

QUICK READ

The Congressional Budget Office at Middle Age

In the 40 years since its founding, the Congressional Budget Office (CBO) has become one of the most influential and well-regarded institutions in Washington, solidifying its place as the authoritative source of information on the budget and economy, argues University of Maryland Professor of Public Policy Philip G. Joyce.

Joyce points to three factors that were instrumental in establishing CBO's credibility and influence.

1. CBO's first director, Alice Rivlin, established the organization as independent and nonpartisan institution by hiring technically skilled staff, and by making a critical decision that the organization would make no policy recommendations to Congress.
2. CBO built a reputation of objectivity early on by offering criticism of presidential proposals touting overly optimistic projections, even in cases where the director had been affiliated with the same party as the president. Despite political pressures, CBO's subsequent directors have maintained the agency's continuity and nonpartisanship.
3. Congress, especially the Budget Committees, realized that an objective, credible CBO was good for them.

Joyce notes that as budget priorities and deficit concerns change, CBO's role shifts. During the 1990s, CBO's analysis was instrumental in shaping deficit-reduction legislation. But in recent years, CBO's most prominent role has been in generating cost estimates of individual pieces of legislation, producing an average of 618 per year since 2000. Although influential, there are some who criticize CBO cost estimating because the estimates are inaccurate, they encourage too much focus on cost rather than other considerations, and because of a perception that CBO is biased. While it is true that its estimates are rarely, if ever, spot on, CBO frequently stresses that its point estimates are the midpoint in a range of estimates, and that there is a great deal of uncertainty inherent in their projections. CBO's analysis focuses almost exclusively on costs rather than societal benefits—but Joyce says this is a direct result of CBO's mandate. In response to assertions that CBO's estimates often exactly match the stated budgetary effects of certain bills, Joyce argues this is a welcome product of the back-and-forth of the Congressional process in which lawmakers will tweak the bill until it matches their objective as measured by CBO.

Joyce makes several suggestions for CBO to maintain its influence as it reaches middle age. One is for CBO to consider being more vocal about the growing fiscal imbalance, even though this could damage their nonpartisan credibility. Joyce suggests that it would be more useful to extend the length of its 10-year baseline estimates in order to draw attention to the long-term fiscal situation. CBO also could improve the quality of its analyses by providing more information on the level of uncertainty involved with its estimates, which would help avoid the false perception of precision. Instead of focusing on individual cost estimates, CBO could widen its scope by providing cost and effectiveness comparisons across a wide range of policies to assist Congress to effectively allocate resources. Joyce notes that it is vital that Congress recognizes both benefits and limitations of CBO's analyses. Budgetary impacts are important, but should be viewed as only one piece of the puzzle—not always the most important piece. Finally, Joyce warns that CBO will be of limited use to Congress and the nation if it becomes viewed as one more source of partisan noise.