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Gramm-Rudman-Hollings and the Politics of Deficit Reduction

By DARRELL M. WEST

ABSTRACT: Procedural change often has generated unanticipated consequences for the policymaking process. This article examines an effort in the United States Congress to institute a procedural mechanism for deficit reduction, the so-called Gramm-Rudman-Hollings procedure. Although the triggering mechanism for automatic spending reductions ultimately was declared unconstitutional by the Supreme Court, this case illustrates the strategic consequences that flow from procedural change. Negotiations over the content of Gramm-Rudman-Hollings dramatically shifted strategic advantages between Congress and the president as well as between Republicans and Democrats. A reform that started out with particular strategic consequences ended up being transformed into a procedure having quite different implications. This period, therefore, illustrates the crucial role that the strategic environment plays in legislative bargaining over deficit reduction.

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PROCEDURAL change is one of the primary constants of American political life. From the days of the Founding Fathers to contemporary efforts to deal with economic difficulties, dissatisfaction with the system has frequently led to reforms that altered the rules of the game and thereby sought to make it easier to achieve particular political objectives. Despite the frequency with which procedural prescriptions have been attempted, however, it has not been easy to predict the consequences of structural change. Reforms often have fallen short of intended goals, and they also have tended to generate unanticipated or undesired effects.

This article investigates a recent attempt in the United States Congress to use procedural change to achieve particular policy goals. Faced with ballooning budget deficits and an inability through more conventional means to reach agreements cutting these deficits, Congress and the president enacted a controversial procedure for deficit reduction—the Gramm-Rudman-Hollings mechanism of automatic spending cuts. Although the Supreme Court ultimately nullified the key triggering device behind this procedure, this case illustrates the crucial role that the strategic environment plays in legislative bargaining over policy matters. A reform that started out with particular ramifications for Congress and the president ended up being transformed into a procedure having quite different strategic implications. This article, therefore, illustrates the strategic consequences that flow from procedural change and also the dynamic nature of institutional conflict between Congress and the presidency.

PROCEDURAL REMEDIES FOR POLICY PROBLEMS: A STRATEGIC PERSPECTIVE

Political observers often presume that structural or procedural changes have policy implications. Given the regularity with which structural reforms are suggested and the intensity with which battles over procedural issues are fought, it is natural to assume that important ramifications arise from structural change. Yet it is clear, based on past reforms, that procedural changes have complex effects. It rarely is easy to discern direct links between structural change and policy consequences. The complexity of political processes and the tendency of reforms to generate unintended results make it difficult to discern effects with much precision.

To say that procedural changes have complex consequences is not to imply, however, that these effects are undecipherable. Procedural changes can have dramatic implications for the strategic environment in which policymaking takes place. This is particularly true in the case of institutions such as legislatures, where informal processes are central to policymaking and where the formal setting is characterized by a great degree of fragmentation and decentralization. The strategic environment in these settings can be an important intermediary factor between procedural reform and policy results.

There is little doubt that strategic processes are an essential ingredient of congressional decision making.[1] Leader-

1. Charles Jones and Randall Strahan, "The Effect of Energy Politics on Congressional and Executive Organizations in the 1970s," *Legislative Studies Quarterly*, 10(2):151-79 (May 1985);

ship strategies have always been a critical component of the legislative process, but they became unusually important after the congressional reforms of the 1970s. The declining influence of political parties made it difficult for leaders to ward off particularistic demands and build broad-based coalitions.[2] In addition, the substantial levels of public cynicism and mistrust that developed during that decade and the rise of budget limitations that constrained legislative policymaking placed a premium on strategic processes.

Few would claim that current economic conditions have eased the plight of legislators in this regard. Congressional inaction on the federal budget deficit has been one of the most widely discussed aspects of fiscal policy in recent years. With deficits that have risen to the multi-billion-dollar level and disagreements between representatives over the future course of fiscal policy, legislators have not yet been able to handle what most observers concede is a major policy problem.

There are several characteristics of the policy environment that have complicated efforts at deficit reduction. Though there is widespread agreement about the need to reduce the federal deficit—owing to its percentage of the gross national product and the large size of the interest payments on the debt—the costs and benefits of action in this area are not clear-cut. The economic costs of inactivity seem to be limited to future costs and they appear to come mainly in less visible forms, such as slower growth, higher interest rates, and the like. The political benefits of deficit reduction meanwhile are rather diffuse. Because blame for the deficit problem currently is shared between Congress and the president as well as Republicans and Democrats, it is not clear that there are any partisan or electoral gains to successful action on the deficit.

There are also institutional barriers that have complicated deficit reduction: the divided control of political institutions at the national level, what some observers have described as the rising tide of partisanship in the contemporary Congress, and the volatility of legislative debates on the deficit.[3] All of these factors have complicated the strategic environment of legislative policymaking and have made it difficult for representatives to forge agreements on economic policy.

Yet these constraints did not prevent members of Congress in 1985 from taking forceful, albeit controversial, steps to deal with spiraling budget deficits. After several attempts to negotiate meaningful deficit-reduction agreements through conventional legislative means, Senators Phil Gramm and Warren Rudman, Republicans of Texas and New Hampshire, respectively, and Ernest Hollings, Democrat of South Carolina, introduced and eventually won enactment of a rather extraordinary spending-reduction procedure.[4] In the absence of voluntary congressional action to reduce the deficit, their procedure would have forced Congress and the president to cut the federal deficit by automatically triggering across-the-board reductions in government expenditures. Although the Supreme Court ultimately nullified the

Richard Fenno, *Congressmen in Committees* (Boston: Little, Brown, 1973).

2. Leroy Rieselbach reviews these developments in his *Congressional Reform* (Washington, DC: CQ Press, 1986).

3. Timothy Cook, "The Electoral Connection in the 99th Congress," *PS*, 19(1):16-22 (Winter 1986).

4. Elizabeth Wehr, "Congress Enacts Far-

triggering mechanism for Gramm-Rudman-Hollings—that is, the sequestration order by the comptroller general—because of concern over its consequences for the separation-of-powers doctrine, the changes through which Gramm-Rudman-Hollings evolved between its introduction and its eventual enactment provide a fascinating case study of procedural efforts to deal with the deficit problem.[5] The legislative history of this period thereby illustrates how negotiations over the content of a procedural change had dramatic consequences for the strategic environment of congressional policymaking.

BACKGROUND ON DEFICIT REDUCTION: INITIAL EFFORTS

Reagan began his second term in an unusual position. Despite his 49-state sweep of Walter Mondale and an election vote total of more than 59 percent, Reagan faced major difficulties. In terms of political problems, Republicans gained only modestly in the House—they picked up only 16 seats—and actually lost two seats in the Senate. At the policy level, budget deficits were reaching crisis proportions. The deficit for fiscal year 1985 was projected at more than $200 billion; in following years, the figures looked even more grim. With unemployment hovering around 7.0 percent nationally and economic indicators projecting an uncertain future, Reagan started what should have been a triumphant second term in a position that did not look very promising.

This situation put great pressure on Congress to do something about federal spending, but the president's initial plan did little to develop enthusiasm among legislators. Announced publicly on 4 December 1984 by David Stockman, director of the Office of Management and Budget, and formally sent to Congress on 4 February 1985, Reagan's spending-reduction proposal was pronounced dead on arrival by representatives.[6] His plan proposed cutbacks of about $35.1 billion, with many of the reductions coming in politically sensitive programs benefiting middle-class or business interests, unlike the reductions of 1981, which fell disproportionately on less powerful, lower-class constituencies. Reagan's package, for example, proposed a one-year freeze in spending for many domestic programs, including Medicaid, Medicare, child nutrition subsides, farm price supports, rural electrification, and civil service retirement programs; selective cuts in others, such as sewage treatment grants, land management, and

Reaching Budget Measure," *Congressional Quarterly Weekly Report*, 14 Dec. 1985, pp. 2604-11.

5. The United States district court declared the automatic deficit-reduction process unconstitutional on 7 Feb. 1986, but it stayed the implementation of its order pending appeal to the Supreme Court. See the decision, "Economic Controls," *United States Law Week*, 18 Feb. 1986. The Supreme Court upheld this ruling 7 July 1986 on a 7-to-2 vote. See "Excerpts from High Court's Decision on Deficit-Cutting Act," *New York Times*, 8 July 1986; Elizabeth Wehr, "Court Strikes Down Core of Gramm-Rudman," *Congressional Quarterly Weekly Report*, 12 July 1986, pp. 1559-63. For a review of the background on this case, see "Synar Sues to Block Automatic Cuts," ibid., 14 Dec. 1985, p. 2607; Elizabeth Wehr, "Constitutional Test Hangs over Budget Plan," ibid., 7 Dec. 1985, pp. 2547-49.

6. See Dale Tate, "Reagan's Budget Plan Subject to Hill Revision," *Congressional Quarterly Weekly Report*, 8 Dec. 1984, pp. 3062-63; idem, "FY 1986 Budget-Trim Options Aired by Senate GOP Leaders," ibid., 12 Jan. 1985, pp. 61-64; Pamela Fessler, "Shape of Fiscal 1986 Budget Eludes GOP Senate Leaders," ibid., 26 Jan. 1985, pp. 151-52; idem, "The Fiscal 1986 Reagan Budget: The Realities of Deficit-Cutting," ibid., 9 Feb. 1985, pp. 215-16; idem, "FY '86 Budget Projects Small Rise in Spending," ibid., 9 Feb. 1985, pp. 217-24.

Aid to Families with Dependent Children; and complete elimination of several programs, including the Small Business Administration, urban development action grants, Amtrak subsidies, general revenue sharing, the Job Corps, and the Export-Import Bank.

The president's proposal also generated controversy because of its glaring exclusion of defense spending from the cuts. Under Reagan's plan, military spending would be allowed to rise by an inflation-adjusted level of 5.9 percent. Finally, reflecting the general sensitivity of the issue plus the president's clear campaign pledge in 1984, Social Security would not be touched by the spending reductions. Although cost-of-living adjustments for several programs—such as civilian retirement and the military—would be delayed by one year, the president proposed no freeze or reductions in Social Security benefits.

The widespread dissatisfaction that developed over Reagan's deficit-reduction proposal led Congress to formulate its own budget package, but it soon became apparent that Republicans and Democrats as well as senators and House members had quite different spending priorities. The Senate Budget Committee took action first by approving on 14 March a budget resolution, the first step in the budget process, that would have cut the deficit by an estimated $55 billion.[7] Unlike the president's plan, which would have fallen completely on domestic programs, the Budget Committee froze cost-of-living increases during fiscal year 1986 for Social Security recipients and allowed defense spending to grow only with inflation—that is, there would be no real growth after inflation. It also eliminated 13 domestic programs, including general revenue sharing, trade adjustment assistance, the Economic Development Administration, and community development block grants, among others. The Republican-led initiative produced a straight party-line vote of 11 to 10, just enough to send the legislation to the floor of the Senate. The full Senate considered and, after heated debate, approved this legislation on 10 May on a 49-to-49 tally, with Vice-President George Bush casting the tie-breaking vote.[8]

The House Budget Committee meanwhile passed a budget resolution on 16 May that cut spending by $56 billion.[9] This resolution, however, retained the 1986 cost-of-living adjustment for Social Security recipients, froze defense spending at 1985 levels, and eliminated only one program, general revenue sharing. The House plan, therefore, displayed quite different budgetary priorities from those of the Senate package. The Senate plan allowed for an inflation-adjusted increase for the military but not Social Security recipients, while the House version did the opposite, freezing defense and protecting Social Security. The committee vote was 21 to 12 with all Democrats favoring the bill and all Republicans, except W. Henson Moore of Louisiana, opposing it. The full House ratified this resolution 23 May on a 258-to-170 vote.[10]

7. Pamela Fessler, "Senate Panel's Party-Line Vote OKs Budget," *Congressional Quarterly Weekly Report*, 16 Mar. 1985, pp. 475-78.

8. Elizabeth Wehr, "Budget Squeaks through Senate Floor Vote," *Congressional Quarterly Weekly Report*, 11 May 1985, pp. 871-74.

9. Jacqueline Calmes, "House Panel Gives Quick OK to '86 Budget," *Congressional Quarterly Weekly Report*, 18 May 1985, pp. 915-22.

10. Jacqueline Calmes, "House, with Little Difficulty, Passes '86 Budget Resolution," *Congressional Quarterly Weekly Report*, 25 May 1985, pp. 971-79.

Not only were there clear differences in budgetary priorities between the House and Senate; there also were distinctive deficit-reduction coalitions in each chamber. The winning coalition in the Senate was almost entirely Republican. Only one Democrat, Zorinsky, voted in favor of the reductions, and only four Republicans—D'Amato, Hawkins, Mathias, and Specter—opposed them. The House deficit-reduction coalition, in contrast, was almost entirely Democratic. On the Republican side, 86.6 percent of members voted against their chamber's Democratically crafted bill, while 94.0 percent of Democrats favored their party's stance; only 15 Democrats defected from the party fold.

This conflict over budgetary priorities as well as the contrasting coalitions in the House and Senate obviously complicated the ability of Congress to undertake serious deficit reduction. House-Senate conferees had a difficult time resolving their substantive differences. The president torpedoed a preliminary agreement with Senate Republicans on reductions in Social Security benefits. Senate Republicans meanwhile accused House Democrats of padding their deficit-reduction estimates with unrealistic savings.

After an extended period of discussion, conferees agreed on 1 August 1985 on a deficit-reduction package. The House by a 309-to-119 vote and the Senate by a 67-to-32 margin approved a budget agreement that left the expected deficit for fiscal year 1986 at around $172 billion, which was about $55 billion lower than the projected figure. The compromise resolution contained no tax increases, as President Reagan had promised during the 1984 campaign, and no reduction in Social Security benefits, as Speaker O'Neill had wanted. The greatest amount of deficit reduction took place on the expenditure side, with both defense and domestic programs—namely, Amtrak, mass transit, and economic development grants—sharing the burden.

Many observers, though, were skeptical of this deficit-reduction agreement. The rosy economic assumptions contained in the deficit-reduction estimates and the illusory nature of the proposed spending cuts led a number of independent analysts to conclude that the actual spending reductions would be much lower than predicted by the budget resolution.[11] In addition, because this package represented only a budget resolution, the first step in the budget process, it still needed to be followed up by appropriations legislation that would implement the actual cuts. Without additional action, real spending reductions could be problematic.

This fear soon turned to reality. By the start of the 1986 fiscal year on 1 October 1985, and for several months following, Congress had not taken any systematic action to implement its earlier deficit-reduction accord. There were a number of attempts to execute an agreement between the two chambers, but none of them won congressional support.

It was during this period of legislative inactivity on the deficit that members, growing increasingly frustrated with the snail's pace of deficit reduction, debated and ultimately enacted the Gramm-Rudman-Hollings procedure of automatic spending cuts. The Gramm-Rudman-Hollings proposal introduced in late September 1985 by Senators Phil Gramm, Warren Rudman, and Ernest Hollings, was designed to force Congress and the president to reduce government expendi-

11. "Congress Wearily OKs '86 Budget," *Providence Journal*, 2 Aug. 1985.

tures, but as we will see in following sections, this path to deficit reduction was fraught with difficulties.

THE INTRODUCTION AND EVOLUTION OF GRAMM-RUDMAN-HOLLINGS

Gramm-Rudman-Hollings was introduced by conservatives as a tool for reducing government spending across the board, but neither Gramm nor Rudman nor Hollings probably had any idea at the time that their procedure would be adopted by Congress.[12] It came as a great surprise when, shortly after the proposal was introduced, it swept through the United States Senate. Though described by one sponsor as "a bad idea whose time has come," the Senate passed this legislation 75 to 24 on 9 October 1985.

The legislation as enacted by the Senate required that elected officials eliminate the federal deficit in phased steps by 1991, either through conventional means or, failing to reach agreement, through automatic spending cuts.[13] Specific deficit-reduction targets would be established for each year—$180 billion for fiscal 1986, $144 billion for fiscal 1987, $108 billion for fiscal 1988, $72 billion for fiscal 1989, $36 billion for fiscal 1990, and zero in fiscal 1991—and failure to reach these targets, as determined by the Congressional Budget Office and Office of Management and Budget, would require across-the-board reductions in government programs.

This action proved to be quite controversial. Part of the problem was procedural in nature. Because the bill's sponsors bypassed usual legislative routines—committee hearings and the like—by attaching the bill as a rider to the debt-ceiling legislation on the Senate floor, skeptics worried about the lack of debate on such an important procedural change. Government officials, however, also worried openly about the substantive consequences of the automatic cuts. One opponent called the idea a "suicide pact" because of the pressure it would place on legislators to enact draconian cuts in domestic programs.[14] Others, including President Reagan, worried about the constraints this act would place on defense spending. Even proponents conceded that Gramm-Rudman-Hollings had serious flaws, but they argued that meaningful deficit reduction would not take place without procedural incentives to do so.

It was at this point in the debate that action shifted to the House of Representatives. Because the proposal had passed the Senate, House members had three possible responses: they could ignore it as a symbolic effort to embarrass the Democratic Party; they could explicitly reject the legislation as bad policy; or they could negotiate with the Senate in order to water down the bill's more

12. An insider's account of Gramm's deficit-reduction efforts is provided in David Stockman, *The Triumph of Politics: Why the Reagan Revolution Failed* (New York: Harper & Row, 1986). For a report on Gramm's perspective, see Jacqueline Calmes, "Gramm: Making Waves, Enemies and History," *Congressional Quarterly Weekly Report*, 15 Mar. 1986, pp. 611-15.

13. Elizabeth Wehr, "Senate Passes Plan to Balance Federal Budget," *Congressional Quarterly Weekly Report*, 12 Oct. 1985, pp. 2035-42. The quote comes from Senator Rudman and is cited in Elizabeth Wehr, "Congress Enacts Far-Reaching Budget Measure," p. 2604. Other articles that deal with Gramm-Rudman include idem, "Budget Conference Leaders Agree on Key Points," ibid., 7 Dec. 1985, p. 2548; Steven Roberts, "Many in Congress Say Session of '85 Was Unproductive," *New York Times*, 22 Dec. 1985.

14. This quote is from Senator Daniel Patrick Moynihan and is cited in Wehr, "Congress Enacts Far-Reaching Budget Measure," p. 2605.

deleterious features. Not wanting the stigma of being against the symbol of deficit reduction, though, House leaders chose to negotiate with the Senate. They thereby began discussions that eventually culminated in congressional passage of the revised Gramm-Rudman-Hollings procedure.

House Democrats initially had several concerns. One of their reservations was substantive in nature; they worried that the across-the-board nature of the automatic cuts would produce spending reductions that fell much more heavily on domestic than military programs. Given the greater preponderance of social welfare than military spending in the overall budget, they feared the original formulation of Gramm-Rudman-Hollings would fall disproportionately on Democratic programs and constituencies.

They also were aware that, from a strategic standpoint, Gramm-Rudman-Hollings put them in a difficult bargaining situation with Senate Republicans and President Reagan. In the formulation passed by the Senate, opponents of domestic spending would have powerful institutional advantages over supporters. The combination of automatic, across-the-board cuts and the disproportionate amount of social welfare dollars in the federal budget meant that either Reagan or Republicans in general could employ the strategy of delay and deadlock to their own partisan advantage. By doing nothing and failing to reach a voluntary deficit-reduction agreement, the president would be able to fall back on a procedural device that would reduce social welfare spending more than military expenditures. Gramm-Rudman-Hollings, in its original formulation, thus offered important advantages to Republicans over Democrats and to the president vis-à-vis Congress.

Recognizing the asymmetry of these advantages, House Democrats undertook a long series of discussions with the White House and Senate and were ultimately able to win several key concessions. Though straightforward in a procedural sense, these perfecting amendments had dramatic consequences for the strategic environment and also shifted more of the onus for deficit reduction away from Democratic programs and constituents. While the initial formulation of Gramm-Rudman-Hollings called for across-the-board reductions if Congress did not take action, Democrats were able to protect social programs and ensure that deficit reduction did not fall as heavily on nondefense programs by exempting nearly two-thirds of the budget from automatic cuts: Social Security, interest on federal debt, veteran's compensation and pensions, Medicaid, Aid to Families with Dependent Children, food programs for women and children, Supplemental Security Income, food stamps, and child nutrition. Limits also were placed on cuts in Medicare and other health programs.

House Democrats also required that the automatic cuts be divided equally between defense and nondefense accounts, again to prevent domestic programs from bearing a disproportionate share of the burden. Democratic leaders finally were able to convince a reluctant White House to place responsibility for administering the automatic cuts with the comptroller general, an individual who, though technically independent, is subject to removal by Congress.[15]

15. The office of comptroller general later became one of the critical constitutional issues in the lawsuit against Gramm-Rudman-Hollings as critics claimed Congress's power to remove the comptroller general violated the separation-of-powers doctrine.

These changes, while seemingly simple, had major consequences for leadership strategies. Democrats wanted to keep the president from being able to use delay and deadlock as a political strategy. If the original formulation of Gramm-Rudman-Hollings had been enacted, Reagan could have forced much larger cuts in domestic than military spending simply by doing nothing and waiting for the automatic, across-the-board reductions to take place. The exemption of leading social welfare programs from the legislation along with the requirement that defense spending share equally in automatic reductions gave Democrats strategic advantages vis-à-vis the president. Not only were they able to limit a proposal originally designed to scale back domestic spending; Democratic leaders were also able to turn Gramm-Rudman-Hollings into a procedure that could be used to force the president into reductions in defense spending and possibly even into accepting tax increases, which the president obviously was not eager to do.

House Democrats, though, were not the only ones trying to gain strategic advantages. Senate Republicans also used the amending process to try to protect their electoral flanks in 1986. Because twice as many Senate seats to be filled during the 1986 midterm elections were occupied by Republicans—22 of the 34 seats—GOP leaders bargained to restrict sensitive deficit cuts before these elections. After extensive discussions on this point, House-Senate conferees agreed to limit budget cuts before the election to $11.7 billion. In winning House agreement with this plan, Republicans sought to reduce their risk of losing control of the Senate in 1986, although ultimately they still lost the Senate in these elections. Even if it meant agreeing to House changes that shifted the original thrust of Gramm-Rudman-Hollings, Senate leaders were willing to approve these changes in order to reduce their electoral risks.

The negotiations over Gramm-Rudman-Hollings were important furthermore because they introduced new timetables and budget requirements into the fiscal-policy debate. Two changes that were especially important included specific budget numbers and timetables for deficit reduction, and a requirement that budget amendments be revenue neutral. Specific timetables initially were established to guarantee political accountability for legislators. By having visible and concrete goals for reducing the deficit—culminating in a balanced budget by 1991—voters and interested observers could easily evaluate deficit-reduction actions. These timetables, in fact, were noteworthy because politicians normally avoid specificity like the plague. Concrete standards create clear criteria of success and failure, and most leaders seek to avoid that kind of clarity.

In addition, economists worried that deficit reduction by formula was a recipe for disaster. Deficit reduction without regard to changing economic conditions could throw the country into a recession. If the economy needed a fiscal stimulus, automatic spending reductions could run counter to sound fiscal policy.[16]

The requirement that budget amendments be revenue neutral meanwhile placed serious constraints on new spending initiatives. Congress could not, according to Gramm-Rudman-Hollings, take any budget actions that increased the deficit. Spending changes that increased the red ink had to be accom-

16. Elizabeth Wehr, "Economists Warn Gramm-Rudman Threatens Stagnation," *Congressional Quarterly Weekly Report*, 26 July 1986, p. 1681.

panied either by decreases in other areas or by revenue increases. This change meant that along with the usual procedural and institutional restrictions on congressional policymaking, members now faced additional fiscal restraints.

The evolution of Gramm-Rudman-Hollings, in short, illustrates the important policy and strategic consequences that can flow from procedural changes. By exempting two-thirds of the budget and requiring that deficit reduction fall equally on defense and domestic programs, Democrats spread the political risks of unpopular spending cuts more evenly between Republicans and Democrats and between Congress and the president. They furthermore altered the automatic-reduction procedure in such a way that it no longer was as advantageous for the president to use delay and deadlock as a legislative strategy. Failure to reach a voluntary agreement on deficit reduction would invoke spending cuts that would not only harm programs of interest to Democrats; it also would hit programs cherished by a conservative president.

THE STRATEGIC DIMENSIONS OF DEFICIT REDUCTION

The Gramm-Rudman-Hollings case illustrates the strategic consequences that develop from procedural change. Negotiations over the content of Gramm-Rudman-Hollings had the effect of turning a procedure designed to scale back domestic spending into a process that could be used to cut both domestic and defense spending and that furthermore might be used someday as a vehicle for a future tax increase. These discussions also altered the strategic environment of deficit reduction. The perfecting amendments adopted by House-Senate conferees dramatically shifted strategic advantages between Congress and the president and between Republicans and Democrats.

At a more general level, however, this case allows observers to understand why strategic factors are an important, and sometimes underappreciated, part of the deficit-reduction process. There are a number of economic and structural factors that have complicated policymaking in the budget area: the perennial trade-offs between unemployment and inflation, the decentralization and fragmentation of legislative process, the lack of consensus about budget matters, and the like.

Yet it seems clear, based on recent deficit-reduction actions in Congress, that the subject is more complex than structural or economic perspectives would grant. Policymaking inherently is a political process, and one cannot completely understand policy decisions through structural arguments or resource limitations alone. Efforts at deficit reduction, in particular, have been more complex than generally realized because there is a strategic component to the subject that often has not been fully understood.

The need to develop a strategic model of deficit reduction has been readily apparent during the Reagan era. There has been growing speculation in the current period that, at different times, both President Reagan and Democratic leaders have adopted policy deadlock on the deficit as a political strategy. Senator Daniel Patrick Moynihan, for example, has argued that Reagan is using high deficits as a strategic tool to force further cutbacks in social welfare spending.[17] As long as deficits are high,

17. Moynihan made this argument in his column, "Placing the Deficit in Perspective," *Providence Journal*, 23 July 1985.

there can be no new social programs or no expansion of existing programs.

There also is considerable pressure in this situation to reduce spending on domestic programs further. This argument suggests that policy stalemate or conscious inaction on the part of Reagan and his legislative supporters may not necessarily represent negative outcomes from their standpoint and may, in fact, serve the partisan political interests of these individuals.

Others have pointed out that, from time to time, Democratic leaders also have used delays and the threat of deadlock on the deficit to force compromises with the president. Knowing that Reagan prefers to reduce domestic spending more than he wants to raise taxes or slow the growth of military spending, House Democrats occasionally have sought to protect their political interests by refusing to compromise with the president.

Because of the strategic component to legislative bargaining over the deficit, this period demonstrates why deficit reduction has been so difficult and also why representatives fell back on a procedural device—Gramm-Rudman-Hollings—about which few were enthusiastic and that ultimately turned out to be unconstitutional. In a situation of diffuse political costs and uncertain benefits, deficit reduction becomes a major part of the bargaining process between institutions. Failure to appreciate the strategic dimension of this situation makes it more difficult to understand both the politics of deficit reduction and the strategic consequences that flow from procedural change.