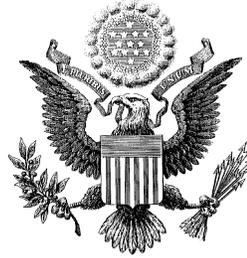


TRENDS IN CONGRESSIONAL APPROPRIATIONS: FISCAL RESTRAINT IN THE 1990s

A JOINT ECONOMIC COMMITTEE STUDY



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Chairman**

**Joint Economic Committee
United States Congress**

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Executive Summary

This analysis examines trends in discretionary spending and concludes that recent congressional budget policy has successfully halted, at least for the time being, the long-term upward trend in discretionary spending. The principal findings (reported in inflation-adjusted 1998 dollars) include:

- Between fiscal years 1990 and 1998, congressional appropriations fell \$77 billion. In the last three years alone, (1995 to 1998), discretionary outlays declined \$38 billion.
- In 1996, domestic discretionary spending was cut by \$9.3 billion, the largest single-year reduction in domestic outlays since 1982. Even with the increases in 1997 and 1998, appropriations for domestic discretionary spending for the current fiscal year are still \$3.3 billion below the 1995 level.
- After increasing \$100 billion in the previous three Congresses, domestic discretionary spending was cut by nearly \$11 billion in the 104th Congress. All discretionary spending combined fell more than \$72 billion in the 104th Congress.
- The 104th Congress was the first Congress on record to reduce real discretionary spending in all three spending categories (defense, international and domestic).

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I. INTRODUCTION

Balanced federal budgets have not been a regular occurrence since the 1950s, and this persistence of deficit spending has greatly influenced the debate about budget policy during the past four decades. However, the dynamics of deficit spending changed dramatically in July 1997 when Congress passed, and the President signed, legislation that slowed the growth of spending enough to allow the federal budget to reach balance by 2002. Thanks to the robust economic expansion, unexpectedly strong revenue collections are now allowing balance to be achieved as early as the current fiscal year (FY1998).

The purpose of this report is to review trends in congressional budget policy, measured here as changes in discretionary appropriations spending. Since it is the only portion of the budget that Congress revisits and directly sets each year, discretionary spending is the most immediate reflection of congressional budget policy. Two-thirds of federal spending is classified as entitlement or mandatory spending, which budget scholar Allen Schick defines as programs where “spending increases are not at the discretion of Congress but are prescribed by existing law and are built into baseline projections.”¹ Whereas the dynamics surrounding most entitlement programs make frequent changes to them politically difficult, the structure of the annual appropriations process grants Congress the initiative (though not the final say) in setting policy.² For this reason, this paper limits its discussion of congressional budget policy to changes in discretionary spending.

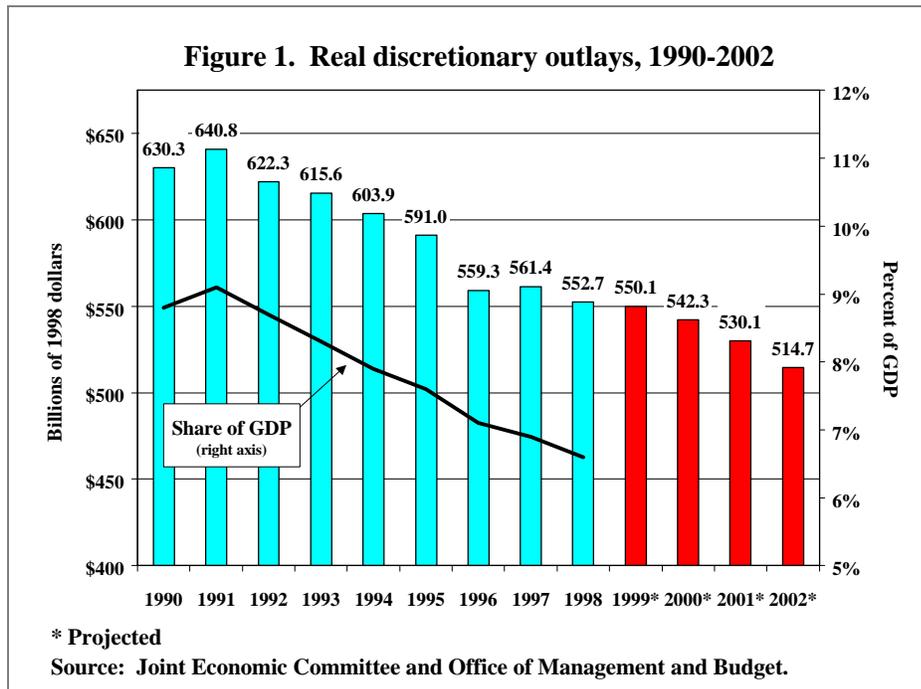
II. RECENT TRENDS IN DISCRETIONARY SPENDING

In order to compare spending from different time periods, differences in inflation and the size of the economy must be taken into account. For example, \$100 had much greater purchasing power in 1965 than it does today. Therefore, this analysis examines discretionary spending measured two ways: in real terms (adjusted for inflation) and as a share of gross domestic product (GDP). In addition, the analysis distinguishes between the three different

¹ Allen Schick, *The Federal Budget* (Washington, DC: Brookings Institution, 1995), 192.

² For authority on the dynamics of both discretionary and mandatory spending policy, see Aaron Wildavsky, *The New Politics of the Budgetary Process*, 2nd ed. (New York, NY: Harper Collins, 1992).

kinds of discretionary spending: defense, international and non-defense domestic. A complete set of historical data is included in Table 2 through Table 5 at the end of the paper.³



As can be seen in Figure 1, recent congressional budget policy has successfully reduced the amount of discretionary spending, measured either in real-dollar terms or as a share of GDP. Between 1990 and 1998, total discretionary spending fell \$77 billion, or 12 percent, measured in inflation-adjusted 1998 dollars.⁴ As a share of GDP, discretionary outlays have followed

the same trend, falling from around 9 percent of GDP at the beginning of the decade to well below 7 percent in 1998. In 1996 alone, discretionary outlays were reduced by \$32 billion, the largest single-year drop since 1969. Although there was an increase the following year, total discretionary spending in 1998 was still \$38 billion below the 1995 level.

Figure 1 also indicates expected levels discretionary outlays for fiscal years 1998 to 2002. Under the Budget Act of 1990, discretionary spending is capped at levels specified by law. The Balanced Budget Act of 1997 implemented a new set of discretionary spending caps for fiscal years 1998 to 2002. Assuming lawmakers comply with the spending caps, real discretionary outlays will fall from current levels by an additional \$38 billion by 2002.⁵ Relative to 1990, discretionary spending in 2002 will be down more than \$115 billion or 18 percent.

The data in Figure 1 indicate the trend in total discretionary spending, but a related interest is how spending in specific categories has changed. As previously noted, discretionary spending generally falls into one of three categories: defense, international or domestic. To a certain degree, the amount spent on defense and international programs is dictated by

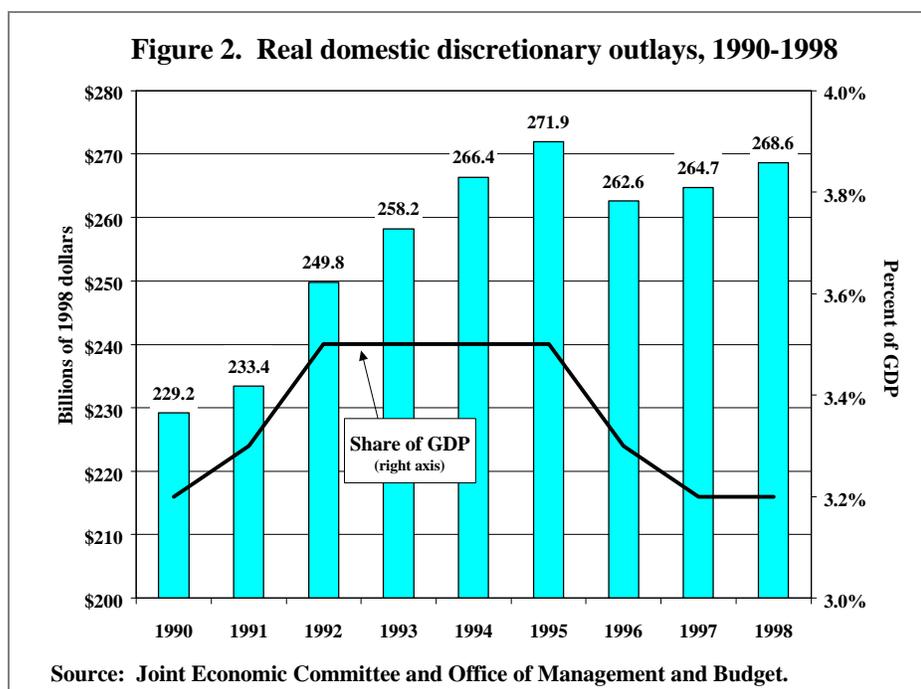
³ Nominal outlays were adjusted to 1998 dollars using the implicit price deflator for each type of spending. Figures indicate outlays by fiscal year. The sum of the components may not equal the total for a given year because each series is deflated separately and then rounded to the nearest decimal point. Figures for 1998 are estimates for current year outlays and do not include any supplemental appropriations. All data are from Office of Management and Budget, *Historical Tables and Analytical Perspectives, Budget of the United States Government, Fiscal Year 1999* (Washington, DC: Government Printing Office, 1998).

⁴ Because all figures have been rounded to the nearest decimal point, some rounding error may be evident.

⁵ Of course, if the spending caps are broken then these projected savings will not materialize.

international factors. As might be expected, the end of the Cold War has been accompanied by real decreases in spending on defense and international programs. In contrast, domestic discretionary spending has enjoyed relatively unrestrained real growth since.

Figure 2 presents the amount of discretionary spending for fiscal years 1990 to 1998 (in real 1998 dollars). As can be seen, domestic discretionary spending experienced real increases each year until it reached an all-time high in 1995. In 1996, domestic discretionary spending was cut by \$9.3 billion, the largest single-year



reduction in domestic outlays since 1982. Even with the \$6 billion increase in 1997 and 1998, domestic discretionary spending is still \$3.3 billion below the 1995 level.⁶

Since biannual elections reshape Congress every two years, an alternative way of identifying trends in congressional budget policy is to aggregate discretionary spending by congressional sessions. Doing so reveals that the 104th Congress (FY 1996-97) was the most fiscally-restrained session of Congress in the 1990s. Total discretionary outlays in the 104th Congress were \$74 billion lower than in the previous Congress (Table 1), a reduction of more

Table 1. Change in discretionary outlays from previous Congress
(billions of 1998 dollars)

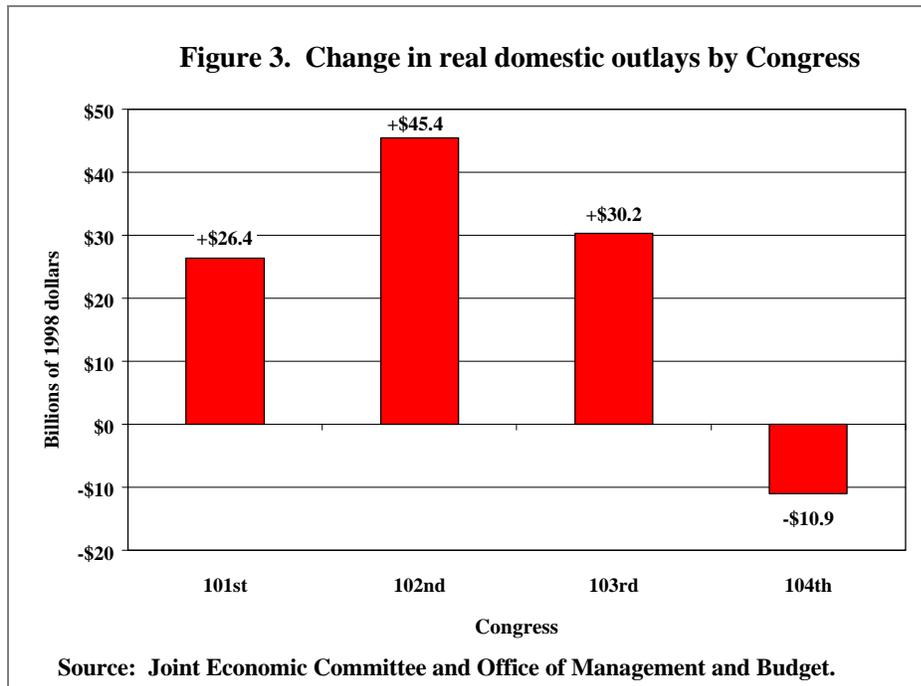
Congress	Total	Defense	International	Domestic
101 st (FY90-91)	+\$11.1	-\$19.0	+\$4.6	+\$26.4
102 nd (FY92-93)	-\$33.2	-\$76.4	-\$1.1	+\$45.4
103 rd (FY94-95)	-\$43.0	-\$69.5	-\$2.6	+\$30.2
104th (FY96-97)	-\$74.1	-\$57.0	-\$5.9	-\$10.9

Source: Joint Economic Committee and Office of Management and Budget.

Note: Totals may not sum due to rounding.

⁶ Since the new discretionary spending caps make no distinction between domestic non-defense and international outlays, projected amounts for 1999-2002 are not included.

than 6 percent.⁷ As a share of GDP, discretionary outlays fell almost a full percentage point, from 7.8 percent in the 103rd Congress to 7.0 percent in the 104th Congress.



Although previous Congresses also reduced overall discretionary spending, large defense cuts allowed for real increases in domestic spending. In the last four Congresses (FY1990 to FY1997), defense spending fell \$222 billion in real terms. In contrast, domestic discretionary spending enjoyed real increases during the 1990s. Domestic outlays climbed an average of \$34 billion

in each of the three Congresses prior to the 104th, totaling \$102 billion. The 104th Congress reversed this trend: domestic outlays in the 104th Congress were \$10.9 billion below what was spent in the 103rd Congress (Figure 3). The 104th Congress is the only Congress in the past 36 years to exact spending reductions in all three categories.

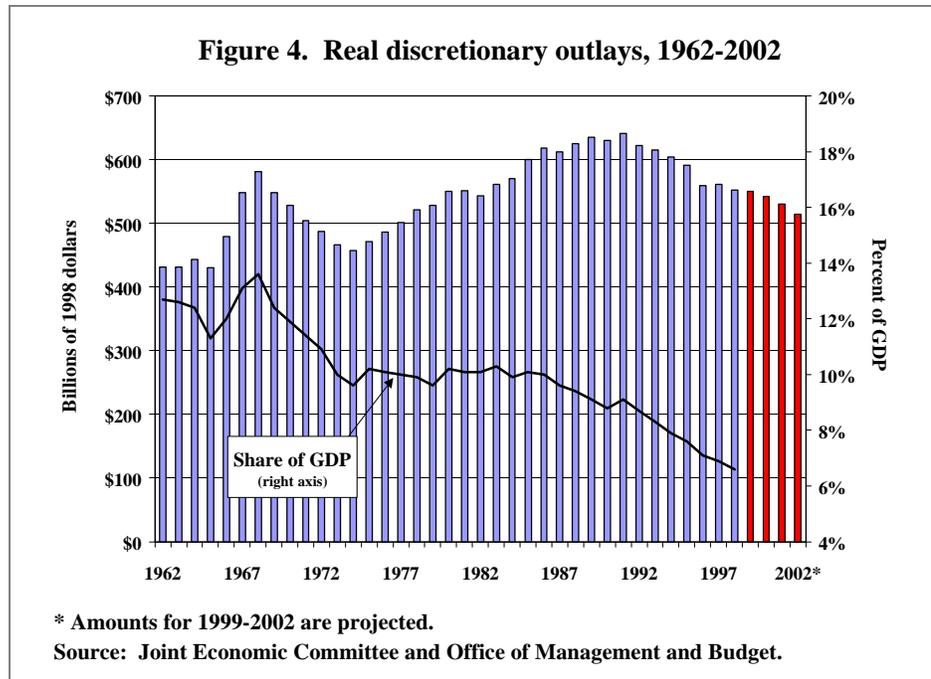
III. DISCRETIONARY SPENDING OVER THE LONG TERM

Two findings emerge from an analysis of discretionary spending over the long run. The first is that the fiscal restraint achieved in the 1990s reverses the long-term upward trend in discretionary spending (Figure 4). Between 1962 and 1990, growth in discretionary spending outpaced inflation by more than 46 percent, reaching an all-time high of \$641 billion in 1991. Although actual expenditures have been increasing over time, discretionary spending as a share of GDP has fallen steadily. After peaking at 13.6 percent of GDP in 1968, discretionary outlays fell to an all-time low of 6.6 percent in 1998.

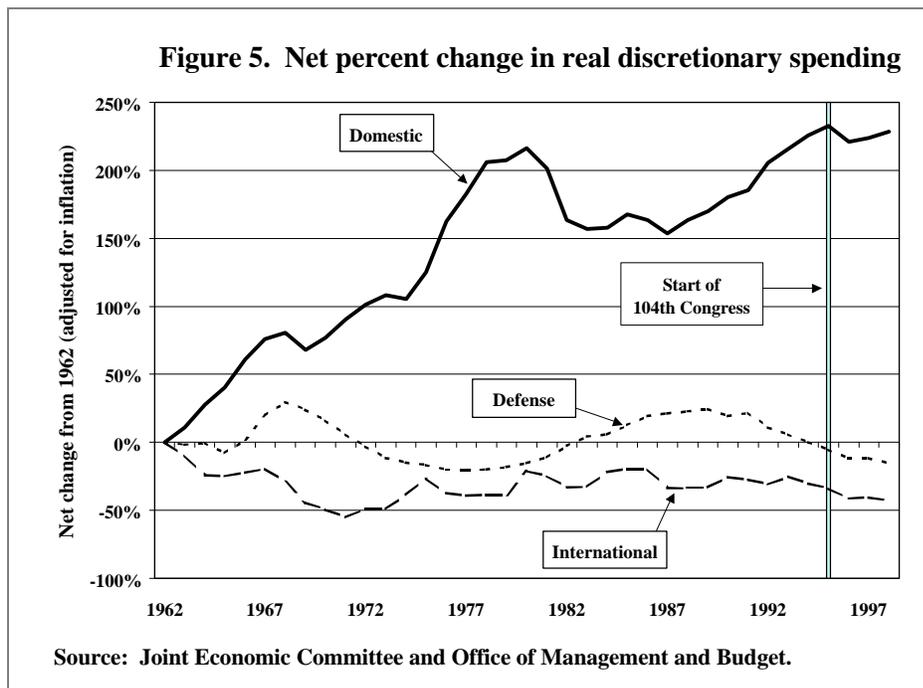
The second conclusion about discretionary spending is that while defense and international spending have remained at relatively stable levels over the past 36 years, domestic

⁷ The figures in Table 1 indicate the net change in outlays relative to the previous two-year budget cycle. Thus, legislation enacted by one Congress that affected spending in a different fiscal year is not credited to the relevant Congress. For example, 104th Congress rescinded \$9.1 billion in budget authority for the fiscal year 1995. The resulting outlay reductions, however, are included in the spending totals for the 103rd Congress. Figures for the 105th Congress are not included because appropriations for 1999 have not been completed.

spending has skyrocketed (Figure 5). In real terms, both defense and international outlays in 1998 were actually below their 1962 level. International outlays have consistently remained below their 1962 level and were down 43 percent in 1998. Spending on defense has experienced expansions as well as contractions, although total defense outlays have never been 30 percent greater than the 1962 level. In 1998, defense spending was down 15 percent from its level 36 years ago.



The most dramatic trend visible in Figure 5 is the large growth in domestic spending. Spending on non-defense domestic programs increased by approximately 228 percent between 1962 and 1998. The only extended period during which domestic spending growth was interrupted was during the early 1980s, a period during which increases in defense spending



more than offset the savings from reductions in domestic spending. The cumulative long-term impact of this surge in domestic spending growth is considerable. Over the period 1962-1998, if domestic spending had grown at the same rate as defense spending, the federal government would have spent \$4.3 trillion *less* than it actually did (measured in 1998 dollars), an amount

larger than the entire federal debt held by the public. The fact that domestic programs have enjoyed relatively unrestrained growth, even in the face of rising budget deficits, suggests that curbing domestic spending can be an extremely difficult task.

IV. CONCLUSION

Two conclusions about congressional budget policy are evident from the data presented in this paper. First, recent efforts to curb discretionary spending have successfully stemmed, at least for the time being, the long-term upward trend in spending growth. The 104th Congress became the first Congress on record to impose real reductions in all three categories of discretionary spending. In addition to continuing the long-term downward trend in defense and international spending, the 104th Congress reversed the upward trend in real domestic spending. Whereas each of the three previous Congresses increased domestic spending by an average of \$34 billion each, the 104th Congress cut domestic discretionary outlays by close to \$11 billion. Even with the increase in fiscal year 1997 and 1998, domestic spending in 1998 was down still \$3.3 billion from the all-time high reached at the end of the 103rd Congress.

The second conclusion is that all types of discretionary spending need to be kept in check in order to preserve the savings achieved thus far. As indicated above, most of the long-term growth in discretionary spending is attributable to increases in domestic expenditures. If the growth in domestic outlays had been limited to the same growth rate of defense outlays, the federal government would have spent \$4.3 trillion less over the past three-and-one-half decades. However, this trend has not been fully apparent in overall discretionary spending totals due to reductions in defense and international spending. If Congress desires to avoid a return to deficit spending, then fiscal restraint must be applied to all types of spending.

Dan Miller
Economist

Table 2. Federal outlays in billions of nominal dollars

Fiscal Year	Discretionary			Mandatory	Net Interest	Total Outlays	
	Total	Defense	International				Domestic
1962	72.1	52.6	5.5	14.0	27.9	6.9	106.8
1963	75.3	53.7	5.2	16.3	28.3	7.7	111.3
1964	79.1	55.0	4.6	19.5	31.2	8.2	118.5
1965	77.8	51.0	4.7	22.1	31.8	8.6	118.2
1966	90.1	59.0	5.1	26.1	35.0	9.4	134.5
1967	106.4	72.0	5.3	29.1	40.7	10.3	157.5
1968	117.9	82.2	4.9	30.9	49.1	11.1	178.1
1969	117.3	82.7	4.1	30.5	53.7	12.7	183.6
1970	120.2	81.9	4.0	34.3	61.1	14.4	195.6
1971	122.5	79.0	3.8	39.7	72.9	14.8	210.2
1972	128.4	79.3	4.6	44.5	86.8	15.5	230.7
1973	130.2	77.1	4.8	48.3	98.1	17.3	245.7
1974	138.1	80.7	6.2	51.1	109.8	21.4	269.4
1975	157.8	87.6	8.2	62.0	151.3	23.2	332.3
1976	175.3	89.9	7.5	77.9	169.8	26.7	371.8
1977	196.8	97.5	8.0	91.3	182.5	29.9	409.2
1978	218.5	104.6	8.5	105.3	204.8	35.5	458.7
1979	239.7	116.8	9.1	113.8	221.7	42.6	504.0
1980	276.1	134.6	12.8	128.7	262.3	52.5	590.9
1981	307.8	158.0	13.6	136.1	301.7	68.8	678.2
1982	325.8	185.9	12.9	127.0	334.9	85.0	745.8
1983	353.1	209.9	13.6	129.7	365.4	89.8	808.4
1984	379.2	228.0	16.3	134.9	361.5	111.1	851.9
1985	415.7	253.1	17.4	145.2	401.3	129.5	946.4
1986	438.3	273.8	17.7	146.8	416.1	136.0	990.5
1987	444.0	282.5	15.2	146.2	421.5	138.7	1,004.1
1988	464.2	290.9	15.7	157.5	448.5	151.8	1,064.5
1989	488.6	304.0	16.6	167.9	485.9	169.3	1,143.7
1990	500.3	300.1	19.1	181.1	568.7	184.2	1,253.2
1991	533.0	319.7	19.7	193.6	596.8	194.5	1,324.4
1992	534.0	302.6	19.2	212.3	648.2	199.4	1,381.7
1993	540.4	292.4	21.6	226.4	670.2	198.8	1,409.4
1994	543.3	282.3	20.8	240.2	715.5	203.0	1,461.7
1995	545.1	273.6	20.1	251.4	738.5	232.2	1,515.7
1996	533.8	266.0	18.3	249.5	785.6	241.1	1,560.5
1997	548.3	271.6	19.0	257.6	809.0	244.0	1,601.2
1998	552.7	265.1	18.9	268.6	872.4	242.7	1,667.8

Source: Office of Management and Budget.

Note: Totals may not sum due to rounding.

Table 3. Federal outlays in billions of real 1998 dollars

Fiscal Year	Discretionary			Mandatory	Net Interest	Total Outlays	
	Total	Defense	International				Domestic
1962	430.9	313.8	33.0	81.8	133.5	33.2	595.2
1963	431.0	308.2	29.8	90.8	132.7	36.9	598.3
1964	443.6	312.1	25.1	104.5	146.1	38.5	625.9
1965	430.5	288.9	24.8	114.9	147.2	39.7	615.2
1966	479.6	320.5	25.7	131.7	159.5	42.4	678.9
1967	548.4	375.6	26.6	143.9	180.4	44.9	770.8
1968	581.0	406.9	23.4	147.9	211.4	46.7	836.1
1969	548.3	389.8	18.4	137.3	221.6	51.3	818.4
1970	528.0	364.4	16.8	144.5	241.9	55.1	822.4
1971	504.1	331.3	14.9	155.9	275.6	54.2	831.6
1972	487.7	304.5	16.9	164.7	317.0	53.9	856.4
1973	466.0	277.5	16.9	170.4	345.8	57.9	867.8
1974	457.1	267.6	20.3	168.0	357.3	66.7	879.4
1975	470.9	261.5	24.4	184.2	446.8	65.6	981.6
1976	486.2	250.6	20.7	214.6	470.7	70.3	1,025.6
1977	501.3	250.0	20.1	231.0	470.7	73.2	1,043.4
1978	521.6	250.8	20.3	250.4	492.8	81.0	1,093.5
1979	528.2	256.6	20.3	251.3	491.6	89.9	1,108.0
1980	550.4	265.6	26.0	258.7	525.3	101.8	1,175.8
1981	551.1	279.4	24.8	246.4	551.7	121.3	1,222.4
1982	543.4	304.7	22.1	215.5	574.8	140.1	1,257.0
1983	560.7	327.1	22.2	210.0	599.1	141.5	1,299.9
1984	569.9	332.0	25.8	210.8	569.9	168.5	1,307.0
1985	600.2	353.2	26.6	219.0	610.5	189.7	1,399.3
1986	618.3	374.8	26.5	215.4	613.4	193.9	1,424.4
1987	612.4	380.9	22.0	207.4	602.1	192.0	1,405.2
1988	624.8	385.4	21.9	215.5	615.2	203.2	1,442.0
1989	635.2	390.4	22.1	220.7	635.8	217.4	1,487.1
1990	630.3	375.0	24.6	229.2	710.2	227.2	1,566.8
1991	640.8	381.8	24.0	233.4	711.2	230.0	1,581.0
1992	622.3	348.6	22.8	249.8	748.5	229.0	1,599.2
1993	615.6	331.8	24.7	258.2	753.7	222.5	1,591.1
1994	603.9	313.9	23.1	266.4	786.9	221.8	1,612.0
1995	591.0	297.0	21.9	271.9	791.2	247.3	1,629.4
1996	559.3	277.1	19.4	262.6	823.8	251.1	1,634.2
1997	561.4	276.9	19.6	264.7	826.4	248.6	1,636.6
1998	552.7	265.1	18.9	268.6	872.4	242.7	1,667.8

Source: Joint Economic Committee and Office of Management and Budget.

Note: Totals may not sum due to rounding.

Table 4. Federal outlays as a percentage of gross domestic product (GDP)

Fiscal Year	Discretionary				Mandatory	Net Interest	Total Outlays
	Total	Defense	International	Domestic			
1962	12.7%	9.3%	1.0%	2.5%	4.9%	1.2%	18.8%
1963	12.6%	9.0%	0.9%	2.7%	4.7%	1.3%	18.6%
1964	12.4%	8.6%	0.7%	3.0%	4.9%	1.3%	18.5%
1965	11.3%	7.4%	0.7%	3.2%	4.6%	1.3%	17.2%
1966	12.0%	7.8%	0.7%	3.5%	4.7%	1.2%	17.9%
1967	13.1%	8.9%	0.7%	3.6%	5.0%	1.3%	19.4%
1968	13.6%	9.5%	0.6%	3.6%	5.7%	1.3%	20.5%
1969	12.4%	8.7%	0.4%	3.2%	5.7%	1.3%	19.4%
1970	11.9%	8.1%	0.4%	3.4%	6.1%	1.4%	19.4%
1971	11.4%	7.3%	0.3%	3.7%	6.8%	1.4%	19.5%
1972	10.9%	6.7%	0.4%	3.8%	7.4%	1.3%	19.6%
1973	10.0%	5.9%	0.4%	3.7%	7.5%	1.3%	18.8%
1974	9.6%	5.6%	0.4%	3.6%	7.6%	1.5%	18.7%
1975	10.2%	5.6%	0.5%	4.0%	9.7%	1.5%	21.4%
1976	10.1%	5.2%	0.4%	4.5%	9.8%	1.5%	21.5%
1977	10.0%	4.9%	0.4%	4.6%	9.3%	1.5%	20.8%
1978	9.9%	4.7%	0.4%	4.8%	9.3%	1.6%	20.7%
1979	9.6%	4.7%	0.4%	4.6%	8.9%	1.7%	20.2%
1980	10.2%	5.0%	0.5%	4.7%	9.6%	1.9%	21.7%
1981	10.1%	5.2%	0.4%	4.5%	9.9%	2.3%	22.2%
1982	10.1%	5.8%	0.4%	4.0%	10.4%	2.6%	23.2%
1983	10.3%	6.1%	0.4%	3.8%	10.7%	2.6%	23.6%
1984	9.9%	6.0%	0.4%	3.5%	9.5%	2.9%	22.3%
1985	10.1%	6.2%	0.4%	3.5%	9.8%	3.2%	23.1%
1986	10.0%	6.3%	0.4%	3.4%	9.5%	3.1%	22.6%
1987	9.6%	6.1%	0.3%	3.2%	9.2%	3.0%	21.8%
1988	9.4%	5.9%	0.3%	3.2%	9.1%	3.1%	21.5%
1989	9.1%	5.7%	0.3%	3.1%	9.1%	3.2%	21.4%
1990	8.8%	5.3%	0.3%	3.2%	10.0%	3.2%	22.0%
1991	9.1%	5.5%	0.3%	3.3%	10.2%	3.3%	22.6%
1992	8.7%	4.9%	0.3%	3.5%	10.6%	3.2%	22.5%
1993	8.3%	4.5%	0.3%	3.5%	10.3%	3.1%	21.8%
1994	7.9%	4.1%	0.3%	3.5%	10.5%	3.0%	21.4%
1995	7.6%	3.8%	0.3%	3.5%	10.3%	3.2%	21.1%
1996	7.1%	3.5%	0.2%	3.3%	10.4%	3.2%	20.7%
1997	6.9%	3.4%	0.2%	3.2%	10.1%	3.1%	20.1%
1998	6.6%	3.2%	0.2%	3.2%	10.5%	2.9%	20.0%

Source: Joint Economic Committee and Office of Management and Budget.

Note: Totals may not sum due to rounding.

Table 5. Discretionary outlays by Congress

Congress	Billions of nominal dollars				Billions of real 1998 dollars				Percent of GDP			
	Total	Defense	International	Domestic	Total	Defense	International	Domestic	Total	Defense	International	Domestic
87th	147.4	106.3	10.7	30.3	862.0	622.0	62.9	172.6	12.6%	9.1%	0.9%	2.6%
88th	156.9	106.0	9.3	41.6	874.1	601.1	49.9	219.4	11.8%	8.0%	0.7%	3.1%
89th	196.5	131.0	10.4	55.2	1,028.0	696.1	52.3	275.5	12.6%	8.4%	0.7%	3.5%
90th	235.2	164.9	9.0	61.4	1,129.3	796.7	41.8	285.2	13.0%	9.1%	0.5%	3.4%
91st	242.7	160.9	7.8	74.0	1,032.1	695.8	31.6	300.4	11.6%	7.7%	0.4%	3.5%
92nd	258.6	156.4	9.4	92.8	953.7	582.0	33.8	335.1	10.4%	6.3%	0.4%	3.7%
93rd	295.9	168.3	14.4	113.1	928.0	529.2	44.7	352.3	9.9%	5.6%	0.5%	3.8%
94th	372.1	187.4	15.5	169.2	987.5	500.6	40.8	445.5	10.1%	5.1%	0.4%	4.6%
95th	458.2	221.4	17.6	219.1	1,049.8	507.4	40.7	501.7	9.7%	4.7%	0.4%	4.7%
96th	583.9	292.6	26.4	264.8	1,101.4	544.9	50.9	505.1	10.1%	5.1%	0.5%	4.6%
97th	678.9	395.8	26.5	256.7	1,104.1	631.8	44.3	425.5	10.2%	6.0%	0.4%	3.9%
98th	794.9	481.1	33.7	280.1	1,170.2	685.3	52.4	429.8	10.0%	6.1%	0.4%	3.5%
99th	882.3	556.3	32.9	293.0	1,230.7	755.7	48.5	422.8	9.8%	6.2%	0.4%	3.3%
100th	952.8	594.9	32.3	325.4	1,260.0	775.8	44.0	436.3	9.2%	5.8%	0.3%	3.2%
101st	1,033.3	619.8	38.8	374.7	1,271.1	756.8	48.6	462.6	9.0%	5.4%	0.3%	3.2%
102nd	1,074.4	595.0	40.8	438.7	1,237.9	680.4	47.5	508.0	8.5%	4.7%	0.3%	3.5%
103rd	1,088.4	555.9	40.9	491.6	1,194.9	611.0	44.9	538.3	7.8%	4.0%	0.3%	3.5%
104th	1,082.1	537.6	37.3	507.1	1,120.8	553.9	39.0	527.3	7.0%	3.5%	0.2%	3.3%

Source: Joint Economic Committee and Office of Management and Budget.

Note: Totals may not sum due to rounding. See *infra* note 7 for additional explanation.