

Declining Presidential Budgetary and Economic Power: A Result of Rising Mandatory Spending in the Budget

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Congressional passage of the Budget and Accounting Act in 1921 greatly expanded presidential budgetary and economic power. However, in the post-World War II period, presidential authority concerning budget and economic policy has slowly declined. Over the past decades, mandatory spending has increased substantially. The President has minimal authority over funding for programs that are required by law. The fundamental question this paper will address concerns how much political and economic power the President can wield through the constitutionally allowed budgetary authority. This paper does not intend to address the advantages of increasing mandatory spending or questions of values, but rather this paper will illustrate the serious consequences on presidential power.

Nations in general, even under governments of the more popular kind, usually commit the administration of their finances to single men or to boards composed of a few individuals, who digest and prepare, in the first instance, the plans of taxation, which are afterwards passed into law by the authority of the sovereign or legislature.

-Publius¹

INTRODUCTION

Almost all legislation and programs on the federal level require some type of funding. Therefore, the budgetary process has become a cornerstone of political

¹ “Federalist No. 36: The Same Subject Continued Concerning the General Power of Taxation” of The Federalist Papers was written by Alexander Hamilton and published on January 8, 1788.

power and conflict. If not in the budget, a government program will not happen in the fiscal year. The budget is a political tool to support and discourage specific legislation, while simultaneously an economic tool to influence the American economy. The actors and participants in the budget making process, therefore, exert an extensive amount of political and economic power simply through their influence over the budget.

Writing “Federalist No. 36,” Alexander Hamilton expected Congress would immediately grant the budgetary power of the United States to the Executive (Fisher 1976, 12). An executive budget process is a prominent characteristic of the current federal budget process, but such was not the case historically. Since the President and the Executive Office of the President are primary actors in the budget process, the amount of power a President derives from his authority over the budget is a large component of presidential power. This paper will focus on two powers of the President concerning the budget – budgetary power and economic power. Presidential budgetary power is the ability to accomplish policy outcomes in the budget. Presidential economic power is the ability to use the budget process and other devices to accomplish goals outside of the budget relating to the economy. Several questions arise concerning the budgetary authority of the federal government. How much authority does the President derive from having an executive budget process? How much control does the President have over economic and political policy through the budget? How much authority should the President have over the budget process?

This paper will analyze presidential power in the budget process and will conclude that the President has considerably less power over spending priorities and economic policy because of recent budgetary trends. Certainly, having an executive budget process has greatly strengthened the powers of the President. However, these powers are constrained by institutional and constitutional mechanisms, but more importantly, presidential power is controlled by recent trends in the amounts of mandatory spending and interest payments on the national debt. To reach this conclusion, a brief historical perspective of the budget process will be presented, followed by an in depth analysis of recent restrictive trends. Finally, the paper will make conclusions about how restrictions on presidential power severely limit the ability to create economic policy.

THE HISTORIC POWER-STRUGGLE BETWEEN PRESIDENT AND CONGRESS

Before 1921, the role of the President in the budget process was much more limited than today. When Congress created the Treasury Department in 1789, the legislature noted its objections to having the head of the Department propose any legislation before Congress and to making any remarks before Congress that may influence its decisions (House of Representatives 1792, 703-708). Until about 1815, Congress viewed the Treasury as an office of the Executive and thus with no authority over Congress. During the early days of the Republic, Presidents exercised little authority over the formulation of budget requests. Rather, individual spending agencies submitted their budgets directly to the United States Congress, with the Secretary of the Treasury, and thus the President, having little to no coordinating authority (Fisher 1976, 9).

During the ante-bellum period beginning in about 1815, the Treasury Department worked to weaken the authority of the President. The Secretary of the Treasury under President Monroe routinely submitted reports to the Congress before ever communicating with the President (Adams 1877, 500-501). Throughout this period, the Secretary of the Treasury was a tool of the Congress and not of the President. Congress delegated authority and responsibility over government funds to the Treasury rather than to the President (Fisher 1976, 16). While the authority of the House Ways and Means Committee and the Senate Finance Committee expanded during the period prior to the Civil War, a few Presidents, such as Polk, had an increasing interest in the President's role in the budgetary process. The majority of Presidents of the ante-bellum period characterized federal spending as a legislative initiative. The President was simply a bystander in the budget process. Congress was the branch of government that formulated and reviewed the budget, thus having most of the economic and spending power.

After the Civil War, congressional authority over spending began to decline. New young members to Congress viewed the powerful Appropriations and Finance Committees as entrenching power with only the most senior members of Congress. As a result, Committees in both the House and Senate were forced cede away some of their authority (Fisher 1976, 23). Presidents threatened to veto funding bills more frequently during the post-Civil War Era. Congress was gradually beginning

to lose its power over the appropriation process because of dissatisfaction within its chambers and because of presidential activism. Until the early 1900s, conflict between the institutions of government characterized politics. The passage of the 16th Amendment in 1913 created a direct form of income taxation that made the public demand more accountability in budgeting. With its passage, the legislature would only hold on to its primary authority over the budget for a few more years and by 1921, budget power would reside with the President (House of Representatives 1912, 138).

1921: THE YEAR THE PRESIDENT RECEIVED MORE POWER

In 1921, the passage of the Budget and Accounting Act greatly expanded executive power despite the fact that many in Congress still viewed spending power as a key element in the legislature's constitutional powers (Shapiro 2000, 193-194). The 1921 Act created the Bureau of the Budget as an executive agency, thus establishing an executive budget process. Congress granted the Bureau of the Budget the authority to "assemble, correlate, revise, reduce, or increase the estimates of the several departments or establishments" (Fisher 1976, 35). Because of this reform, the Executive now has power over two stages of the budget process. First, the President has the authority to formulate and propose a budget. After Presidential formulation, it is the job of the Congress to review and revise the budget. The President also controls the third step of the process via executive implementation of the passed budget.

In the early history of the executive budget process, throughout the 1920s, Presidents used their new authority very narrowly by only focusing on the costs in the budget rather than its substance (Kahn 1997, 201). However, the Great Depression greatly expanded the authority of the Bureau of the Budget. Franklin Roosevelt issued Executive Order 6166 that allowed the Budget Director, rather than department heads, the power of "making, waiving, and modifying apportionments of appropriations" (Fisher 1976, 40). After the Franklin Roosevelt administration, the Bureau greatly expanded from 40 staff members to nearly 600 staffers. Executive Orders and small changes to federal legislation further expanded the Bureau's power. As a result, Presidents began to realize economic power and an ability to create a notion of a national fiscal policy. The Division of

Fiscal Analysis was created with the specific purpose of analyzing the influence of the budget on economic policy, while also using programs for economic stabilization (Kimmel 1959, 192-204).

In the 1970s, Congress replaced the Bureau of the Budget with the Office of Management and Budget so that the President could focus directly on spending and the effectiveness of the spending. During the Nixon administration, the Congress attempted to gain back some of the budgetary power ceded to the President. Many representatives in Congress viewed the President as wielding too much authority over the budget, but Congressional attempts to take back any power were weak at best (Fisher 1976, 56-57). Although the legislation of the time attempted to restrict the President, it did nothing to restrain his powers from a budgetary standpoint. In fact, Senator Abraham Ribicoff stated, "I would like to give the President as much responsibility as he could possibly use to coordinate this great bureaucracy of ours" (Senate Committee on Government Operations 1970, 20). The Office of Management and Budget actually accomplished this goal of maximizing power by granting the Executive the authority to review the effectiveness of programs and spending (Meyer 1989, 53-54).

Since the Nixon administration and the passage of the Congressional Budget and Impoundment Control Act of 1974, the specified powers of the President over the federal budget have remained consistent. The Budget Enforcement Act of 1990 provided some restrictions based on accountability, but they were minimal. After nearly 200 years, the nation finally granted budgetary and financial authority to the Executive, with certain checks and balances. Alexander Hamilton in "Federalist 36" certainly expected such a power would emerge much quicker through the Secretary of the Treasury. Although the Executive remained weak during initial years of the Budget and Accounting Act, after World War II, Presidents capitalized on the new budgetary power.

IMPLICATIONS OF THE EXECUTIVE BUDGET PROCESS ON PRESIDENTIAL POWER

One perspective on the executive budget process is that it has turned the presidency into a "clerkship," where the President formulates and brokers the financial numbers for the Congress (Neustadt 1980, 7). More commonly, the majority of Presidents in the modern presidency have viewed their power as making

and not brokering policy. Presidential budgetary authority probably reached its apex of power somewhere under the Johnson and Nixon administrations. Consequently, the viewpoint of the modern presidency is one in which the budget was used to set policy, rather than just serve Congress (Lynch 1991, 5-6).

Thus, the most important consequence of the executive budget process was the establishment of the “agenda setting power” of the presidency. Constitutionally, the President is the only nationally elected official and, therefore, emerges as the leader of a national agenda. Even so, budgetary authority dramatically strengthens the power to set the agenda. The presidency also became an institution with the ability to establish fiscal policy. With the power to formulate a budget – spending cutbacks, spending increases, and tax changes were at the hands of the President. Therefore, the Executive controlled the estimates of deficit and surplus, subject to the approval of Congress. As a result, the President could adapt a coherent and consistent fiscal policy throughout his term. Additionally, the executive budget process brought an element of accountability to the promises of the President. Because of having one sole actor formulate the budget, the public could easily see if the President had fulfilled his promises by the funding priorities of the budget. The President could also cater to re-election constituencies by placing certain public programs in the budget.

Although the executive budget process has expanded the power of the President, the reformed budget process has also created some very negative and embarrassing consequences. For example, because the presidency supervises the formulation of the budget, the President receives much of the blame for tax increases or decreases.² The presidency also suffers the blame for failure to reduce the deficit to an acceptable amount. Moreover, the public has historically seen conflict with Congress during the budget process as primarily the fault of the President (Lynch, 1991 7-8).³ While the public may perceive the President is at fault for any negative consequences, Congress has ultimate authority on accepting or rejecting the President’s recommendations (Hyde 2002, 165-167). The

² The perfect example of this is President George H. W. Bush, who needed to propose an increase in taxes to avoid a budget crunch. As a result, the American people held him accountable in the next election, although Congressional Democrats had major roles in the tax increase (Ippolito 2003, 256).

³ On the other hand, President Clinton was able to defer the blame to the Republican Congress when the government shutdown. Congress took most of the blame and Clinton proved the power of presidential budgetary authority because of his fervent resolve. Historically though, the norm is for the public to blame the President because he is a nationally elected actor (Ippolito 2003, 267-271).

President's proposal is simply a recommendation and Congress is free to alter the budget, although major alterations may result in a presidential veto. Since local constituencies each elect a different member to Congress, it is very difficult for voters to hold the entire Congress accountable. The President is a single man who represents his entire branch of government and the nation. Therefore, the nation can hold the President accountable. The public has a tendency to hold the President more responsible than Congress for financial adjustments.

THE ECONOMIC POWER OF THE BUDGET

One of the greatest powers of the presidency is the ability of the Executive to guide economic policy. The importance of the budget goes well beyond who gets what, when, and how. The budget is a policy tool of the government, by which dollar benefits of the budget flow to the public and private sector in addition to every individual in the country. Beyond the agenda setting power of the budget and the political policy impact that it has, "the budget has another function which is highly political and only partially successful" (Shuman 1984, 13). The budget is a chance for the administration to establish a fiscal policy to direct, control, and regulate the economy.

The federal budget accounts for nearly twenty percent of the United States Gross Domestic Product and this number has been following an upward trend (Reischauer 1997, 10). While monetary policy plays a prominent role, the budget has become the primary tool to achieve policy goals, such as full employment and price stability. The focus of policy makers in the Congress tends to emphasize the percent and dollar change of spending. However, a discrete and important power is the ability to outline a big picture outcome for the economy. The President did not have such an ability to shape fiscal policy in pre-1921 America because the budget process was far too scattered in the formulation process.

Keynesian fiscal policy has been the most prominent fiscal policy used by the modern presidency (Shuman 1984, 14-15). Incorporated into the budget are automatic stabilizers such as the individual income tax and unemployment compensation. According to John Maynard Keynes, the President can change spending and revenue priorities in order to run a larger or smaller deficit or surplus depending on the economic conditions (Meyer 1989, 11-12). In the modern era,

many economists have begun to doubt the effectiveness of Keynesian fiscal policy in stimulating the economy. Whether such a policy is truly effective can be debated, because the truth of the matter is that all politicians have a philosophy of stimulating demand, but they may not execute it in practice.⁴

As a result of the Employment Act of 1946, one of the primary goals of economic policy has been obtaining and maintaining full employment. Most recently, protecting and stimulating long-run economic growth, while keeping inflationary growth stable has been the economic goal of the federal government (White House 1988, 89). The ability of the President to accomplish these two ends requires certain conditions for the budget process. The budget proposed by the Executive must be able to be justified by the ultimate economic outcomes desired by the President. Congress must in turn agree with the ultimate view of the economists of the President and with the President's suggested solution to maintaining or fixing the economy. Additionally, the President must have the authority to propose changes to the revenue and expenditure amounts of the budget. Fiscal policy can only be effective if taxes and appropriations can be modified in accordance with annual business cycles.⁵

Because fiscal policy is not one hundred percent reliable or effective, restrictions on changing the federal budget can only further hinder a unified fiscal policy. Alvin Hansen, an economist who revised the Keynesian approach to economic policy wrote, "If one adopts wholeheartedly the principle that Government financial operations should be regarded exclusively as instruments of economic public policy, the concept of a balanced budget, however defined, can play no role in the determination of that policy" (Hansen 1941, 235). While the Congress can influence economic policy in the budget process via amendments that affect the deficit or surplus, the President formulates economic policy through the executive budget process and then seeks congressional approval. Therefore, an important consequence of the Budget and Accounting Act of 1921 was the creation of the capability to have a national economic policy. The President currently serves the role of chief formulator for budgetary, political, and economic policy.

⁴ For example, President G. W. Bush's tax cuts were justified as a means of stimulating demand. Many economists believe the rationale for the tax cut was fundamentally Keynesian. However, the appropriateness of the distribution of the tax cut was not Keynesian since Keynesian philosophy urges that the reduction of taxes be for the people who will spend, rather than save the money.

⁵ The President must have the annual ability to cut taxes in anticipation of a recession, while also having the annual ability to adjust spending upward in a recession and downward in a boom.

RECENT TRENDS IN THE FEDERAL BUDGET

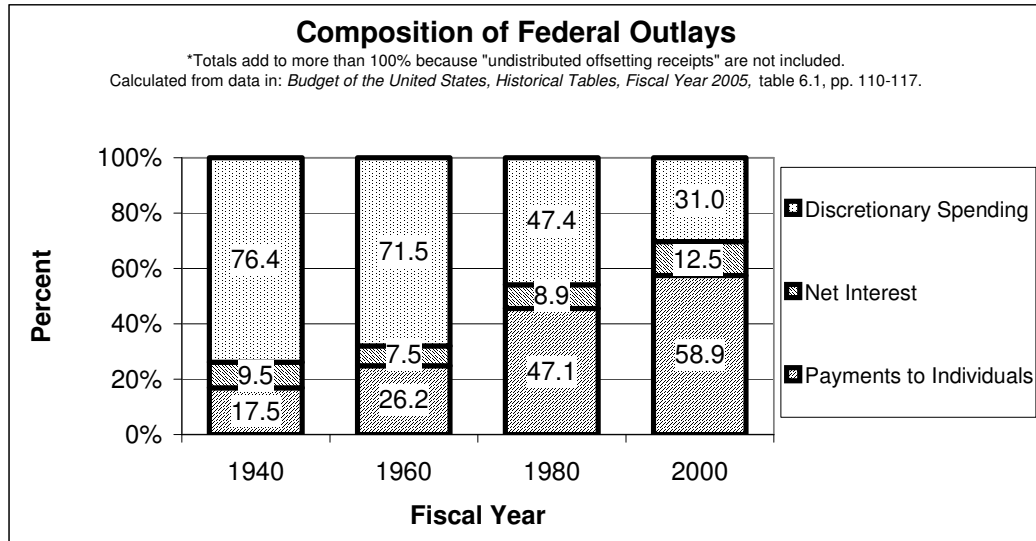
The size of the federal government has increased dramatically over the years. Some of this increase is a result of inflation, an increasing population, and new federal programs. Mandatory spending and discretionary spending are two distinct categories of the federal budget. Mandatory spending is specifically outlined and funded by federal law. This type of spending includes interest on the national debt and entitlement spending, which are payments to individuals.⁶ The President and the Congress must fund mandatory spending at the level required by law and can only adjust the amount of spending by actually changing the federal law (Gosling 2002, 83). In general, because of the difficulty in changing federal law, neither branch of government usually revises entitlement spending. Because individuals receive entitlement payments, once passed as a law, individuals begin to view them as a “right” rather than a privilege. Therefore, revising entitlement spending can have huge political consequences. On the other hand, discretionary spending is any spending that is approved via the appropriations process and is not mandated by law.⁷ The President and the Congress have the annual authority to decide the discretionary spending level (Gosling 2002, 83).

In the modern era, the federal budget has become larger and the itemization of the dollar amounts in the budget has changed dramatically over time. As of 2000, the proportion of discretionary spending in the budget is approximately 2.5 times less than the proportion of discretionary spending in the budget in 1940. The decline in discretionary spending has been offset by huge increases in mandatory spending, most especially because of payments to individuals – known as entitlement spending. Payments to individuals have more than tripled since 1940 and accounts for over two-thirds of the federal budget today (Executive Office 2004, 110-117). See the following figure concerning the trends in the composition of federal outlays. Budgetary data predictions to the year 2009 show the amount of discretionary spending continuing to shrink over time as the proportion of entitlements continues to rise. By the year 2009, mandatory spending will account for almost $\frac{3}{4}$ of all federal outlays (Executive Office 2004, 110-117). Such a trend

⁶ Entitlement spending includes programs such as Social Security and Medicare, among others.

⁷ Discretionary spending includes funding for roads, medical research, police programs, national defense, and funding for the federal agencies and departments, among others.

of increasing mandatory spending at the cost of declining discretionary spending has significant consequences on the powers of the President. Thus, the ability of the President to act as a political agenda setter and economic policy creator has been significantly reduced over time.



A great part of economic policy is the size of the deficit and the surplus that the government is running annually. Deficits have almost become a given with the rarity of budget surpluses. Legislation of the 1980s, including the Gramm-Rudman-Hollings Act attempted to reduce significantly the size of the deficit over time to zero (White 1989, 508). The Act was a nonsuccess and failed to achieve its long-term goals of deficit reduction. The Budget Enforcement Act of 1990 was more successful and the budget was balanced in 1998 (Rubin 2000, 108). The Act created several caps and restrictions on discretionary spending, while placing entitlements on a pay-as-you-go basis. While the caps were successful at helping to balance the budget, restrictions on entitlements did little to stop their expansion because the growth of the number of people eligible to receive entitlements continued to increase without restriction (Gosling 2002, 102-103). Congress renewed the Budget Enforcement Act several times before its authority lapsed due to congressional refusal to renew the Act. Congress made one other attempt to stop the growing deficits by granting the President the authority for a line-item veto. The Supreme Court ruled the Line-Item Veto Act that took effect in 1997 as unconstitutional and Congress made little attempt for a constitutional amendment (Ippolito 2003, 267). Had Congress proposed such a constitutional amendment, the President would have been ceded additional power from the legislature concerning

budgetary authority. The fact that both houses of Congress passed the Line-Item Veto Act is evidence of congressional desire to confer on the President additional budgetary power in an attempt to reduce deficits by allowing him to veto what he deems unnecessary spending. The trend of deficit spending means a larger national debt will accumulate, forcing larger annual interest payments on the debt. Such a consequence will only work to fuel the growth of mandatory spending by an even greater amount than expected. Either way, mandatory spending will continue to rise whether or not there is deficit or surplus spending.

THE CURRENT TRENDS TAKES THE PRESIDENT TO POWER RESCINDED

By 2009, 75% of the federal budget will be uncontrollable by the President of the United States. In a given fiscal year, neither the President nor the Congress will have discretion over the mandated spending in the federal budget. Therefore, it is beyond presidential power to alter nearly seventy-five percent of the budget (Grist 1974, 7).⁸ Such a large portion of the budget being encumbered has been a problem for the modern presidency. Historically, budgetary power was not restricted to a large degree since mandatory spending was a relatively small portion of the budget. While a sizeable amount of scholarly literature has noted budgetary patterns, very little research has been done concerning the limiting effects such a phenomenon has on the ability and power of the President.

Since the President has no control over the majority of funds, a budgetary and economic strategy that views the President as being able to change policy and allocations is false (Grist 1974, 7). In fact, since such a large portion of the federal budget is simply a pro forma exercise, presidential approval of the budget is simply a ratification of previous standards with no other choice available. Therefore, by 2009, the President will only be able to exercise his discretion and authority over one quarter of the budget. This is a dramatic reduction in presidential power from the days of pre-World War II, where the President controlled 75% of the budget.

⁸ Laws passed by the Congress and signed by the President set mandatory spending. Ultimately, Congress does have the authority to change or alter the previous legislation. The President could also take the initiative to outline several changes to legislation. However, Congress and the President rarely review legislation and the appropriations remain as set forth in law. One factor that deters politicians from reviewing mandatory spending is that many citizens view these programs as a “right” rather than a privilege once they have been in existence for several years. Social Security is a perfect example of a mandatory spending entitlement that citizens view as a “right.”

Since the Franklin Roosevelt presidency, the ratio of mandatory to discretionary spending has been reversed. This reversal has dramatically altered and reduced the trend of more executive budgetary and economic power.

The decline in budget authority has drastically reduced the ability of the President to create a coherent fiscal policy for the country. Even if the government reaches consensus on the fiscal goals of the nation, the President is extremely limited in his ability to influence fiscal policy on the expenditure end (Lynch 1991, 5). Creating short-term fiscal policy has always been nearly impossible for both the President and the Congress. Much of the difficulty originates in the fact that formulation of the budget process results in deliberations and estimates being prepared over a year before budget implementation. Short-term influences via outlays are economically difficult. Nevertheless, if the government can control the outlays and budgetary trends, long-term growth patterns and economic policy are possible. With the President's hands tied by entitlements and payments on the national debt, the President has very little discretion over dollar changes. As this problem continues to worsen, traditional measures of fiscal responsibility such as debt held by the public, ten-year-ahead-cash-flow deficit projections, and long-term summary measures will become nearly useless for the President in the policymaking process (Gokhale 2003, 42). The decline in presidential power over the budget has resulted in the inability of the President to shape demand side policies and to use long-term data to shape the policy making process.

Instead, Presidents have resorted to supply side policies in recent times. While federal law may encumber the outlays, the revenue side of the budget is free to presidential discretion, subject to the approval of Congress. These supply side policies are essentially tax rate adjustments to account for the inability to create fiscal policy via demand side policies. Since Presidents still hold fiscal policy in high esteem, the Executive has used revenue adjustments as a substitute for outlay adjustments. However, the two are not perfect substitutes and contributes to the failure of Keynesian policy to stimulate the economy (Caporaso 2003, 106-111). Economists argue Keynesian policy has failed in part because of over-estimates on the multiplier effect. More recently, Keynesian policy has also failed because the inability to change budgetary allotments has restricted Keynesianism.

One other reason for the decline of the use of fiscal policy has been the Federal Reserve Board. The Fed is a highly independent agency created by an Act

of Congress. The Fed has no constitutional authority and is subject to very few checks and balances by the President or Congress (Hughes 2003, 379). The only authority the President has over the Federal Reserve System is the ability to nominate a small number of the Board's members and the ability to designate one member as chairperson of the Board. Outside of the appointment power, the Board and its chairperson are almost entirely independent from the sitting President and do not need to take into account his economic recommendations. However, the Board has at times responded to some political pressures from the President and Congress (Pika 2002, 343-345). As the guardian of monetary policy, the Fed can control the money supply via the discount rate, reserve requirements, and open-market operations. The three tools of the Fed make up the nation's monetary policy and work to help stimulate or restrain the economy where fiscal policy may have otherwise failed. Historically, during the twentieth century, the nation has moved from a conservative consensus on economic policy, to a Keynesian based policy consensus, to a lack of economic consensus in the 1990s (Pika 2002, 352). As economists become more divided over the best economic policy, the Fed has gained a significant amount of influence. However, since the Federal Reserve Board is independent of Congress and the President, the Fed has become a scapegoat of the administration and of the Congress for economic problems (Thomas 1994, 381). Overall, the President has limited influence over shaping monetary policy for the country. Therefore, the President does not have complete power over realizing specific economic goals, such as the unemployment level and inflation.

Separate from the idea of a reduction in economic power is a reduction in budgetary power. Incremental change, rather than performance-based outcomes have become the basis of executive budgeting (Rubin 2000, 88-89). Thus, the ability to set political policies in and through the budget has declined considerably. With mandatory spending rising, the review of the efficiency, equality, and effectiveness of many large social programs is less prominent. As a result, unless Congress and the President make sweeping legislative changes, the programs are funded as required by the law. With many entitlement programs indexed to cost-of-living adjustments, the sole increment of change is based on necessary adjustments to fund at previous levels (Ippolito 2003, 230). Through the annual budget process, the President is powerless at adjusting the funding levels up for extremely successful programs and powerless at adjusting the funding levels down if studies

prove a program ineffective. Adjustments for mandatory spending based on performance can only be made through the legislative process, which is rarely used to revise payments to individuals that people assume to be their given “right.”

Additionally, as the proportion of the budget directed to mandatory spending increases, the proportion of budgetary shares for discretionary programs will further decline. Constraints on programs other than entitlements will continue to worsen as the federal budget becomes more encumbered. The President will have less authority to create new important initiatives such as homeland security and environmental cleanup as the budget becomes less flexible (Ippolito 2003, 305). Government must carefully balance the needs of social entitlements with the need for other federal initiatives. If mandatory spending continues to increase, the President will find it extremely difficult to create new federal commitments. Fiscal flexibility in the budget is a key component to the ability of the President and Congress to create new discretionary agendas. Clearly, the public policy tool of the government is dramatically declining. The declines in the authority of the presidency stress how mandatory spending has greatly reduced presidential power.

CONCLUSIONS FOR THE FUTURE

Congress and the President are cooperative partners in the budget process. The Constitution specifically grants certain powers to the Congress and the Executive. Nonetheless, during the twentieth century, beginning in 1921, the Congress ceded budgetary authority and powers to the President. Since then, the ability to formulate the budget has greatly strengthened the budgetary authority of the President. Additionally, with the advice of executive economic analysts, the President has a great deal of power in proposing a long-term economic policy. While the President has gained these powers, Congress still performs its constitutional requirements. The President, therefore, must work directly with the Congress and compromise when needed. While the President has gained budgetary authority since 1921, he does not have all of the authority.

However, this paper demonstrates that the growth of mandatory spending in the federal budget has restrained and restricted earlier increases in presidential power. As mandatory spending approaches nearly $\frac{3}{4}$ of the budget, the ideas of Congress and the President are being bound to a set course. Although the President

has more budgetary authority relative to before the executive budget process, the President has less power over the budget and economic policy relative to the mid-1900 period before the rapid growth of mandatory spending. While trends are important, the consequences of an increasing national debt and increasing entitlements in the federal budget must be analyzed.⁹

The budget and the economy are closely linked together. Over the coming years, the questions policymakers must address will become manifestly more challenging. The major question looming on the horizon concerns the financing of entitlements – mainly Social Security and Medicare. If not fixed, the problem of mandatory spending could pose a large fiscal risk in terms of limiting flexibility in the budget process. The fact that the short-term domestic needs of the country must receive funding further complicates any long-term funding. As the new millennium begins, the United States will have to revisit the question of the size of the federal government budget with a slightly new tilt – the size of the mandatory spending entitlement state. As the costs of entitlements continue to rise, the President and the Congress must be able to find ways to adequately fund other domestic needs and defense programs while maintaining revenue levels that are economically possible (Ippolito 2003, 312). The primary question is thus not balancing the ultimate end line of the budget, but rather balancing all the priorities within the budget.

Currently, the President operates under an executive budget process, which allows him to be the chief formulator. If the current trends in the area of mandatory spending continue to rise, the President will be relegated to the role of chief observer. In order to prevent rendering the Congress and the President powerless over the budget and economic policy, the growing trend of mandatory spending must come to a stop or be reformed. The passage of the federal budget is a political process and politics is legitimate. Everything in the budget was passed through the political process and, therefore, it is legitimate. While the funding of a large number of programs via mandatory spending may be legitimate, the President and Congress must focus on the implications that previously unforeseen and growing trends will have on reducing the influence of budgetary and economic power.

⁹ The majority of the academic work on the topic of rising mandatory spending focuses on recent trends in the federal budget. Very little research has been published concerning the implications of recent budgetary trends on presidential or congressional power. This paper intends to serve as a starting point for future research and analysis of the topic, which will result in eventual reforms to allow government the authority to create a flexible budgetary and economic public policy.

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