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Chapter 13

Parties, Leaders, and the National Debt

Daniel J. Palazzolo

There is widespread agreement that the United States is headed for a train wreck of massive proportions if its leaders do not address the problem of the national debt. However, the nation's leaders appear unable to agree to terms about a potential solution, a dynamic that poses fundamental concerns about the capacity of the constitutional system and ability of citizens to self-govern. The conventional wisdom holds that politicians are chiefly concerned about reelection, so they refuse to make tough choices that might offend constituencies and powerful interest groups. Of particular consequence is the growing polarization of the parties and inability to find common ground. Dan Palazzolo's analysis provides some cause for hope while offering a concise description for how the nation got into the debt crisis. Most theories of Congress predict stalemate on budget policy. Palazzolo's historical approach, using "process tracing," highlights situations in which crises, shifts in public opinion, changes in institutional procedures, and shrewd actions of leaders might lead to bipartisan outcomes. In other words, structural constraints, such as polarization and electoral incentives, do not necessarily prevent leaders from acting to solve the nation's problems. Palazzolo's case study analysis challenges theories that rely too heavily on single-factor explanations of policy outcomes. It calls for scholars to study politics with a deeper and nuanced understanding of the character of problems and ability of political leaders to move beyond the constraints of politics as usual.

Just days before his inauguration as the forty-fourth President of the United States in January 2009, Barack Obama described the urgency of dealing with the national debt and future spending on entitlement programs for senior citizens, Medicare and Social Security:

> What we have done is kicked this can down the road. We are now at the end of the road and are not in a position to kick it any further. We have to signal seriousness in this by making sure some of the hard decisions are made under my watch, not someone else's.[1]

After two consecutive years of unprecedented budget deficits, Republican congressional candidates campaigned against the president's economic policies and the rising debt in the 2010 midterm election campaigns, won a majority of seats in the House of Representatives, and elected Representative Paul Ryan (R-WI) to be Chair of the House Budget Committee. As he was about to introduce the House Republican budget in April 2011, Ryan recycled the president's metaphor to frame the choice facing policy makers: "It all comes down to this: Either you fix this problem now...or you pick the president's path, which is do nothing, punt, duck, kick the can down the road, and then we have a debt crisis and then its pain for everybody." [2]

The views expressed by Obama and Ryan illuminate a puzzle of contemporary budget politics: Though leaders of both parties know that the federal debt is unsustainable and entitlement programs need to be reformed, major policy solutions are bypassed, and the debt continues to fester. Why, according to Obama, had policymakers before him "kicked the can down the road?" Why had the president, according to Ryan, joined the game? If they agree on the urgency of the problem, why cannot Obama and Ryan—and the two parties they represent—agree to a solution? What does the persistent debt say about the capacity of our constitutional system and the ability of leaders to address the nation's most pressing challenges?

According to the prevailing wisdom of Washington politics, the puzzle is easily solved, and we know how the story will end. The political parties are so polarized and so unwilling to risk losing elections that they avoid the necessary compromises on taxes and spending that would reduce the debt.[3] Even if leaders of opposite parties, such as Obama and Ryan, agree that reducing the national debt is a priority, they disagree fundamentally about how to accomplish that goal.[4] Politics take over, and reducing the debt is subordinated to other budget priorities defended by the two parties: Republicans argue for lowering taxes and maintaining a strong national defense, Democrats for investing in social progress and protecting entitlement programs.[5] Rather than compromise, the parties blame the other side for failing to address the problem, and the debt grows. Ultimately, if partisan polarization prevails, the country loses. At the least, a debt crisis will cause chronic inflation and sluggish economic growth for decades; in the worst case, the United States may experience a major stock market collapse, hyperinflation, double-digit interest rates, and even political instability.[6]

Yet, though political scientists have done extensive quantitative analysis to show that congressional parties have become *more* polarized over the past three decades, several scholars have shown that the role of parties in the policy-making process is more complicated than polarization theories suggest and that we do not fully understand the effects of partisan polarization on specific policy issues. Moreover, though the worst consequences of the debt are certainly possible, the budget process does not always end in gridlock. Thus, we should complement structural explanations of partisan politics derived from quantitative analysis of a large number of undifferentiated issues with case studies of particular issues.

The new direction to budget politics proposed here applies an existing mode of analysis—process tracing—to explain bipartisan deal making in an era of polarized parties.[7] I design hypotheses to determine the extent to which the expectations of party polarization theory apply to the budget deficit. Then by drawing from case studies of budget reforms in the 1980s and 1990s and tracing the sequence of events that led to the passage of the 2011 Budget Control Act, I show how crises, procedural deadlines, changes in public opinion, and the choices and actions of leaders affect deficit politics. Process tracing produces evidence of partisan polarization and exceptions to partisanship in deficit politics. Before deploying this approach, we need to draw a clearer picture of the scope, causes, and potential effects of the debt problem and review scholarly approaches to the topic.

Debt Dilemma

Not all deficits are created equal. Although annual budget deficits are nothing new in American politics, the deficits we face today are much more difficult to address than ever before. According to James Savage, deficits were held in check from the Founding era at least until the Great Depression because Congress and the president held to the longstanding norm of balancing the budget.[8] Aside from funding wars, the federal government of the United States did not raise or spend much money.[9] Wars were financed by taxes or bonds paid off over time, and recessions were ultimately followed by economic recoveries. In the 1930s, the size and scope of the federal budget changed as the role of government changed.[10] New Deal programs created in the 1930s financed jobs that reflected Keynesian fiscal policy whereby government sought to stimulate economic growth by creating consumer demand in a depressed economy. The New Deal also featured social welfare programs for the poor, the unemployed, and the elderly, including the creation of Social Security in 1935.[11] Yet, those programs and subsequent wars in the twentieth century caused only temporary budget deficits. The publicly held debt grew to nearly 109 percent of GDP during World War II but dropped rapidly after the war ended (Figure 13.1).[12] Until the 1960s, the vast bulk of federal spending was "discretionary," meaning that spending levels could be changed annually through the congressional appropriations process. Spending allocations for most programs changed incrementally.[13]

Yet, after a landslide victory in the 1964 election, President Lyndon Johnson and Democratic majorities in Congress enacted Great Society legislation, including entitlement programs that expanded mandatory spending.[14] Johnson and Congress adopted two government health care programs—Medicare for the

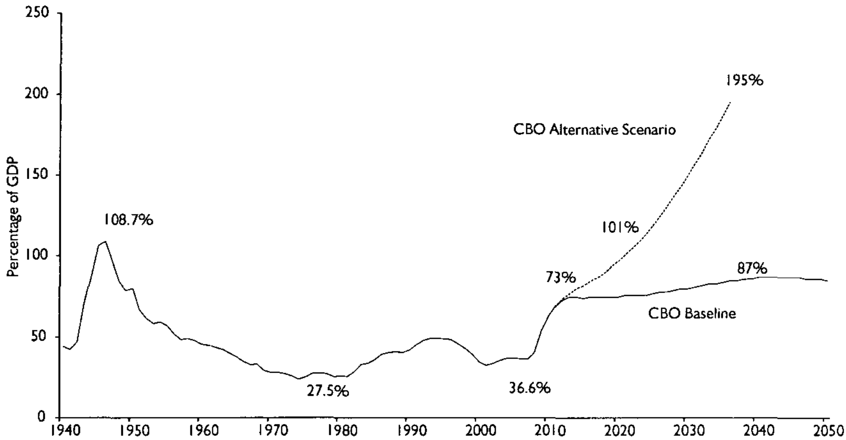

Figure 13.1 Publicly held debt as a percentage of GDP: CBO baseline and alternative, 1940–2050[15]

elderly and Medicaid for the poor—and numerous other mandatory programs from food stamps to student loans. Under Johnson and his successor, Republican President Richard Nixon, Congress regularly increased Social Security benefits and, under Nixon, it indexed numerous programs for inflation. In little more than ten years, policy makers of *both parties* dramatically increased the welfare state (see Table 13.1).

Eventually, a budget based primarily on discretionary programs that could be controlled by altering annual spending levels became dominated by mandatory spending that varies with uncontrollable conditions. Thus, if unemployment increases, so does spending for unemployment compensation, food stamps, and income support; if inflation grows, so does spending for programs indexed for inflation; if health care costs grow, so do the costs of Medicare and Medicaid; and so on. The only way to control mandatory spending is to change the laws that determine eligibility for program benefits.

The transformation from discretionary to mandatory programs is illustrated in Figure 13.2. In 1965, before the passage of Medicare and Medicaid and the rapid expansion other entitlements, the portion of discretionary spending in the federal budget was more than twice the size of mandatory spending; twenty years later, the portion of discretionary spending marginally exceeded mandatory spending; and by 2011, mandatory spending had greatly surpassed discretionary spending in the federal budget. Mandatory spending also grew dramatically in relation to the U.S. economy. From 1965 to 2011, mandatory spending tripled from 4.6 percent to 13.5 percent of gross domestic product (GDP), whereas discretionary spending actually declined from 11.3 percent to 9 percent of GDP.

Table 13.1 Creation and expansion of entitlement benefits: 1960s and 1970s

Program created	*Year*	*Program indexed for inflation*	*Year*
Food Stamps	1964	Civil Service Retirement	1962
Medicaid	1965	Military Retirement	1963
Medicare	1965	Coal Miners Disability	1969
Student Loans	1965	Food Stamps	1971
Supplemental Security Income (SSI)	1972	Social Security (OASDI)	1972
		Medicaid	1973
		Supplemental Security Income (SSI)	1974
		Railroad Retirement	1974
Social Security benefit increases			
7% Increase	1965		
13% Increase	1967		
15% Increase	1969		
10% Increase	1970		
20% Increase	1972		
11% Increase	1973		

Sources: Dennis S. Ippolito, *Why Budgets Matter: Budget Policy and American Politics* (University Park: Penn State Press, 2003), Chapter 6; Dennis S. Ippolito, *Uncertain Legacies: Federal Budget Policy from Roosevelt to Reagan* (Charlottesville: University of Virginia, 1990), 175; Kent Weaver, *Automatic Government: The Politics of Indexation* (Washington DC: Brookings, 1988), 43.

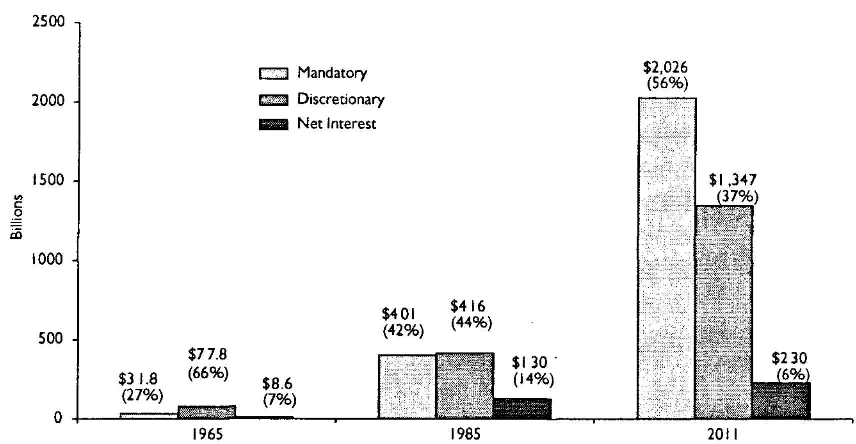

Figure 13.2 Federal spending by major category: 1965, 1985, and 2011[16]

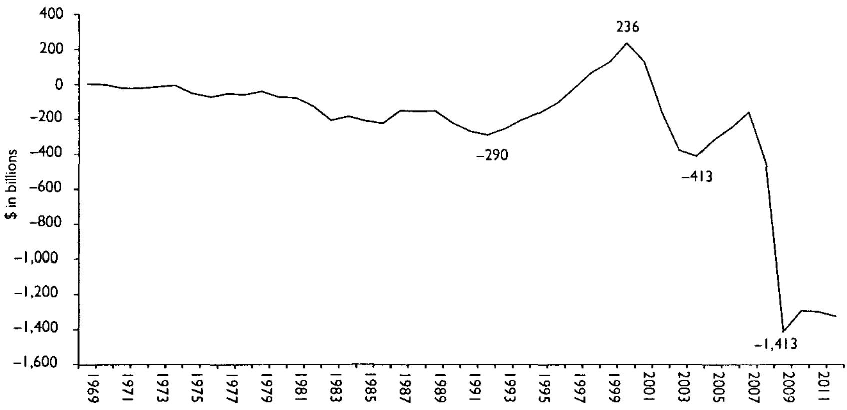

Figure 13.3 Nominal budget deficits/surpluses: 1964–2012[17]

On the revenue side of the budget, the government raises money mainly through income, corporate, and payroll taxes,[18] but it also loses revenue through tax expenditures (i.e., "provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability").[19] Unlike entitlement programs that emerged mainly in two large waves during the 1930s and 1960s, tax expenditures developed gradually over time, beginning with mortgage interest deduction in 1913.[20] The current tax code contains about 200 tax expenditures for individuals and corporations that cost more than $1.1 trillion per year.[21] The five most costly tax expenditures for 2008 granted exclusions for health care insurance ($288 billion), retirement income ($120 billion), state and local taxes ($74 billion), mortgage interest deductions ($67 billion), and charitable contributions ($47 billion).[22]

The shift toward mandatory spending and the growth of tax expenditures, combined with the economic effects of high unemployment and inflation, produced chronic budget deficits after 1969 (Figure 13.3). The deficits were exacerbated by tax cuts and defense spending increases in the early 1980s. Yet, after a series of modest deficit reduction agreements in the 1980s and three larger deals—1990, 1993, and 1997—the budget was balanced for four straight years (1998-2001).[23] However, fiscal restraint did not last long. Beginning in 2001, several unfunded initiatives— tax cuts, spending for wars in Iraq and Afghanistan, prescription drug coverage for Medicare beneficiaries, and economic stimulus measures consisting of domestic spending increases and "temporary" tax cuts—combined with two recessions drove annual deficits to unprecedented levels.[24] Thus, the national debt rose sharply (Figure 13.1). Moreover, because recurring deficits are "structural" (i.e., they result from spending that exceeds revenue even when the economy is healthy), economic growth alone will not solve the problem.[25]

In December 2010, the Commission on Fiscal Responsibility and Reform, created by President Barack Obama to identify solutions to chronic deficits and the rising national debt, reported: "Our nation is on an unsustainable fiscal path. Spending is rising and revenues are falling short, requiring the government to borrow huge sums each year to make up the difference. We face staggering deficits."[26] Annual budget deficits have exceeded $1 trillion every year from 2009 to 2011, and the national debt, which surpassed $15 trillion at the outset of 2012, currently grows at a rate of more than $3.2 million per minute and $4.6 billion per day.[27] The national debt held by the public nearly doubled from 33 percent of GDP in 2001—the last year the federal budget was balanced—to 62 percent in 2010. Without major spending reductions and/or tax increases, publicly held debt will approach 90 percent of GDP by 2020, at which time just the cost of interest on the debt will reach $1 trillion.[28] Unlike after World War II, when the government had a plan to restore fiscal balance, future demographic trends will put immense pressure on federal spending. By 2011, the baby boomers began retiring at a rate of 10,000 individuals per day. The number of people older than age sixty-five is projected to grow from about 40.2 million (13 percent of the population) in 2010 to 64 million (18 percent of the population) in 2025 and to 88.5 million (more than 20 percent of the population) in 2050. As Figure 13.1 illustrates, under the alternative Congressional Budget Office scenario, the national debt will soar after 2020.[29]

The fiscal consequences of the disparity between workers who pay taxes and retirees who earn benefits are almost unfathomable. In 2008, when the fiscal situation was much better than it was four years later, the Government Accountability Office (GAO) estimated that future unfunded liabilities of the federal government exceeded $53 trillion dollars.[30] In other words, due mainly to an increasingly dependent aging population and rising health care costs, the government has made $53 trillion worth of promises (primarily to future recipients of Medicare, Medicaid, and Social Security) that it has no plan to pay for.[31] To put this number into perspective, former Comptroller General David Walker reported if we "...put aside and invest today enough to cover these promises tomorrow. It would take approximately $455,000 per American household—or $175,000 for every man, woman, and child in the United States."[32]

In sum, the debt dilemma consists of three components: large annual deficits that require additional borrowing, a complex tax code that drains revenues, and massive unfunded commitments to a growing dependent population. Moreover, elected officials face a daunting political reality: The programs and tax policies that drive the debt are very popular, strongly supported by the organized interests, and intensely debated by leaders of the two political parties.

Scholarly Approaches

With the emergence of deficits in the 1970s and 1980s, scholars sought to identify the political causes of large, chronic budget deficits and explain why policymakers struggled to develop policies to reduce the deficit. Those studies focused on the effects of interest groups, public opinion, political parties, and budget rules on deficit reduction policy. As the parties became more polarized around tax and spending issues, a phenomena that began in the 1980s but became more consequential as time when on, scholars focused on the extent to which partisan polarization affected Washington politics in general, including deficit politics. From the onset of deficit politics, scholars have also debated the functionality of the U.S. Constitution by considering the degree to which congressional leaders and the president are capable of addressing major problems. Toward this end, the literature on budget politics includes analysis of cases in which the budget process produced deficit reduction policies that ultimately led to a balanced budget in 1998.[33] Yet, since deficits returned to unprecedented levels, the debt has skyrocketed, and the parties have become increasingly polarized, questions about whether and how we can govern are back.

Rooted in pluralist theories of American politics, one theory claims that "Special interest politics is the main cause of excessive spending and deficit expansion."[34] Jonathan Rauch used longitudinal data from a range of sources to illustrate relationships between the growth of groups, lobbyists, campaign contributions, and entitlement benefits. The advent of benefit programs and tax expenditures described earlier contributed to the growth of organized interest groups, a condition Rauch refers to as "hyperpluralism."[35] Organized groups have an economic incentive to defend government programs because the groups can survive only if the programs survive. Thus, interest groups fought very hard to block attempts to cut spending or raise taxes.[36]

Though interest groups demonstrated the ability to stymie budget reforms, other scholars argue that their influence should not be overstated. In his account of Social Security reform, Aaron Wildavsky pointed out:

> In 1982...despite strong opposition of civil service unions, members were required to contribute to social security, which was subtracted from their pensions. The unions did everything right politically; they launched a major campaign against inclusion. The trouble was their little juggernaut was overwhelmed by a much bigger one, the gripping concern that social security retirement might become insolvent.[37]

In 1986, well-heeled corporate lobbyists wound up on the losing end of the Tax Reform Act, and many individual tax preferences were traded in for a consolidation of tax rates.[38]

For Wildavsky, and his co-author Joseph White, who wrote an extensive account of budget battles through the 1980s, the primary reason for persistent deficits could be traced to contrasting views held by members of Congress about how best to represent public opinion.[39] Americans want Congress to reduce deficits, but they also opposed raising taxes or cutting entitlement programs. Therefore, either the same people held contradictory policy preferences or, more likely, elected officials represented different "publics"—one that felt more strongly about taxes, the other about spending. Bound to represent their constituents, most members of Congress worried about deficits, but some favored cutting spending, others raising taxes. Both positions seemed perfectly legitimate and consistent with public opinion, but, taken together, they posed a collective action problem. The problem remains today. But since surveys show that the public holds conflicting preferences, leaders can choose either to exploit differences over taxes and spending or seek consensus around a common goal of deficit reduction. Leaders may also interpret election results to mean that the public wants the parties to compromise or, conversely, that it wants one party to carry out a deficit reduction plan.[40]

In terms of evaluating the role of party in policy making during the 1980s and 1990s, scholars primarily considered the effects of party control of the White House and Congress. Those who adhered to the responsible party school of thought argued that a single party needed to control both branches of government for government to pass major legislation.[41] Yet, David Mayhew found that party control of government had no effect on passage of major legislation from World War II through 1990. As two of the three major deficit reduction deals of the 1990s passed under divided party government, Mayhew's finding seemed to apply to the budget. As Charles Jones observed, because significant deficit reduction plans require elected officials to vote for unpopular choices, government may work better when responsibility for policy is diffused across the parties, rather than assumed by one of the parties.[42]

Studies that highlight the adverse effects of groups, public opinion, and parties on deficit reduction policy assume that electoral goals are preeminent in the minds of decision makers. To the extent that members of Congress are single-minded seekers of reelection,[43] they would naturally avoid tax and spending choices that are opposed by organized groups and are unpopular with voters. Political scientists who assume that members of Congress and party leaders are motivated by multiple goals—including reelection, making good public policy, and gaining influence within Congress—illustrate how leaders might pursue strategies that were designed to solve public problems and that may or may not have a direct electoral benefit.[44] Richard Fenno used a qualitative case approach—a combination of interviews, observations, and analysis of events—to describe how Senator Pete Domenici, Republican Chair of the Senate Budget Committee, sought to build consensus around a range of policy choices through deliberation, negotiation, and compromise.[45]

Leadership efforts to build consensus will vary with short-term conditions. Using case study analysis, Paul Light showed how a crisis in funding Social Security ultimately forced a few policy makers from both parties to develop a plan outside of the public view in 1983.[46] Daniel Franklin describes how a Republican president and Democratic congressional leaders forged a major deficit reduction deal in 1990 under the pressure of automatic budget cuts.[47] By tracing the budget process through a single, successful case, I showed how changes in public opinion and election results encouraged a Democratic president and Republican congressional leaders to negotiate a budget deal in 1997. In all three cases, policymakers had failed to reach agreement in previous trials, and leaders ultimately took advantage of congressional rules and procedures that facilitate passage of major legislation.[48] Thus, under the right conditions, leaders can build majorities within and across party lines in favor of deficit reduction and in spite of interest group demands, partisan differences, public opinion, and concerns about reelection.

Of course, when deficits returned after 2001, for the next decade—with the exception of the Budget Control Act of 2011—the only budget outcomes to explain were policies that increased deficits or failed to control deficit spending.[49] To the extent that leaders matter in terms of deficit politics, the choices and actions of presidents George W. Bush and Barack Obama, and the acquiescence of party leaders in Congress, contributed to the size of the national debt for most of this period. Yet, according to the conventional wisdom, the primary culprit is the rise in partisan polarization, a process that began as far back as 1970 but has gained strength over time. As Ronald Brownstein puts it: "The central obstacle to more effective action against our most pressing problems is an unrelenting polarization of American politics that has divided Washington and the country into hostile, even irreconcilable camps."[50]

Partisan polarization is typically defined as an alignment between ideological views and partisan affiliation. As summarized by Nolan McCarty, Keith Poole, and Howard Rosenthal, "There are two complementary facets to the polarization story. First, at the level of individual members of Congress, moderates are vanishing. Second, the two parties have pulled apart. Conservatives and Liberals have become almost perfect synonyms for Republicans and Democrats."[51] To support those conclusions, McCarty, Poole, and Rosenthal use of a comprehensive indicator of roll call voting by members of Congress—the DW Nominate score—that measures the voting records of members of Congress along a liberal/conservative dimension.[52] Other scholars use these data and measures of party unity and interest group ratings to show that members of Congress have become more polarized along party lines.[53]

Though roll-call vote studies provide substantial evidence of increased party polarization,[54] scholars debate the causes and consequences of polarization. According to one view, polarization stems from the voters. Either because of gerrymandering of congressional redistricting,[55] choices by Americans of like minds to live near one another,[56] or changes in political attitudes,[57] most congressional districts are either predominantly Democratic or predominantly Republican. When elected representatives act upon their constituents' opinions on public policy, they coalesce with members of their own party, who represent constituents with similar beliefs, and against members of the opposite party, who represent constituents with different beliefs.[58] Alan Abramowitz explains, because "members of Congress generally reflect the views of their parties' electoral bases . . . Polarization in Congress reflects polarization in the American electorate."[59] According to another school of thought, partisan polarization is primarily a result of growing ideological differences among the "political class" or political elites—party and group activists, elected officials, and the news media. Morris Fiorina, a leading proponent of this view, has argued that the public has not become polarized or at least not nearly as much as members of Congress.[60]

A third view, advanced by Sean Theriault, finds that increased party polarization in Congress is not so much caused by voters, elites, or redistricting but results primarily from the way party leaders use powers of agenda setting and rule making in the House and by rules and filibusters in the Senate.[61] Theriault's conclusion coincides with other studies that argue that the degree of partisan polarization in Washington, the linkage between partisanship and electoral factors, and the effects of polarization on policy making are often overstated. Joseph Cooper and Garry Young and Charles Jones point out that, even in the era of polarized parties, many bills are passed by bipartisan and cross-partisan majorities.[62] David Rohde argues that the influence of party in the legislative process is conditional; the degree of partisanship depends on the extent to which the parties divide on particular issues.[63] Steven Smith argues that, although members of Congress are motivated by reelection and party leaders seek to win a majority of seats in the legislature, leaders also seek to advance their party's policy interests and respond to national problems.[64] Other scholars argue that the goals, choices, and actions of party leaders independently affect the degree to which partisanship shapes policymaking and institutional change.[65] Taken together, these studies suggest that the congruence between voters and their representatives is not neatly or tightly held together by party allegiance on all issues, at all times, and by all leaders.

Political scientists also have mixed views of the extent to which party polarization affects the ability of the president and Congress to address major issues. Though Fiorina concludes that the consequences of party polarization for successful policymaking are uncertain and deserve further study,[66] Abramowitz deduces that polarization affects policymaking; a polarized electorate gives members of Congress little incentive to work across party lines.[67] Several political scientists, including Sarah Binder and Thomas Mann and Norman Ornstein look mainly at the effect of polarization on the institutional well-being and reputation of Congress, but they also conclude that rising levels of polarization, combined with divided party control of government, increases chance of policy stalemate.[68] By contrast, in a study of major legislation introduced by presidents since World War II, David Mayhew argues that parties have not undermined representation or the separation of powers, and most legislation reflects the general preferences of the American public. Moreover, it remains an open question whether increased partisan polarization subverts the ability of Congress and the president to achieve policy goals under divided party control.[69]

Deficit Politics and Party Polarization From a Process Tracing Approach

Arguments about the causes and consequences of party polarization are typically based on quantitative analysis of a large number of cases from selected survey data and comprehensive measures of roll-call voting in Congress, but how do we determine the extent to which deficits politics, in particular, are polarized along party lines? My research involves process tracing, a method that begins with prior knowledge or regularities of political phenomena, closely traces and describes the sequence of events in the development of policy outcomes, identifies relevant causal variables to explain those outcomes, and designs hypothesis tests using qualitative or quantitative data. Though space limitations prevent a complete description of process tracing methodology or a detailed account of failed and successful budget agreements, we can test specific hypothesis about deficit politics suggested by the literature on polarization and highlight the key features of the 2011 budget battle.[70]

Hypothesis 1: Parties in Congress

The first hypothesis deals with the degree to which the parties are polarized on budget votes in Congress. Since polarization began in the 1980s and grew over time, we should expect more cross-partisan and bipartisan deficit reduction agreements in the 1980s than the 1990s and thereafter. As the center of the ideological spectrum shrunk over time, so should partisan cooperation and agreement. In particular, more Republicans should have been amenable to tax increases in the 1980s compared with the 1990s and beyond.[71] Those patterns generally hold up, though some of the results do not reflect the expectations of polarized parties.

From 1982 to 1989, when the forces of partisan polarization had not completely set in, a Republican president and a Congress with at least one chamber controlled by Democrats enacted eight acts that reduced deficits by either increasing taxes and/or cutting spending (a total of four packages included some form of revenue increase, either by closing loopholes or increasing excise taxes). Four of eight acts amounted to very small budget savings, though the combined effect of the other four exceeded $500 billion in deficit reduction over fifteen years. In spite of the savings, since the deficit persisted throughout the Reagan presidency, one could certainly argue that the progress toward deficit reduction was not sufficient. Moreover, in 1986, Congress and the president also enacted the Gramm-Rudman-Hollings law, which sought to impose automatic spending cuts to meet specified deficit targets leading to a balanced budget over five years. The Gramm-Rudman-Hollings law was a sign that advocates of deficit reduction had capitulated to the forces of gridlock by putting in place procedures to do the job that elected officials could not.[72]

Deficit reduction agreements in the 1990s and the Budget Act of 2011 are more difficult to explain with a single theory. From 1990 to 1997, three major deficit reduction deals, each containing a mixture of taxes and spending cuts, were passed and produced $1.2 trillion in deficit reduction. Congress also passed a welfare reform bill in 1996 that projected savings of $54 billion over five years. The 1993 budget deal fits squarely into the party polarization narrative: The Democrats had control of government and passed a major budget deal with no Republican votes. Yet, the 1990 and 1997 budget agreements are harder for polarization theories to deal with because both were passed by bipartisan majorities under divided government during the polarized era.

As noted, previous case studies of the budget process showed that situational factors—concerns about the economic effects of deficits or the national debt, deadlines that forced action, and/or public opinion—motivated leaders to push for an agreement in spite of obvious differences between the parties. Leaders made deficit reduction a priority (often working through setbacks), sought to frame choices in the most favorable terms, and either found ways to accommodate the policy goals of their partisan bases or risked dissent from their partisan constituents, interest groups, or the general public. For instance, faced with dramatic automatic spending cuts under the Gramm-Rudman-Hollings law in 1990, President Bush made a move that was clearly unanticipated by theories of partisan polarization: He reneged on a 1988 campaign promise not to raise taxes. Bush said that "getting this deficit down, continuing economic expansion and employment in this country" trumped his "no new taxes" pledge, admitting: "I knew I'd catch some flak on this decision, but I've got to do what I think is right."[73] Right or wrong, Bush split the Republican Party in Congress.

Roll-call votes on congressional budget resolutions since 1997, the last year majorities of both parties voted together, illustrate partisan polarization.[74] Every year from 1998 to 2011, huge majorities of Republicans voted in unison and in opposition to huge majorities of Democrats on House budget resolutions. Over those fourteen years, an average of 98 percent of House Republicans voted together and against 97 percemt of Democrats. A similar pattern held in the Senate, where an average of 97 percent of Republicans voted together and opposite an average of 94 percent of Democrats.[75]

In sum, judging by the acts of Congress, partisan polarization might be considered a normal aspect of deficit politics, especially after 1997. However, the exceptions are too numerous to ignore and, through process tracing methods, scholars have noted the effects of crises, procedural requirements, shifts in public opinion, and the actions of leaders on budget outcomes.

Hypothesis 2: Parties and Public Opinion

A second hypothesis relates to public opinion on budget issues. According to Abramowitz, public opinion data should reveal clear differences among party identifiers across a range of tax, spending, and deficit reduction issues: Democrats should hold liberal opinions and Republicans conservative opinions. Abramowitz finds that two positions—privatizing Social Security and cutting the capital gains tax—correlate highly with conservative ideology, particularly among engaged citizens.[76] Yet a broader array of survey items indicates that Democrats and Republicans divide along party lines on some spending and tax questions and converge along others.[77] Viewed through this wider lens, public opinion might be considered either a source of partisan polarization or an opportunity for bipartisan cooperation.

To begin with, Americans, including both Democrats and Republicans, are concerned about deficits and debt. As deficits increase, so does the portion of the public who believes deficit and debt are major priorities (Figure 13.4). According to a January 2012 report by the Pew Center for the People and the Press, "reducing the budget deficit" ranked as the third highest priority from a list of twenty-two issues.[78] And, although Republicans (84%) were more likely than Democrats (66%) to say that "reducing the budget deficit" was a

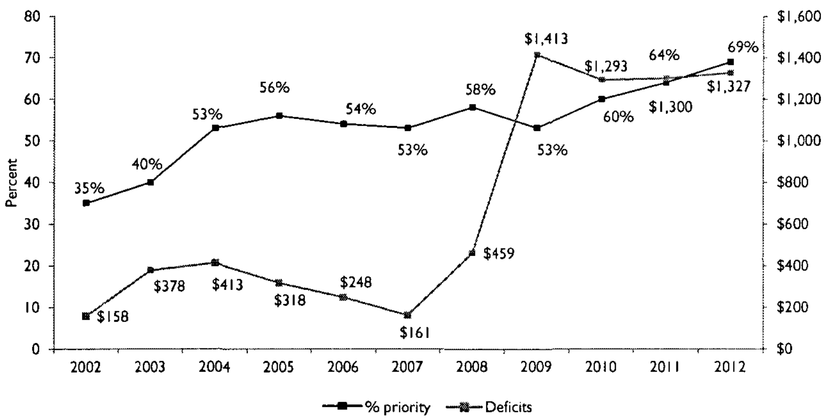

Figure 13.4 Annual deficits and percent of public who say the deficit/debt is a priority[79]

"top priority," overwhelming majorities of both parties were concerned about deficits and debt.[80]

However, partisan identifiers differ strongly on strategies for dealing with deficits. During the budget debate in the July of 2011, a poll on deficit reduction strategies conducted by Gallup found that Republicans (67%) were twice as likely as Democrats (33%) to support "only or mostly with spending cuts" and six times less likely to support "only or mostly with tax increases." [81] Results from questions on tax policy also reveal clear partisan divisions. Republicans (35%) are three times more likely than Democrats (12%) to say that "cutting taxes" is "the best approach for Congress and the president to take in dealing with the US economy."[82] When asked whether "government should or should not redistribute wealth by heavy taxes on the rich," Republicans opposed such taxes by a margin of 41 percent, whereas Democrats favored them by a margin of 45% percent.[83]

Yet, when it comes to entitlement programs, polls show more convergence than differences between partisans. A January 2011 *USA/Today* Gallup survey found at least 60 percent of Democrats and Republicans oppose spending cuts in Medicare or Social Security. The same percentage of Democrats and Republicans (34%) favored cutting Social Security, and Republicans (40%) were only slightly more in favor of cutting Medicare than Democrats (36%).[84] In spite of opposition to cuts, Americans believe those programs are either at or nearing a crisis point. A 2011 Gallup Poll found that 34 percent of Americans believed that the costs of Medicare and Social Security were "already creating a crisis," and another 33 percent said they would create a crisis "within 10 years."[85] Moreover, though Republicans (76%) and Independents (70%) were more likely than Democrats (54%) to say the programs were in a crisis within ten years or less, majorities of both parties see a crisis pending.

Majorities of both parties also support certain specific ideas to "address concerns with the Social Security system," though the extent of support varies by party affiliation.[86] When given a list of policy options, majorities of both parties agreed that two approaches were "good ideas": (1) "requiring higher income workers to pay Social Security on all wages" and (2) "limiting benefits for wealthy retirees." More than 70 percent of Democrats favored those two ideas, whereas 60 percent of Republicans favored the first, and 55 percent favored the second. Most ideas for reforming Social Security are unpopular with both Democrats and Republicans, and there is virtually no difference of opinion between them.[87]

Thus, we should not be surprised when a Democratic president proposes higher taxes on the wealthy and cuts in defense spending. Likewise, Republican leaders oppose tax increases and advocate cutting government spending. In taking those positions, leaders are reflecting the opinions of their primary constituents. Conversely, we can also see why either party may hesitate to cut spending for Medicare and Social Security. Yet, given the public's sense that those programs are reaching a crisis point, bipartisan support for certain ideas to reform Social Security, and a general agreement that reducing the deficit/ debt is a top priority, elected officials of both parties also have incentives to deal with those issues.[88]

Hypothesis 3: Parties and Groups

A third hypothesis relates to the congruence between the interests of groups with a stake in the budget and the preferences of political parties in Congress. Fiorina argues that the rise in elite polarization has tied the interests of particular groups more closely to each of the political parties.[89] If so, data on campaign contributions should reveal that groups give regularly to the same party. Yet, as in the case of public opinion, the results are mixed. Campaign finance data show that certain industries consistently contribute either to Republican or Democratic candidates. For each election cycle from 1990 to 2010, political action committees from the communications and electronics industries typically contributed more to Democrats than Republicans. Lawyers and lobbyists gave twice as much, and labor unions gave between seven and thirteen times as much, to Democrats as to Republicans. Meanwhile, construction, energy and natural resources, agribusiness, and transportation interests routinely contribute between two and three times as much to Republicans as to Democrats.[90] Yet, group campaign contributions do not always cut along party lines. For instance, many corporate political action committees (including those from finance/real estate/insurance, health, and defense interests) contribute more to whichever party holds a majority in Congress.[91]

Moreover, looking beyond campaign contributions, both parties are cognizant of groups that represent the large numbers of people who receive entitlement benefits and tax expenditures (see Table 13.2).[92] The number of Americans who depend on government entitlement programs grew from 21.7 million (11.7% of the population) in 1962 to 67.3 million (21.8% of the population) in 2010.[93] Many of those entitlements, and especially the tax expenditures, go to middle- and upper-middle-income Americans.[94] Politicians in both parties like to flatter the public by berating the "special interests" that rule Washington. However, given the link between organized group interests and the large numbers of Americans who benefit from government programs, there is very little distance between the great body of the American people and the so-called "special interests." As Rauch points out, "They are, in fact us—you and me."[95]

In sum, the congruence between Republicans and several business organizations and Democrats and unions, attorneys, and media-related groups suggest a link between some groups and parties. However, other groups swing their support in favor of the party that controls Congress, and neither party seems to own or wants to offend groups that represent millions of Americans who benefit from the tax expenditures that cost revenues and entitlements that drive up spending.

Table 13.2 Numbers receiving selected tax expenditures and entitlement benefits

Tax Expenditures	
Americans with private health insurance (2010)	195,874,000
Households with tax subsidized retirement account (2010)	80,250,000
Tax filers claiming a home mortgage interest deduction (2009)	36,541,819
Tax filers claiming a charitable contribution (2009)	37,243,302
Tax filers claiming a child tax credit (2009)	23,563,012
Tax filers claiming student loan interest deduction (2009)	9,718,995
Tax filers claiming a tuition/fees deduction (2009)	2,422,642
Entitlement Benefits	
Social Security recipients (2011)	55,000,000
Medicare recipients (2011)	49,000,000
Medicaid recipients (2011)	60,000,000

Sources: See endnote 92

Observations from the Budget Control Act of 2011

If there are cases of bipartisan and cross-partisan deal making in a polarized era and slack in the relationships between parties, groups, and voters, we might find more clues to the puzzle of deficit politics by tracing a process that produces a major deficit reduction agreement. By describing the sequence of events and actions in the budget process in 2011, we can identify the factors that affected the choices and outcomes. A complete application of process tracing would include a comprehensive timeline of events and more detailed analysis of proposals, actions by various actors, and decisions (i.e., empirical information drawn from news accounts, government documents and interviews). Obvious limits prevent such detail here, but we can trace the process enough to determine the extent to which polarization affected the outcome. The process that culminated in the Budget Control Act of 2011 reveals evidence of party polarization and the limits of polarization as an explanation for deficit politics. In an atmosphere of crisis, leaders continue to seek bipartisan and cross-partisan approaches to the debt problem.

As the Democratic nominee for president in 2008, Barack Obama campaigned against Bush's fiscal policy and the excessive partisanship in Washington. Shortly after an overwhelming victory in the 2008 elections that gave Democrats control of the White House and Congress, President Obama and congressional Democrats pursued a Keynesian policy of deficit spending designed to stimulate the economy. In February of 2009, Congress passed the American Recovery and Reinvestment Act, popularly referred to as the "stimulus bill," a $787 billion package of tax cuts and spending increases. Not a single Republican voted for the bill in the House.[96] The political situation changed dramatically after the 2010 midterm elections, when the Republicans won sixty-one House seats and majority control of the body.[97] The leaders of the two parties began 2011 on separate planets but, after budget deadlines and concerns about the debt forced them, together they agreed to a deficit reduction plan that was historic in scale, yet modest in relation to the size of the debt.

When President Obama presented the Fiscal Year 2012 budget in January 2011, he ignored the recommendations of the Commission he had appointed a year earlier to reduce the debt and asked Congress for a bill to raise the statutory ceiling on the national debt, which was due to expire that summer. However, newly elected "Tea Party" Republicans in the House and Senate informed party leaders that they would oppose raising the debt ceiling, at least without a major plan to reduce the debt.[98] In April, House Republicans, led by Budget Committee Chair Ryan (R-IL), drafted a budget resolution that cut spending by nearly $6 trillion over ten years. The plan proposed to reduce Medicare costs by replacing the government's fee-for-service program with a "premium support" plan whereby eligible senior citizens would receive a credit for purchasing private health insurance.[99] On April 15, the House passed the budget resolution by a vote of 235 to 193; Republicans voted 235 to 4 in favor, and all 189 Democrats voted against the budget.

On April 13, just days before the House voted on the budget resolution, President Obama rebuked Ryan's Medicare plan and stated: "It's not going to happen as long as I am President."[100] He made a counter offer that cut the budget by $4 trillion over ten years through a combination of tax increases and spending cuts and called on congressional leaders to form a bipartisan group with Vice President Joe Biden to work out a budget agreement.[101] In just two years, President Obama's fiscal policy took a 180-degree turn, from a strategy to stimulate the economy with massive deficit spending, to a proposal to reduce the debt. With annual deficits exceeding $1 trillion, polls registering public concern about deficits and debt, and a consensus among policy experts that the debt was unsustainable, deficit reduction vaulted to the top of the policy agenda.

The threat of default on the national debt and a downgrade in the credit rating of U.S. Treasury securities compelled the White House and congressional leaders of both parties to negotiate a budget deal. Just one day before the Treasury would run out of authority to borrow, Congress passed the Budget Control Act of 2011, which cut spending by $900 billion and established a joint bipartisan congressional committee to find another $1.5 trillion of savings by the end of the year. In the House, Republicans voted 174 to 66 in favor of the bill, and Democrats split evenly 95 to 95; in the Senate, majorities of both parties supported the agreement: Democrats voted 46 to 7, and Republicans voted 28 to 19 in favor of the bill.[102]

In addition to the roll-call votes, several aspects of the process did not reflect the expectations of partisan polarization. First, during the summer of 2011, President Obama and Republican Speaker of the House John Boehner came close to forging a deal that would have increased taxes and reformed Medicare and Social Security.[103] In his speech to the House, Boehner noted, "I stuck my neck out a mile. And I put revenues on the table, in order to try to come to an agreement..."[104] Second, a group of Senators called the "Gang of 6"—three Republicans and three Democrats—negotiated a package of entitlement and tax reforms that would have saved $3.7 trillion over ten years.[105] Third, once the joint congressional committee's work was underway, a bipartisan group of 100 members of the House lobbied the committee to "go big," indicating that they would vote for legislation that contained spending cuts and new revenues that saved $4 trillion, more than twice the $1.5 billion prescribed by the agreement.[106] Fourth, during the super-committee negotiations, a group of business organizations, including the National Association of Manufacturers, the Business Roundtable, and the U.S. Chamber of Commerce, urged the committee to find additional savings: "We believe it is crucial to act expeditiously to rein in spending, reform the tax code, reduce the deficit, and stabilize and ultimately lower America's level of debt...Congress must reform entitlement programs and comprehensively restructure the U.S. tax code."[107] Fifth, conservative Republican Pat Toomey (R-PA) agreed to $300 billion in new revenues in exchange for lower tax rates, and Democrats broached the issue of entitlement reform.[108] Fifth, as the parties were negotiating the deal, a Gallup Poll found that more than 60 percent of Americans, including majorities of Republicans and Democrats, wanted their leaders to "agree to a compromise plan, even if it is a plan you disagree with."[109] Finally, as 2011 drew to a close, Ryan and Senate Democrat Ron Wyden (D-OR) announced a bipartisan plan to reform Medicare.[110]

Yet, in spite of those developments and the fact that Congress and the President agreed to the largest deficit reduction package in history, partisan polarization constrained the scale and scope of budget savings.[111] By 2011, the debt had grown so large that the law's $2.4 trillion in projected savings over ten years was not enough to slow the rising debt to a sustainable level.[112] In addition, the budget savings were limited to discretionary spending; nothing was done to reform the tax code or entitlements. Democratic Minority Leader Nancy Pelosi (D-CA) singled out entitlement policy in her speech in favor of the bill on the House floor: "...the most important assignment given to the Democratic leadership going to the table: Make sure there are no cuts in benefits in Medicare, Medicaid and Social Security. That was achieved."[113] Moreover, although policymakers eluded gridlock in the summer, party polarization prevailed later that year. Negotiators on the joint congressional committee considered a range of tax and entitlement options, but they reached a stalemate over taxes and adjourned without an agreement.[114] Under the terms of the Budget Control Act, those savings would come from automatic spending cuts scheduled for 2013. Most Americans, including a majority of Republicans and a sizeable portion of Democrats, blamed both parties for the committee's failure.[115]

Conclusion

The nation's struggle over the federal debt can be understood only by grappling with the complex role of party politics in the budget process. As institutions that seek primarily to gain political power by winning elections, parties must be responsive to the priorities and opinions of their primary constituents. To the extent that Democratic and Republican voters have grown apart on spending and tax issues and interest groups line up on either side of the divide, party leaders are bound to reflect opposing perspectives on the budget and will struggle to reconcile their differences. At the same time, however, party leaders cannot ignore the general public's concern about the debt and the popularity of the programs that drive up that debt. They must also be aware of the increasing number of Americans who identify as Independents,[116] polls that reflect a public interest in compromise, and the consensus among policy experts about the need for entitlement and tax reform. At the very least, leaders must pay attention to factions within their parties that make the debt a priority, promote policy reforms that reduce debt, and support bipartisan negotiations.

From the vantage point of process tracing, the relationship between partisanship and the debt dilemma reveals a mixed picture. Though partisan polarization is clearly evident in budget politics, the relationships between public opinion, interest groups, and elected officials are not as tightly linked as one might expect from theories that explain partisan polarization. Moreover, although partisan polarization limits the capacity of leaders to negotiate deficit reduction agreements across party lines, it does not incapacitate them. Under certain situations—perceived crises, legislatively imposed deadlines, and public concern about the debt—party leaders may raise the deficit above other budget priorities, take political risks, and negotiate agreements that advance spending cuts or tax increases.

Looking forward, the stakes could not be higher. Former Chairman of the Joint Chiefs of Staff, Admiral Michael Mullen announced in August of 2010: "The most significant threat to our national security is our debt."[117] Public concerns about debt and the future of entitlements are only going to increase as the political and economic effects of the European debt crisis unfold and the reality of an aging and dependent baby boom population sinks in. Of course, the United States is not in the same condition as countries such as Portugal, Italy, Greece, or Spain. However, in 2010, the United States had the eleventh highest debt-to-GDP ratio of the thirty-four countries in the Organization for Economic Co-Operation and Development.[118]

Evidence from the process-tracing approach suggests that the future of deficit politics is likely to continue to reflect a mixture of polarized politics and attempts to address the debt problem. Party leaders have some discretion in terms of how the process unfolds. Given the polarizing forces in American politics, party leaders can always retreat to the priorities of their base donors, groups, and voters. Yet, if they focus on solving the debt problem, leaders may loosen their ties to primary constituents, expand their conception of representation, and frame policy choices in ways that protect their parties' electoral goals and advance constructive approaches to debt reduction. They may justify deviations from partisan priorities by expressing concerns about the debt's effects on the nation's children or grandchildren, suggesting that their obligations as representatives extend beyond the voters that participate in the next election. Instead of talking about entitlement reform in terms of cutting spending for the elderly, leaders could agree to "preserve and strengthen Social Security and Medicare."[119] In spite of the increased partisan polarization since the 1970s, there is still enough flexibility in the relationships among voters, groups, and elected representatives for party leaders to advance reforms that control entitlement spending and reduce the debt. The questions are: Will they choose to do so, and will their efforts be sufficient to avoid the worst effects of a debt crisis?

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Notes

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2 Nicholas Ballasy, "Ryan: Debt on Track to Hit 800 Percent of GDP; 'CBO Can't Conceive of Any Way' Economy Can Continue Past 2037," *CNS News*, April 6, 2011, http://cnsnews.com/news/article/ryan-debt-track-hit-800-percent-gdp-cbo-cant-conceive-any-way-economy-can-continue-past.
3 I substantiate this point with reference to literature on partisan polarization further along, but for arguments about how partisan politics block solutions to the debt problem, see George Hager and Eric Pianin, *Mirage* (New York: Random House, 1997); and Peter G. Peterson, *Running on Empty* (New York: Farrar, Straus, and Giroux 2004).
4 See Joseph White and Aaron Wildavsky, *Deficit and the Public Interest: The Search for Responsible Budgeting in the 1980s* (Berkeley: University of California Press, 1989).

5 If advancing policy and political goals are not enough to divide the parties, in tough economic times, those choices can be justified as a way to stimulate economic growth. Republicans often say, "You should never raise taxes in a recession," or Democrats: "We need public investments to grow the economy."

6 Laurence J. Kotlikoff and Scott Burns, *The Coming Generational Storm* (Boston: MIT Press, 2004). See also, Congressional Budget Office, "Federal Debt and the Risk of a Fiscal Crisis," July, 17 2010, http://www.cbo.gov/doc.cfm?index=11659&zzz=41052; and Congressional Budget Office, "CBO's 2011 Long Term Budget Outlook," June 22, 2011, http://cbo.gov/publication/41486.

7 See David Collier, "Understanding Process Tracing," *PS: Political Science and Politics*, Vol. 44, No. 4 (October 2011): 823–830.

8 James D. Savage, *Balanced Budgets and American Politics* (Ithaca, New York: Cornell University Press, 1988). Donald Kettl argues that Keynesian economics did not undermine the balanced budget norm, but it did alter the concept of balancing the budget. Under Keynesian economics, the government's primary goal would be to "balance the economy" rather than "balance the budget." Thus, deficits were an acceptable means of stimulating the economy. See Donald F. Kettl, *Deficit Politics: Public Budgeting in Its Institutional and Historical Context* (New York: Macmillan Publishing Company, 1992), Chapter 2.

9 For a history of key developments in budget policy, see Dennis S. Ippolito, *Why Budgets Matter: Budget Policy and American Politics* (University Park, PA: The Pennsylvania State University Press, 2003).

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11 See Martha Derthick, *Policymaking for Social Security* (Washington, D.C.: Brookings Institution, 1979).

12 The annual budget deficit is calculated by subtracting total federal outlays (i.e. spending) from total revenues. For example, for Fiscal Year 2011, which ended September 30, 2011, the Office of Management and Budget estimated that government outlays were about $3.8 trillion, revenues were about $2.5 trillion, and the deficit was about $1.3 trillion. Office of Management and Budget, *Historical Tables, Table 1.1—Summary of Receipts, Outlays, and Surpluses or Deficits: 1789–2016*, http://www.whitehouse.gov/omb/budget/Historicals. The national debt is the total amount of money the federal government owes to its borrowers, which amounts to the accumulation of annual deficits plus interest from 1789 to the present. The debt is typically reported in two ways: the "publicly held debt," which includes debt obligations to creditors outside of the federal government, and the "total debt," which includes all publicly held debt plus the debt that comes from borrowing within federal government accounts. For instance, when the Social Security Trust Fund runs a surplus, the government purchases special issue Treasury securities to the Fund; in essence, the government is borrowing from itself. Since future debt depends partly on assumptions about the revenue and spending effects of current law and prospective changes in those laws, Figure 13.1 estimates two possible debt scenarios. The Congressional Budget Office (CBO) "extended" baseline assumes current law will continue, whereas an "alternative" baseline assumes certain expected changes in law. See note 29 for more details.

13 Congressional appropriations committees controlled spending. Richard F. Fenno, Jr., *The Power of the Purse: Appropriations Politics in Congress* (Boston: Little, Brown and Company, 1966), Chapters 1 and 8; Aaron Wildavsky, *The New Politics of the Budgetary Process* (Glenview IL: Scott, Foresman and Company, 1988), Chapter 3.

14 Entitlements refer to programs under which "the U.S. government is legally required to make the payments to persons or governments that meet the requirements established by law (2 U.S.C. § 622(9))." Entitlements are considered mandatory spending, which "refers to budget authority that is provided in laws other than appropriation acts..." Government Accountability Office, *A Glossary of Terms Used in the Federal Budget Process*, September 2005, (GAO-05-734SP), 47 and 66, http://www.gao.gov/new.items/d05734sp.pdf.

15 Source: Congressional Budget Office, "CBO's Long-Term Budget Outlook," June 22, 2011, http://cbo.gov.publication/41486.

16 Source: Office of Management and Budget, *Historical Tables*, Table 8-5-Outlays for Mandatory and Related Programs, 1962–2016 and Table 8.7-Outlays for Discretionary Programs, 1962–2016, http://www.whitehouse.gov/omb/budget/Historicals.

17 Source: Office of Management and Budget, *Historical Tables*, Table 1.1-Summary of Receipts, Outlays, and Surpluses or Deficits: 1979–2017 (Washington, DC: OMB, 2012) http://www.whitehouse.gov/omb/budget/Historicals.

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24 Kathy Ruffing and James R. Horney, "Economic Downturn and Bush Policies Continue to Drive Large Projected Deficits," *Center on Budget and Policy Priorities*, May 10, 2011, http://www.cbpp.org/cms/index.cfm?fa=view&id=3490.

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27 Andrew Malcolm, "New National Debt Data: It's Growing About $3 Million a Minute, Even During His Vacation," *LA Times*, August 23, 2011, http://latimesblogs.latimes.com/washington/2011/08/obama-national-debt.html. (For today's running debt total, see http://www.usdebtclock.org/.)

28 The National Commission on Fiscal Responsibility and Reform, *The Moment of Truth*.

29 Figure 13.1 charts two scenarios. (1) The CBO extended baseline assumes tax cuts will expire, the alternative minimum tax and tax provisions in the Patient and

Affordable Care Act (PACA) of 2010 would result in increased revenues in relation to the GDP, and discretionary spending will remain flat. (2) The CBO alternative scenario anticipates changes in current law that are likely to occur, including extension of tax cuts and other changes that will bring revenues to the historical average of 18% of GDP since 1960. It also assumes that Medicare reimbursement rates will continue at current levels, policies in PACA that restrain spending will not take effect until after 2021, and discretionary spending will not fall below its average. Congressional Budget Office, "CBO's Long-Term Budget Outlook," June 22, 2001, http://cbo.gov/publication/41486. For more detailed analysis of different scenarios for the debt, see Government Accountability Office, "Long-Term Federal Budget Simulation: Fall 2011 Update," http://www.gao.gov/special.pubs/longterm/pdfs/2011fed_fiscal_simulation_charts_slides.pdf.

30 The GAO is Congress' independent, nonpartisan "watchdog" agency that monitors federal spending. David W. Walker, "Long-Term Fiscal Outlook: Action is Needed to Avoid the Possibility of a Serious Economic Disruption in the Future," Statement of Comptroller General of the United States, Testimony Before the Committee on the Budget, U.S. Senate, January 29, 2008, 6, http://www.gao.gov/assets/120/118810.pdf.

31 It is important to note that the combination of demographic changes and health care costs, not just demographic changes, will drive the cost of Medicare and Medicaid in the future. Congressional Budget Office, "Key Factors Affecting Long-Term Growth in Federal Spending," June 29, 2009, http://www.cbo.gov/publication/24931.

32 Walker, "Long-Term Fiscal Outlook: Action is Needed to Avoid the Possibility of a Serious Economic Disruption in the Future."

33 Daniel P. Franklin, *Making Ends Meet: Congressional Budgeting in the Age of Deficits* (Washington DC: CQ Press, 1993); John L. Hilley, *The Challenge of Legislation: Bipartisanship in a Partisan World* (Washington: Brookings, 2008). Paul Light, *Artful Work: The Politics of Social Security Reform* (New York: Random House, 1985); Palazzolo, *Done Deal? The Politics of the 1997 Budget Agreement.*

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35 Jonathan Rauch, *Demosclerosis: The Silent Killer of American Government* (New York: Random House, 1994), Chapter 3.

36 Rauch refers to this problem as "demosclerosis," a disease in the body politic born of expansion of interest groups and fed by their capacity to halt the system from making policy changes that reduce government benefits. Rauch, *Demosclerosis: The Silent Killer of American Government*, Chapters 1 and 6.

37 Aaron Wildavsky, *The New Politics of the Budgetary Process*, 273.

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65 For a good review of this literature and a compelling case for the influence of leaders in congressional politics, see Randall Strahan, *Leading Representatives: The Agency of Leaders in the Politics of the U.S. House* (Baltimore: The Johns Hopkins University Press, 2007). See also, Eric Schickler, *Disjointed Pluralism: Institutional Innovation and the Development of the U.S. Congress* (Princeton: Princeton University Press, 2001).
66 Morris P. Fiorina with Samuel J. Abrams, *Disconnect: The Breakdown of Representation in American Politics* (Norman: University of Oklahoma Press, 2009), 160.
67 Abramowitz, *The Disappearing Center: Engaged Citizens, Polarization, and American Democracy*, 161.
68 Binder, *Stalemate: Causes and Consequences of Legislative Gridlock*; Thomas E. Mann and Norman J. Ornstein, *The Broken Branch: How Congress is Failing America and How to Get It Back on Track* (New York: Oxford University Press, 2006).
69 David R. Mayhew, *Partisan Balance: Why Political Parties Don't Kill the U.S. Constitutional System* (Princeton: Princeton University Press, 2011).
70 For more details of process tracing, see Collier, "Understanding Process Tracing."
71 Darrell West, *Congress and Economic Policymaking* (Pittsburgh: University of Pittsburgh Press, 1987), Chapter 3.
72 It is worth nothing that Senator Gramm was a conservative Republican from Texas, Senator Rudman was a moderate Republican from New Hampshire, and Fritz Hollings was a conservative Democrat (on most issues) from South Carolina.
73 Pamela Fessler," Bush's Sudden Shift on Taxes Gets Budget Talks Moving," *CQ Weekly*, June 30, 1990, 2029, http://newman.richmond.edu:2271/cqweekly/document.php?id=wr101409762&type=toc&num=246&.

74 The 1997 budget resolution was approved by a bipartisan coalition: 89% of House Republicans and 65% of House Democrats voted for it, and 75% of Senate Republicans and 82% of Senate Democrats voted in favor.
75 For three of the fourteen years the Senate did not vote on a budget resolution.
76 Using data from a 2006 Cooperative Congressional Survey, Abramowitz finds that among voters, the liberal/conservative ideological position is highly correlated with opinions on capital gains taxes (.537) and privatizing Social Security (.545); the correlation is much weaker among nonvoters: .255 and .205, respectively. Abramowitz, *The Disappearing Center: Engaged Citizens, Polarization, and American Democracy*, 52–53.
77 I emphasize "broader" sample of survey items; space constraints prevent a comprehensive review of polling questions. I have selected topics that are most relevant to the debt dilemma and cite findings from recent surveys.
78 Only "strengthening the nation's economy" and "improving the job situation" (82%) ranked higher. "Defending Against Terrorism" was tied for third with "reducing the deficit." Pew Center for the People and the Press, "Public Priorities: Deficit Rising, Terrorism Slipping," January 23, 2012, http://www.people-press.org/2012/01/23/section-1-the-publics-policy-priorities/.
79 Sources: Pew Center for the People and the Press, "Public Priorities: Deficit Rising, Terrorism Slipping," January 23 2012. http://www.people-press.org/2012/01/23/section-1-the-publics-policy-priorities/; and Office of Management and Budget, *Historical Tables*, Table 1.1-Summary of Receipts, Outlays, and Surpluses or Deficits: 1979–2017 http://www.whitehouse.gov/omb/budget/Historicals.
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82 "Reducing the deficit/debt" was one of four responses to the question. The others were: increasing taxes on the wealthy," "cutting taxes," or "increasing stimulus spending." Jeffrey M. Jones, "Americans Prioritize Deficit Reduction as an Economic Strategy," *Gallup*, November 30, 2010, http://www.gallup.com/poll/144956/Americans-Prioritize-Deficit-Reduction-Economic-Strategy.aspx.
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84 Frank Newport and Lydia Saad, "Americans Oppose Cuts in Education, Social Security, Defense," *Gallup*, January 26, 2011, http://www.gallup.com/poll/145790/Americans-Oppose-Cuts-Education-Social-Security-Defense.aspx. Not surprisingly, previous studies have shown high levels of public support for Medicare and Social Security. Paul Light, *Artful Work: The Politics of Social Security Reform*, 2nd ed. (New York: Random House, 1985), Chapter 6; Benjamin I. Page and Robert Y. Shapiro, *The Rational Public* (Chicago: University of Chicago Press, 1992): 118–21 and 129; Christopher Howard, *The Welfare State Nobody Knows* (Princeton: Princeton University Press, 2007): 113–14; Jennifer Baggette, Robert Y.

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