



Congressional Budget Office
40th Anniversary Event
Transcript of Alice Rivlin's Keynote Address

February 24, 2015

I am absolutely delighted to be standing here 40 years after my first day as CBO Director, celebrating this strong, vibrant, respected institution that serves the Congress so well. I am grateful to my friend Doug Elmendorf, the extraordinarily able and skillful current Director, for marking this occasion in such a festive way. And I am looking forward to discussing the challenges that CBO will meet in the future with my long-time friend Bob Sunshine, and the awesome and congenial group of people that have headed CBO over the last four decades. What could be better than that?

Forty years ago today I was sworn in by Speaker of the House Carl Albert. The President pro tempore of the Senate at that time was Democratic Senator Jim Eastland of Mississippi, which gives you a clue at what a different era this was. There was a luncheon and then Bob Reischauer and I and two assistants went back to the single office we shared in the Dirksen Building—the original location of the CBO—and started figuring out how to get this institution up and running. There wasn't a lot of language in the Budget Act about the CBO and almost no legislative history—nothing about the size or the organization of the CBO. We were hiring people to help us get started, drawing organization charts, and writing job descriptions all at the same time and trying to make up the rules of the game as we started playing it. We were energized, but a little overwhelmed.

Objectively, the CBO looked pretty fragile. The Budget Act had passed in 1974, and the new Budget Committees immediately plunged into the process of hiring staff. But my appointment was delayed by a dispute between the House and the Senate, who had chosen different candidates for Director. I was the Senate's choice. This impasse lasted for several months and was finally resolved by a bizarre incident involving a powerful committee chairman and an exotic dancer named Fanne Foxe. This incident ended the career of Ways and Means Chairman Wilbur Mills, and by a quirk of fate, it opened the opportunity for a House/Senate compromise that led to my appointment. So I owed my job to Fanne Foxe.

By February 24, 1974, the Budget Committees had staffed up—as they had to—with budget analysts, some of whom wondered if they couldn't do the job that the CBO was supposed to do. There were a lot of even more powerful people on the Hill, who were not convinced—to put it mildly—that a new Hill agency was needed. There were plenty of skeptics who would not have given much for our chances of surviving 40 months, let alone 40 years. The press—not surprisingly—was particularly doubtful that a nonpartisan, analytical agency could fit into the intensely partisan political atmosphere of Congress, and some of them did their best to trip us up.

So why did we survive? Why are we still here? Now Phil Joyce as some of you know has written a good book about the history of the CBO, and a more recent Brookings paper in which he talks about some of the reasons.

He talks about strong leadership at the beginning—I really like that one—and about the series of able serious, policy wonks that have led the institution over the years.

He talks about consistent dedication to non-partisan analysis and some of the decisions that reinforced that stance. I think he is right in retrospect about the importance of the decision that we made early on that CBO should not make recommendations. It should give the best estimates it can of costs and effects of legislation; it should present options and alternatives, but it should never tell the Congress what to do. I and my successors defended that stance time after time for 40 years, and I think it paid off.

Phil talks about the excellent, highly qualified, hard-working CBO staff and its tradition of doing everything possible to get the numbers right—even if it meant being up half of the night and getting yelled at by some pretty rude characters.

He talks about the bipartisan support we got from the Budget Committees, who protected our efforts to hire good staff without regard to political affiliation and to make the best estimates we could without fear of partisan retaliation. Chairman Muskie and Ranking Member Bellmon gave us particularly strong bipartisan cover in the Senate in the beginning.

Phil gives examples of analyses that were distressful to political leaders because they did not support their agendas. Our analyses of President Carter's energy plan, of President Reagan's budget, Bob Reischauer's costing of the Clinton health plan. Another example is June O'Neill standing up to the advocates of Fannie Mae, and there are many others.

All of these points are important and they contributed to CBO success, but by themselves they don't guarantee that CBO would survive for 40 years and earn its current status.

Does anybody remember the Office of Technology Assessment? The OTA was started shortly before the CBO with the mission of providing Congress with analyses of scientific and technology issues. It was headed by a very able physicist named Jack Gibbons who was later the science advisor to President Carter; it had highly qualified, hard-working staff; it produced interesting reports that were widely read; and it had bipartisan support. But the OTA isn't here anymore—they are not celebrating any kind of anniversary. It is a shame—Congress could use objective scientific analysis at the moment.

I believe that CBO survived because Congress needs it so badly. It needs an independent nonpartisan agency to make budget estimates and to do analysis of budget alternatives. This need in turn stems from two sources:

One is the Constitution itself with its separation of powers and allocation of the power of the purse to the Congress (subject, of course, to presidential veto). Budgeting is an existential power of the Congress, essential to its role under the Constitution. Science policy, for better or worse, is not.

The other is the extraordinary importance of both long and short run fiscal policy in the health of the U.S. economy and our status as a world power. This importance has grown immensely over the last 40 years. Let me say a word about each.

Given how clear the Constitution is about the crucial role of the legislative branch in decisions about spending and taxing, it is quite surprising the Congress allowed its power to erode as much as it had by 1974. At that time, the president pretty much called the shots on budget priorities and fiscal policy. The executive branch had centralized power to make budget proposals in the White House. OMB and the agencies controlled budget information—mostly they did the estimates and the forecasts. There were multiple power centers on the Hill—in the Appropriations Committees and subcommittees and tax-writing committees—but they had narrow jurisdictions. Congress did not have a process for making decisions on the budget as a whole, setting spending priorities, or voting on fiscal policy. They didn't have an agency working for them that they could ask to analyze the executive's proposals, or provide independent estimates of what it would cost, or what the effects of the proposals would be. They relied on the executive branch, but were often suspicious of what they were told. This on-going tension between legislative and executive branches trumped party affiliation and it boiled over when President Nixon impounded funds—that is, he refused to spend appropriated funds. The Budget and Impoundment Act of 1974 that created the CBO grew out of that confrontation.

The intervening decades have strengthened Congress' power over budget decisions and underlined the importance of budget projections, estimates, and analysis. It is hard to imagine, as Congressman Van Hollen pointed out I think, the Congress now without its own budget office. I doubt there is support in either house or either party for going back to the old reliance on the executive branch for budget estimates.

And the federal budget itself has changed so much since 1974. Annual appropriations, especially after the recent round of cuts, are far less important—the lowest relation to the size of the economy in many decades. Entitlements—especially in Medicare, Medicaid, and Social Security—are far more important, as is spending through the tax code. Debt, as Senator Portman pointed out, has become much larger and more important in decisions about spending and taxing. Debt held by the public is now more than double the percent of GDP it was before the Great Recession and more than three times what it was in 1974 (23 percent as opposed to 74 percent at present). I don't care what Paul Krugman says, that's nervous-making.

These budget facts make the estimates of the future impact of today's spending and taxing decisions far more important than they were 40 years ago or even 10 years ago. They make it much more important that Congress have a strong, nonpartisan agency doing the best it can in the face of great economic uncertainty and partisan polarization to give Congress and the public its best effort at estimates of what budget actions will cost and what their consequences will be.

I look forward to the discussion with Bob Sunshine and my colleagues. Thank you.