds are needed, apportionments will be made.	
Veterans Administration:	
Grants to States for extended care facilities	8,420
State plans and requests for funds have not been presented to the extent originally expected.	
Other Independent Agencies:	
Cabinet Committee on Opportunities for Spanish-Speaking Peoples	30
Potential savings—	
The obligation rate has been lower than anticipated because of operation under continuing resolution for two quarters.	
Federal Communications Commission: Salaries and expenses (construction)	460
These funds are intended for replacement of a monitoring station. They cannot be used until the Congress raises the current limitation on FCC's 1972 construction program. It is expected that this will take place before the end of fiscal year 1972.	

TABLE A.—*Budgetary reserve for routine financial administration, April 1972*—Continued

[In thousands of dollars]

	Amount
Federal Home Loan Bank Board:	
Interest adjustment payments	46,888
Amount which can be effectively utilized by the Board in the current year has already been apportioned.	
Foreign Claims Settlement Commission: Salaries and expenses	19
Apportionment awaits development by the agency of approved plans.	
Payment of Vietnamese and Pueblo prisoner of war claims	150
Apportionment awaits arrival of contingencies under which the funds must, by statute, be made available.	
Smithsonian Institution:	
Salaries and expenses, Woodrow Wilson International Center for Scholars	11
Reserved for contingencies. Will be apportioned if and when needed.	
Temporary Study Commissions:	
Commission on Highway Beautification	25
Amount being held for completion of Commission's work in 1973.	
Commission on Population Growth and the American Future	30
A small contingency amount is set aside to cover any increases in contracted costs after the Commission completes its work and disbands in May, 1972.	
National Commission on Consumer Finance	50
For terminating the Commission in 1973 after the report is completed.	
Aviation Advisory Commission	587
Funds in 1972 reserve will be used in 1973 to carry Commission through its expiration date of March, 1973.	
United States Information Agency:	
Salaries and expenses (special foreign currency program)	407
Special international exhibitions	746
Apportionment of the above accounts awaits development of approved plans and specifications.	
Water Resources Council:	
Salaries and expenses	25
Funds in reserve pending establishment of new river basin commissions.	
Total	9,394,669

TABLE B.—*Reserves for reasons other than routine financial administration, April 1972*

[In thousands of dollars]

Agency and account:	Amount
Department of Agriculture:	
Rural Electrification Administration—	
Loans	[a] 107,000
Farmers Home Administration:	
Sewer and water grants	[b] 58,000
Department of Housing and Urban Development:	
Rehabilitation loans	[c] 53,042
Grants for new community assistance	[a] 5,000
Basic water and sewer grants	[d] 500,000
Department of Transportation:	
Federal-aid highways	623,000
Rights-of-way for highways	50,000
Urban mass transportation	[e] [299,970]

See footnotes at end of table.

TABLE B.—*Reserves for reasons other than routine financial administration, April 1972*—Continued

[In thousands of dollars]

	Amount
Atomic Energy Commission	17,655
NERVA-Nuclear Rocket	(16,990)
Plowshare	(665)
National Aeronautics and Space Administration:	
NERVA-Nuclear Rocket	22,400
National Science Foundation:	
Educational and institutional support	[a] 21,000
Graduate traineeships	9,500
Reserves established pursuant to President's August 15, 1971, directive to curtail previously planned Federal employment levels	85,300
Total	1,551,897

FOOTNOTES

[a] Apportionment of entire amount is planned on July 1, 1972.

[b] This amount is planned to be used for continuation of the water and sewer grant program after the fiscal year 1972.

[c] Funds remaining from the 1972 appropriation for rehabilitation loans will be apportioned on July 1, 1972.

[d] This amount is planned to be used for continuation of the water and sewer grant program in 1973 and subsequent years.

[e] This item is listed here only because of public and congressional interest. It is not counted in the total of Table B because its planned use is consistent with congressional intent. The Congress provided a total of $3.1 billion of contract authority for the five-year period 1971–1975. Executive branch apportionments will result in $1.0 billion of this amount having been used by June 30, 1972. another $1.0 billion (including this $300 million) will be apportioned July 1, 1972, for fiscal 1973, leaving $1.1 billion, or $550 million per year for the fiscal years 1974 and 1975.

Title 4 of the Fiscal Responsibility Act establishes a study commission made up of the Comptroller General and the leadership of the Appropriations Committees, the Ways and Means Committee, and the Finance Committee. The Commission will study the appropriations procedures in Congress and recommend further measures which will modernize congressional budgetary procedure. The 55 members of the House Appropriations Committee and the 24 members of the Senate committee do a remarkable job indeed, considering the tools we give them. Their review of the budget includes many hundreds of subcommittee and committee sessions. Their work and the work of the Congress could be improved by a modernization of our appropriations process. However, they clearly need more assistance and improved procedures to handle the mass of information before them.

The Commission will study the feasibility of funding some programs on a 2-year basis. Two-year funding might provide stability for many of our grant-in-aid programs. The Commission will also consider proposals such as the Magnuson bill in the Senate which would create a split session in the Congress to divide consideration between a budget session and a legislative session. This division might make more Congressmen become directly involved in appropriations decisions. The split session is used in several State legislatures and in some parliaments in other countries. Its feasibility should also be studied. Estimates by the Office of Management and Budget state that 71 percent of the 1973 budget is considered "relatively uncontrollable." The Commission should study this trend toward larger segments of "uncontrollables" in the budget. If the budget is going to be a management tool, then we must be able to redirect our spending as national needs change.

Uncontrollables are thought to be an increasing problem for several reasons. Congressional procedure for appropriations fragments our deliberations between 14 separate appropriations bills, thus the uncontrollables hide in 14 bills and are

never fully examined. A second factor to be studied by the Commission is the influence which our lack of comprehensive consideration of the budget has upon our assessment of program costs at the beginning of a program. Many of our programs have very little, if any, thought given during the development phase to the overall cost relationship to other programs in the budget. These assessments may not be made, because some of us know that it may be easier to pass a new program with an underfunded budget and then work to increase appropriations after we get our program on the books.

Our concern for greater fiscal responsibility will only be realized if we make the hard decisions on spending in an atmosphere of continuous review; at the initiation of a program and, an ongoing basis. The Commission should examine the role and impact of uncontrollable expenditures in the budget.

Chart 7 shows estimates for uncontrollables in the Federal budget.

CHART 7.—CONTROLLABILITY OF FEDERAL OUTLAYS, FISCAL YEARS 1967–73

[In billions]

	1967	1968	1969	1970	1971	1972 estimate	1973 estimate
Relatively uncontrollable	$96.6	$109.8	$120.0	$130.3	$145.7	$162.8,	$174.6
Relatively controllable	65.6	74.0	69.6	72.7	73.1	81.4	79.8
Adjustments [1]	−3.9	−5.0	−5.1	−6.4	−7.4	−7.6	−8.1
Total outlays	158.3	178.8	184.5	196.6	211.4	236.6	246.3
"Uncontrollables" as a percent of total outlays	61	61	65	66	69	69	71

[1] Includes allowances for contingencies and reductions for undistributed intergovernmental transactions.

Source: Office of Management and Budget.

In a report of February of this year the General Accounting Office found that Congress lacks vital information necessary for making wise budgetary and fiscal decisions. The Commission should also review how Congress can effectively obtain adequate levels of information for budgetary decisions.

The authorizations/appropriations process used in Congress has often proven to be a clumsy system for developing appropriations measures. There seems to be a growing disparity between the authorizations and appropriations measures authored each year. The authorizations issued often represent only a "wish list" with little relevance to what is finally enacted into law. This disparity creates false hopes for those interested in a particular program or activity. In addition to the unrealistic expectations by the authorizations created, the unfullfilled promises do little to encourage careful budget planning. The authorizations/appropriations gap is especially apparent in social policy fields. Chart 8 demonstrates the gap in one area, education.

Most experts on budgetary process agree that present appropriations procedures include extremely limited involvement for most Members of Congress. In both Houses the decision of the Appropriations Subcommittees most often become decisions of the full committee. The decisions of the full committee most often become the decisions of the full House. In the House this system is further strengthened by the use of closed rules on the floor. The Commission should also study ways to involve more Members of Congress effectively in making budgetary decisions. Budget decisions affect every citizen in the country. It seems proper that Representatives should play an increasing role in deciding how our Government is to spend its money.

Congress should reassert its role in the budgetary process. The collective expertise of our membership covers every area of Federal activity. Louis Fischer quotes Justice Jackson's admonishment to Congress in his decision on the Youngstown Sheet & Tube Case. The Justice stated:

"The tools belong to the man who can use them. We may say that power to legislate for emergencies belongs in the hands of Congress, but only Congress itself can prevent power from slipping through its fingers."

CHART 8.—OFFICE OF EDUCATION

LEGISLATIVE AUTHORIZATIONS AND APPROPRIATIONS, 1961–71

[In thousands]

Fiscal year	Authorization [1]	Appropriation	Difference
1961	$536,685	$528,738	$7,947
1962	583,957	587,746	+3,789
1963	652,449	652,494	+45
1964	948,017	697,629	+49,612
1965	1,518,091	1,383,610	−134,481
1966	3,598,969	3,339,002	−259,967
1967	4,640,185	3,919,654	−720,531
1968	6,450,967	3,901,707	−2,549,260
1969	7,812,564	3,617,085	−4,195,479
1970	10,230,419	[2] 3,813,778	−6,416,641
1971	11,492,561	4,356,639	−7,135,922

[1] Since authorizations for some programs are indefinite in amount ("such sums as necessary"), their dollar figures cannot be included here. The authorization totals are therefore understated to that extent. That explains why an appropriation figure can sometimes exceed an authorization figure (fiscal years 1962–64).

[2] Appropriation after 2 percent reduction.

Source: Based on worksheets supplied by Office of Education, Department of Health, Education, and Welfare.

STATEMENT BY HON. TOM RAILSBACK, A U.S. REPRESENTATIVE FROM THE STATE OF ILLINOIS

BUDGET REFORM

Mr. Chairman, Members of the Committee, each year the Congress renews its efforts to expedite and control the appropriations process—and, hopefully, to hold Federal spending down, so there will be no need for a tax increase. We assure the American taxpayer that his money will be spent wisely, and ineffective and outdated programs will not be funded.

Later in each year, we are uncertain as to where we stand and what we have actually accomplished. Appropriations measures are more often than not passed with little, if any, thought given to their impact on the overall economy. As we stumble along, spasmodically restraining ourselves in one area only to triple a suggested outlay in another area, financial extravagance is perpetuated year after year.

In light of excessive Federal spending, President Nixon has recently cut back funds for various agricultural, environmental, housing, education, and other social welfare programs. The President has justified these cutbacks by explaining that if he had permitted spending to proceed on course, the spending totals would have exceeded his proposals by $11 billion for 1973, $19 billion for 1974, and $24 billion for 1975. Such additional increments undoubtedly would have led to more serious inflation and/or higher taxes.

The combination of the Congress' inability to control spending and the Administration's impoundment of various funds has led to a schism between the executive and legislative branches of government. As a solution, many Members of Congress have introduced bills which would challenge the President's use of impoundments. The distinguished Chairman of the House Appropriations Committee, Mr. Mahon, also a Member of this Joint Study Committee on Budget Control, has led in sponsoring a bill authorizing the Congress to override impoundment of funds by passing a resolution within 60 days of receiving an impoundment message. Senator Ervin has introduced legislation requiring the release of funds unless the Congress votes to approve the President's action.

A proposal I have put forward, H.R. 4053, states that whenever the President impounds funds, he must submit a full report to both bodies of the Congress. If either body disapproves by a three-fifths vote of the impoundment, then the impoundment of such funds shall cease.

However, I do not believe impoundment should be the focal point of these hearings. The real issue is, in fact, whether the Congress is willing to reform its own budget system. To do this what is needed is a mechanism by which the Congress can adopt its own limit on spending—a fact pointed out in your Interim Report, "Improving Congressional Control Over Budgetary Outlay and Receipt Totals."

Traditionally, the Congressional appropriations process begins when the President transmits the budget to Congress. It is at this time that the Congress could ultimately exhibit much more responsibility. My bill, H.R. 4053, provides that not later than 90 days after the President's budget has been received, the Committee on Appropriations is to review and study the budget—consult with members of the Committee on Ways and Means, the Senate Finance Committee, and the Joint Economic Committee—and submit to the House of Representatives a resolution containing its recommendations for a comprehensive limit for all appropriations. The House then has 30 days in which to adopt a comprehensive limit for that fiscal year. Once all appropriations bills have been passed, the Congress, prior to adjournment sine die, shall conform those appropriations to such limit by reducing unobligated appropriations, I have proposed a percentage formula by which the total appropriations for such fiscal year will automatically be cut. In your deliberations, I urge you to review and consider my language, which has been co-sonsored by Mr. Brown of California, Mr. Cleveland, Mr. Leggett, Mr. Mann, Mr. McSpadden, Mr. Riegle, Mr. Thone, and Mr. Veysey.

Mr. Chairman, Members of the Committee, everyone recognizes Congress' failure to deal with Federal spending in the past. I am now hopeful that the hearings of this Committee will lead to a much needed re-structuring of our present budget system.

Thank you.

STATEMENT BY MURRAY L. WEIDENBAUM, MALLINCKRODT DISTINGUISHED UNIVERSITY PROFESSOR AT WASHINGTON UNIVERSITY AND ADJUNCT SCHOLAR AT THE AMERICAN ENTERPRISE INSTITUTE

A BUDGET SCORECARD FOR THE CONGRESS

Much of the current discussion on improving the Congressional consideration of the budget has focused on the need to relate congressional actions on individual appropriations to the budget totals. Consolidated appropriation bills and ceilings on expenditures appear to be the two approaches that have gained the most support. Although both of these suggestions have merit, they have been in the public debates for a long period of time without becoming a permanent part of the budgetary process. In fact, both of them have been tried, the omnibus bill in the early 1950's and the expenditure ceiling in the late 1940's.

A more modest but desirable reform could be instituted fairly quickly and perhaps without raising the objections that the existing proposals usually encounter. The Congress should utilize the device of a "Budgetary Scorecard" which would show currently the effect of individual budget decisions on the overall state of federal finances.

This approach differs from most of the other suggested budget reforms in that it would not alter the existing organizational structure of the Congress or the way in which actions are taken on individual bills. Rather, the scorecard would be an analytical tool which could be used by the existing committees of the Congress as they follow existing procedures, as well as by individual members as they participate in debates on the floor of the Congress.

In its essence, this mechanism would enable each Congressional committee reviewing a given item to treat it as the incremental case. But it would merely be an informational aid to the members, rather than any dictum from on high.

Table 1 contains such an illustrative budgetary scorecard. Several assumptions have been made in filling out the hypothetical scorecard:

(1) That some congressional committee or staff—a point to which I will return—has supplied the revisions from the original Presidential estimates.

(2) That the estimated deficit for the budget year (1974) has been increased through more liberal congressional action on previous items—the scorecard of course would work just as well if the case were the reverse.

Hopefully, the type of information in Table 1 would show the congressional committee acting on the proposed appropriation for the procurement of aircraft that (1) Revenues are estimated to come in more slowly than projected in the Budget, (2) Congressional action to date has increased the prospective deficits by a more liberal attitude on expenditures, and (3) the specific item under con-

sideration, if enacted at the currently recommended level, would raise the budget deficit for 1974 further still. Moreover, (4) the surplus that the Administration has targeted for the following year is not likely to be achieved.

It is problematical whether the presentation of such data would, in fact, have any influence upon the deliberations of individual committees or the votes of individual members of the Congress. It would, nevertheless, provide a simple technique and substantiating figures for specific members of these and other committees who desired some analytical support for their positions. At the least, the scorecard would be a means of appraising the effects of each individual fiscal action on the total budget outcome.

TABLE 1.—ILLUSTRATIVE BUDGETARY SCORECARD

	1973 (current year)		1974 (budget year)		1975 (following year)	
	Presidential submission	Current estimate	Presidential submission	Current estimate	Presidential submission	Current estimate
Unified budget totals (billions of dollars):						
Receipts	225	228	256	254	290	282
Outlays	250	255	269	272	288	294
Surplus (+) deficit (−)	−25	−27	−13	−18	+2	−12
Item under consideration (millions of dollars):						
Appropriation for Air Force procurement of missiles						
Amount being considered:						
Expenditures	1,452	1,552	1,582	1,682	1,680	1,780
(Appropriations)	(1,670)	(1,670)	(1,573)	(1,773)	(1,770)	(1,880)

Note.—Increased deficit will require higher taxes or larger public debt.

The scoreboard could be used in conjunction with actions on a variety of expenditure authorization, appropriation, and revenue bills. Hence, it would maintain constantly for the attention of the Congress a recording of the ebb and flow of the current status of the budget picture for the ensuing fiscal year. The trend of congressional actions toward a higher level of spending (and a resultant larger deficit) would be revealed during rather than after the completion of the decision-making process.

The scorecard approach, by itself, would be politically neutral. It could be used at the present time by those concerned with minimizing the federal deficit and thus dampening down inflationary pressures. It also could be used by advocates of a larger public sector, particularly in a recessionary period where greater amounts of fiscal stimulus were desired.

The current reporting of budgetary action should not be limited to pending action by the appropriations and tax-writing committees, but should also be utilized by the substantive committees considering basic program legislation—agriculture, commerce, etc. Thus, the birthstage of government spending programs, now often relatively immune from budgetary considerations, would be exposed to the type of financial concerns currently shared mainly by the appropriations and revenue committees.

The scorecard could be maintained by the staffs, possibly augmented, of the Appropriations Committees of each chamber. Alternatively, the task could be assigned to a new Joint Committee on the Budget, should the Congress decide to establish one. Another possibility would be to build on the Scorekeeping Report now issued by the Joint Committee on Reduction of Federal Expenditures and the revenue estimates of the Joint Committee on Internal Revenue Taxation. Also, the considerable capabilities of the General Accounting Office could be drawn upon.

STATEMENT ON IMPROVING CONGRESSIONAL BUDGETARY CONTROL FOR THE CHAMBER OF COMMERCE OF THE UNITED STATES BY CARL H. MADDEN [1]

The National Chamber appreciates the opportunity to comment on the Interim Report of the Joint Study Committee on Budget Control dated February 7, 1973, prepared pursuant to Public Law 92–599, approved October 27, 1972.

We believe that the Committee's approach in this document to reform budget process is sound and, if implemented, would place Congress in a better position to weigh our national goals and priorities as reflected in the budget. But we have certain qualifications to this general endorsement that are detailed below, as well as some additional recommendations.

It is evident, that since the passage of the Budget and Accounting Act of 1921, the President and his staff have developed budgetary expertise. It is equally evident that this expertise has not been matched in Congress where the appropriations process is fragmented and, in consequence, the budget is never analyzed as a set of interrelated issues. The present budgetary system in Congress fails to make cost/benefit comparisons of legislative programs to determine their priorities. Moreover, frequently in the past, neither Congress nor the President has sufficiently related total federal spending to the level appropriate to stable growth in the economy.

Viewed individually, the recommendations of the committee could effect substantial procedural reform in the budgetary process. But viewed in toto, the overall result could be far less beneficial. This is because of basic inconsistencies among some of the specific proposals, as set forth in House Report 93–13.

We agree with recommendation number *one* that the Congress should appropriate funds within a framework encompassing not only program needs but also relevant fiscal and monetary policies. We feel that the procedure outlined in S. 40 introduced by Senator William Brock (R.-Tenn.) and in the House bills H.R. 975, H.R. 2406 and H.R. 2407, sponsored by Representative Kenneth Robinson (R.-Va.), H.R. 5388 sponsored by Representative Charles Bennett (D.-Fla.) and others, constitutes an adequate basis for a legislative budget and would provide a comprehensive framework for implementation of a "budget policy" in the legislative branch. Having a budget policy would place Congress in the position of determining priorities within the limit of a federal expenditure ceiling. The chronic deficits that the federal government has incurred over the last two decades resulted directly from failure to identify program costs and to finance program increases through tax increases. Through chronic deficits, the government has concealed the connection between increased taxes and a proliferation of government programs.

We also endorse the spirit of recommendation number *two* which seeks to curtail the present system of "backdoor spending" that circumvents the appropriations process by obligating public funds via legislative rather than appropriations bills. It is an essential element of good budgeting that all program funds be appropriated and that all appropriations be considered as part of a general economic policy.

However, after proposing stringent controls on expenditures in recommendations *one* and *two*, the Committee waters down these controls by calling for a flexible expenditure ceiling in the *third* recommendation. Under the flexible ceiling procedure, a system of exclusions could be set up whereby a ceiling arrived at through careful consideration of all economic factors would be negated by Congressional whim. This indeed has been the case with earlier budget ceilings.

The *fourth* recommendation which calls "for allocating the appropriate portions of expenditure and budget authority ceilings to various committees . . ." could result in a rigid system of priority determination. In fact, such a pro-

[1] Chief Economist, Chamber of Commerce of the United States.

cedure might even limit the flexibility that Congress has shown in redirecting a major part of new government expenditures from defense to human resources in a mere five years. For example, between 1968 and 1973 defense expenditures declined from 45 to 30 per cent of a growing budget while human resource expenditures rose from 32 to 47 per cent. If Congress were to set up a system whereby authorization of expenditures was parceled out among several committees after agreement on a ceiling, the relative distribution of expenditures among the various functions would tend to be rigid, thereby inhibiting large functional shifts in short periods of time.

The *fifth* recommendation—to develop procedures "to assure compliance with expenditure and budget authority ceilings" is of utmost importance. For example, it would be in order for Congress to require a two-thirds vote, rather than a simple majority, to rescind the budget limit for any year. As another example, under the present budgetary procedure, committees originally intended to develop technical budgetary expertise have become bastions of advocacy for special programs and special interests. If meaningful budgetary reform is to be achieved, the present must give way to procedures which place greater emphasis on total programs and which weigh national priorities rather than individual committee preferences. It is clear that this can be done only if Congress is willing to show the courage that the President must show each year, that is, come up with a budget total consistent with stable economic growth, allocate expenditures on the basis of that total, and take a stand on an overall national program rather than continue the present piecemeal approach to formulating the budget.

Implementing this recommendation will not be easy. Sometimes it will mean supporting budget cuts, sometimes it will mean confronting the voters with the choice the President has laid before us in his fiscal 1974 budget—either accept specific program cuts or accept a 15 per cent income tax increase.

The *sixth* recommendation calling for "procedures . . . to present to Congress the effect of expenditures of existing and proposed legislation, not only in the current year but also for three to five years ahead" is especially important when one considers the fact that, during the first five years after enactment, the cost of federal programs increase at an average rate of 100 per cent per year. Programs are enacted with little regard for, or knowledge of, their ultimate costs to the taxpayer. This longer range perspective on the federal budget and program expenditures is essential for proper economic planning and is accepted budgetary practice in large business corporations.

Title II of S. 40, and its counterpart bills in the House, constitutes a sensible set of guidelines for presenting five-year projections. As is pointed out in Title II, in addition to these cost projections there should also be provided "a list of existing and proposed federal programs which provide or would provide financial assistance for the objectives of the program or programs authorized . . ." The provisions of Title II are particularly important in keeping track of duplicative programs and in avoiding further duplication. Emphasis must also be shifted from agency budgeting to program budgeting in order to provide the greatest degree of flexibility in meeting national goals.

The *seventh* recommendation is that "an organization to implement the control procedures . . . should encompass the formation of permanent legislative committees on the budget." Implementation of this recommendation would center responsibility for fiscal and economic policy, as it relates to the budget, on a single committee in each House. This means that some committees will be giving up a portion of their control over the budget, a shift in power that will be partially compensated for by representation, on that single committee, from the tax writing and appropriations committees in that House. Presumably the two legislative committees would meet in conference to settle any differences they might have in their budgetary decisions.

The *eighth* recommendation calling for adequate professional staffing is essential if Congress wishes to make sure its decisions are based on analysis by expert professionals comparable to those currently employed in the executive branch. It might be possible to avoid some duplication of staff if the Office of Management and Budget were to make available for analytical purposes some of it's resources, such as access to a common computer and access to its own specialized staff.

It is difficult to quarrel with the *ninth* recommendation calling for periodic Congressional review of the different ways in which budget authority and expenditures are authorized or incurred.

The *tenth* recommendation—generally to require authorizations at least one year in advance for expenditures—would allow Congress to conduct proper hear-

ings and weigh alternatives prior to committing itself to programs. If Congress is to consider the budget within the context of comprehensive economic, fiscal, and monetary policy as it should, authorizations should be completed prior to the beginning of each fiscal year.

In addition to the recommendations set forth in the report, the following reforms of the budgetary process, included in S. 40, H.R. 975 and H.R. 5388, should be considered by the Committee not only to insure an efficient public expenditure process but also to economize on the use of all public funds:

1. *Institution of zero-based budgeting.*—Under the zero-based budgeting concept contained in Title III of the above-mentioned bills, Congress would be required to examine all expenditure programs in their entirety at least once every three years. Adoption of this procedure could reverse the trend toward more numerous and more extensive public programs regardless of their relative effectiveness. Under the present system, new programs are added without proper attention to existing programs whose effectiveness has not been adequately evaluated. Zero-based budgeting, when combined with substantive program review, could result in elimination of duplication, elimination of programs that have accomplished their intended goals and elimination of ineffective programs.

2. *Pilot testing of new programs.*—Pilot testing is provided for in Title IV of the above-mentioned bills. Prior to implementation on a national scale, programs would be pilot tested in several geographic locations. The results would be audited by GAO and would be evaluated in terms of cost effectiveness and suitability of implementing the program nationally. If the new program embodies a different approach to old problems already the subject of some other government program, a detailed cost-effectiveness comparison of both the current and proposed methods of dealing with such problems would be made. Pilot testing would give Congress a better idea of eventual program costs prior to implementation. It would also allow for modification or elimination of ineffective proposed programs before they develop a large constituency. Frequently, sizeable supporting constituencies, rather than proof of effectiveness, cause program confirmation.

Congress has final responsibility for the budget. No fiscal activity can be undertaken without Congressional approval. But Congress has failed to equip itself with the necessary internal organization and the increasingly complex management tools necessary to effectively manage federal finances. The Committee's program of procedural reform would go far toward redressing this imbalance between Congressional power and Congressional performance in the budget area. Therefore, the National Chamber generally endorses the recommendations in the Joint Committee's report but urges that the inconsistencies noted be removed and that serious consideration be given to adding recommendations for zero-based budgeting and pilot testing contained in S. 40, H.R. 975, H.R. 2407, and H.R. 5388.

STATEMENT OF LAWRENCE D. PRATT, EXECUTIVE DIRECTOR, AMERICAN CONSERVATIVE UNION

The American Conservation Union is greatly concerned by the size of the federal budget and the uncontrollable method by which it is drawn up.

Your Interim Report on "Improving Congressional Control over Budgetary Outlay and Receipt Totals" addresses an important aspect of congressional control of the budget. It is crucial that Congress effectively carry out this constitutional delegation of authority.

Congressional control of the federal budget, although a substantive procedural issue, should not be considered in merely technical terms. The overriding issue is the proper size of the national income of a free society that should be consumed by government. Congress cannot control the budget if it refuses to control the size of the federal bureaucracy.

Taxes have already reached a level where talk of "tax rebellion" is beginning to fill the air. If this trend continues much longer it is all too likely that even legitimate functions of government could lose the support of the governed in an unfocused revolt against true grievances. Certainly it is a just complaint of the vast majority of taxpaying Americans that a large portion of the time they spend at work, instead of producing income for the support of their families, ends up in costly government programs that either do not work or cause actual harm.

The American Conservative Union urges the Committee to support H.J. Res. 332, sponsored by Rep. L. A. Bafalis of Florida, and S.J. Res. 129, sponsored by Sen. Paul J. Fannin of Arizona. Both resolutions propose constitutional amendments to balance the federal budget. Mr. Bafalis' bill would require an annual balancing, Mr. Fannin's every biennium. Mr. Bafalis' proposal has the added virtue of requiring the repayment of the existing federal debt at the rate of ten percent each decade over the next one hundred years.

A balanced federal budget would of course prohibit deficit spending—the root of inflation. The end of the federal government's inflationary monetary policies would put a stop to one of the cruelest taxes of all, a tax that is invidious because it is largely unrecognized as a tax. Inflationary policies do not penalize only those on fixed incomes. Inflation has brought about wage increases which, unrelated to increases in productivity, nevertheless tax a greater portion of personal income because of the "progressive" features of the income tax. In other words, inflationary monetary policies and the income tax can result in people disposing of less real income in spite of substantial increases in salary.

Another worthwhile feature of the Bafalis and Fannin proposals would be to require, in effect, that a price tag be put on each proposed spending measure. Congress would have to know what each measure would cost if it were to pass on a balanced budget. Because of this requirement, the financial problem could no longer be ignored by increasing deficit spending (and inflation), but additional spending would have to be linked to tax increases. Congress could go a long way toward restoring public confidence in government by clearly stating how much a proposal will cost, and how much, if any, taxes would have to be raised. Good government requires linking the authority to spend with the responsibility for taxing.

Attached to this statement are two articles by ACU's chairman, M. Stanton Evans.

[From Battleline, American Conservation Union, February 1973]

THROUGH THE LOOKING GLASS

(By M. Stanton Evans)

Observing the debate on President Nixon's budget for fiscal '74, one gets the impression of having passed conclusively through the looking-glass.

For some reason most major parties to the discussion have agreed to describe this $269 billion spending package as a tight-fisted, economizing budget which ruthlessly cuts back on social welfare outlays—a document worthy of Calvin Coolidge. Nixon and various of his supporters have presented it in these terms, and the liberal Democrats of Congress and media have confirmed the Nixon view by rending heaven with cries of despair and anger.

Such unanimous testimony to the skinflint conservatism of Nixon's budget would be laughable if it were not so indicative of mass delusion. A glance at the budget breakdowns released by the White House itself shows the President has in fact proposed a series of substantial spending hikes for welfare, education, "community development," and other such programs, and has brought in a mammoth record-breaking deficit budget as a result—$25 billion above his proposal a year ago, $19 billion more than is currently being spent, and a scheduled deficit of $12.7 billion.

The impression that this enormous spending program is a study in frugality is generated by two items: (1) The fact that Nixon has urged the phasing out of certain categorical programs which are ideological favorites of the left and conversion of the funding of some of these to block grants under so-called "special revenue sharing." (2) The fact that liberal Democrats in Congress—and no doubt a number of Nixon's own department heads—want to spend even more than the President has suggested.

There are aspects of Nixon's program, it is true, which deserve conservative backing. For one thing, the budget contains no new major spending programs—the most notable omissions being the Family Assistance Plan, child development, and any new large-scale initiative in the field of health care. The absence of such proposals must be accounted a kind of negative victory for conservatives and a defeat for liberal counselors who would have liked to plunge the administration more deeply into all these fields.

In addition, Nixon's desire to phase out such programs as Hill-Burton, urban renewal, and the Office of Economic Opportunity is commendable and merits the strongest possible support. Conservatives will certainly endorse the effort to dis-

mantle OEO—with the *caveat* that simply transferring OEO functions to other agencies or setting up a Legal Services Corporation to do the things now being done by LSO would not be a substantive improvement and should be prevented. (Transfer of certain functions and an LSC are both proposed in the Nixon budget.)

"Special revenue sharing" for education and "community development" as proposed by Nixon would appear to be a dubious blessing. At best this is a method of re-circuiting dollars already being spent and (perhaps) avoiding the intercession of Federal bureaucrats. At worst it would encourage still more spending, since it embodies the fallacy inherent in revenue-sharing proposals—separating the spending function from the taxing function and thereby diminishing restraint on the spenders. In the long run it seems doubtful this approach will encourage economy in government.

Equally to the point is the fact that, in numerous categories of Federal spending, the Nixon budget proposes further hikes: An increase of 120 percent for municipal sewage treatment; augmented Federal aid to local parks; $2 billion for Federal absorption of certain welfare functions; millions more for pollution control; a $1 billion hike for community development and housing; $948 million for "education opportunity grants"; a $3.7 billion hike in Federal health care spending (mostly for Medicare and Medicaid); expanded Federal inspections for "occupational health and safety"; a 62 percent hike in spending for civil rights enforcement; *etc.*

The budget also contains $6 billion in authorizations for Nixon's general revenue-sharing program, features a $10 billion hike in spending for the Department of Health, Education and Welfare (to an unbelievable $93.8 billion—$12 billion more than the Pentagon), and breaks down to 30 percent for national defense and 70 percent for domestic spending (the latter an all-time high since the early 1950's). The White House observes with apparent pride that "human resources outlays [*i.e.*, various kinds of welfare] are estimated to grow at an average annual rate of 15 percent from 1970 to 1974, considerably faster than other spending."

This assertion is of a piece with previous administration statements about the Nixon effort to jack up spending for domestic welfare. The Republican platform drafted by the White House, for example, proclaims administration efforts to "reform" the Food Stamp law, asserting that "the number of recipients increased from some three million to 13 million, and now 8.4 million needy children participate in the School Lunch program, almost three times the number that participated in 1968. Now, nearly 10,000 nutrition aides work in low-income communities. In 1968 there were none. Since 1969, we have increased the Federal support for family planning threefold. . . ."

As these remarks suggest the runaway spending the President now professes to combat has been in considerable measure the work of his own administration. Indeed, the record of Federal spending hikes under Nixon has been considerably worse than his Democratic predecessors. In the three Kennedy years, the budget moved up from $106.8 billion to $118.6. In the five Johnson years, it jumped to $184.5. And now, in the five Nixon years, it has ballooned to $269 billion, with further increases in the offing. This works out to hikes of $12 billion under Kennedy, $65 billion under Johnson, and $84 billion under Nixon.

It would be pointless to belabor other aspects of the Nixon economic record with which our readers are familiar—the enormous deficits, the assertion that "I am now a Keynesian in economics," and his conversion to the notion of a "full employment budget". The last-named is a method of saying a deficit isn't a deficit when there is less than full employment, since if there *were* full employment the budget would be in balance. We offer no further comment on that conception except to note with some distress that Nixon has reaffirmed his commitment to it in offering the present budget with its projected deficit.

The rhetoric of economy in this year's message appears to recognize the mounting mood of public disenchantment with runaway spending and rising taxes, and the President's verbiage is such as to place him on the side of the economizing angels. Unfortunately, the President's words have not been matched by administration performance over the past four years or in the current budget. A tripling of the number of people receiving food stamps, $10 billion more for HEW, augmented funds for Federal interference with business—these are not the stuff of which economy in government is made.

Defenders of the Nixon program and the President himself say he has done what he could to slash the spending but is limited by "uncontrollable" factors,

in the budget—previous commitments by Congress, trust funds for Social Security, contractual obligations, and so on. On Nixon's presentation, however, it would have been possible to propose deep cutbacks in spending which this budget does not propose. Thus, Nixon asserts that of the new budget authority he is asking "about $173 billion will require new action by Congress," which would indicate a degree of flexibility not exercised in his spending requests.

Even on a more limited reading of what is "controllable," the range of action open to the administration is wide. In the budget tables presented by the White House, "relatively controllable outlays' 'for fiscal '74 come to $75.2 billion, and no drastic reductions are suggested in such spending to bring the national accounts into balance. The cuts proposed are a fiscal drop in the bucket, and for the most part potential savings are simply diverted to other spending—a process the President describes as cutting back on "low priority" programs "yet permitting high priority domestic programs to grow."

In the final analysis, the supposed economizing character of this budget rests on comparison with what the more liberal Democrats are demanding—as one might say the Empire State Building is "small" in comparison with the John Hancock Building. Whatever Nixon wants to spend, the liberal Democrats want to spend still more. Thus the current battle over "impoundment" and numerous veto struggles last year, as the Democratic Congress attempts to pile still more billions on the billions the administration thinks are needed. This is part of the normal process of partisan politics, and is in particular a characteristic of the Democratic liberals who feel the constant need to outbid the President on his left.

(On the merits of "impoundment", we defer analysis, except to note the administration's logic on this issue is the reverse of its stand on "uncontrollable" spending. If the President can withhold funds already voted by Congress for specific purposes, how is it he cannot propose to Congress some sizable cutbacks on matters where necessary legislation is yet to come? His room for legal maneuver on impounding is certainly more constricted than his latitude in making verbal requests of Congress—yet the people who tell us he *can* do the first are saying he *cannot* do the second.)

While Nixon is obviously to the right of the more vocal Democrats in Congress, these comparative factors make the Nixon budget performance an even greater disservice to the cause of economy. For it is obvious in the circumstances that the Nixon bid, whatever it is, becomes the automatic *minimum*, guaranteeing the Democratic counterbid will be considerably higher, and that the final compromise will be very high indeed. This contrast with the Democrats permits the President to have it both ways: He can don the mantle of economizer while proposing a $19 billion hike in Federal spending—even as his bid all but insures the ultimate hike will be considerably greater than that sum.

Republicans on Capitol Hill have been busy of late portraying President Nixon's budget for fiscal '74 as a stalwart conservative document. Liberals have been just as busy denouncing it for its alleged parsimony.

Ignored in this discussion is the fact that Nixon's budget is vastly higher than spending levels for the current year, that it is badly in deficit, and that it features spending hikes for numerous domestic boondoggles. Net effect of these proceedings is that the GOP has gone to the mat for "only $12.7 billion in deficit—providing a rough idea of what passes for fiscal conservatism nowadays in Washington.

Fortunately there are a couple of members of Congress who are not content to accept the Nixon budget as an exercise in economy. One of these, curiously enough, is a Democratic liberal—Sen. William Proxmire of Wisconsin. The other, less curiously, is conservative Democrat John McClellan of Arkansas, chairman of the powerful Appropriations Committee. Proxmire and McClellan are far apart on other issues, but are agreed in stating that the Nixon budget, far from being excessively frugal, stands in need of judicious pruning.

Proxmire puts the matter in perspective when he asserts that "the $268.7 billion budget proposed by President Nixon for the next fiscal year is too high and should be cut. It is $22.4 billion, or 9 percent, more than the $246.3 billion the President originally requested for last year. It is $10 billion, or 7.6 percent, more than the $250 billion spending for fiscal 1973. This must be one of the biggest increases in spending the country has ever had."

The Wisconsin liberal suggests cutbacks of $10 billion, much of it from military spending and foreign aid, with diversion of $6 billion into public housing and other domestic projects. Conservatives will disagree with many of his recom-

mendations on the military (although not all) and will certainly reject his notion of rechanneling money to domestic handouts. The fact remains that his effort to seek itemized reductions in the Nixon proposal is the kind of thing conservative Republicans should be attempting from their *own* philosophic standpoint.

McClellan's comments are equally telling. He observes that "the administration has proposed for fiscal year 1974 the largest expenditure budget in our history—$268.7 billion. This amount is more than double the $118.6 billion Federal budget of fiscal 1964. This is an increase in the cost of our Federal government by more than 127 per cent during the past 10 years . . . The President's total budget request for expenditures and new budget authority is $288 billion . . . it is quite apparent that projected revenues of $256 billion for fiscal 1974 are quite inadequate to meet the enormous obligations that are covered in the President's budget."

To continue such mammoth spending and rack up further deficits, McClellan says, is the height of fiscal irresponsibility. He notes that Nixon's projected deficit will bring the national debt to an unbelievable half-trillion dollars, with carrying charges running more than $26 billion annually. He concludes that Congress must establish its own expenditure ceiling, set out to balance the budget, and cut back on Nixon's spending program rather than adding to it.

These are of course but two voices among the many Democrats in Congress—and the usual presentation in the majority caucus is all the other way. But the fact that these prominent Democrats have seen fit to speak out for economy should serve as an example to Republicans who have clutched the Nixon budget to their bosoms as if it were the will and testament of Ebeneezer Scrooge.

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