

Testimony of Alice M. Rivlin¹
The Brookings Institution
Oversight of the Congressional Budget Office (CBO)
Committee on the Budget
United States House of Representatives
March 14, 2018

Chairman Womack, Ranking Member Yarmouth, and members of the Committee:

Thank you for inviting me to present my views at the wrap-up hearing of your series on Oversight of CBO. Forty-three years ago, I had the good fortune to be chosen as the first director of CBO. It was a chance to launch a much-needed congressional support agency and establish its structure and initial traditions. My colleagues and I worked hard with the new Budget Committees to create a strong nonpartisan CBO and recruit talented, hard-working staff that would give Congress the best budget estimates and analysis we possibly could. It was an exciting opportunity—by far my favorite job in a long career.

My most important contribution to the nonpartisan credibility of CBO was insisting that CBO not make policy recommendations. We believed CBO should provide objective information and analysis. If asked, it would offer an array of policy options along with estimates of what alternative policies would cost and what consequences they would likely have, especially for the federal budget, but it would not presume to tell Congress what to do.

Since then the CBO has benefited from a string of talented directors, both Democrats and Republicans. They have assiduously maintained nonpartisan neutrality and enhanced the quality of the staff and its analysis. The reason CBO is still performing at such a high level after 43 years is that congressional leaders, especially the Budget Committees, recognize their need for solid, unbiased budget estimates and have protected CBO from partisan and special-interest threats that could undermine its ability to do its job.

No one needs to tell members of the Budget Committee that making budget policy is extremely hard. Congress must make budget decisions despite great uncertainty about how the economy will perform and how businesses and individuals will react to changes in federal policy.

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Advocates of policy changes, including presidential administrations, are routinely optimistic about what their preferred policies will cost and what the consequences will be. Policy makers need to cut through the plethora of competing claims and turn to a neutral team of experts to answer questions like: what will this cost? What effects will it have? That is the CBO's job, and it is frequently asked to deliver analysis of complex proposals on a tight time schedule.

To maintain its credibility and be maximally useful to policy-makers, CBO needs to be as transparent as possible about the methods and models it uses to arrive at estimates and adjust its methodology in response to new information and estimating techniques. In reading recent CBO reports, I have been pleased to see steady progress in the sophistication of its estimating techniques and astonished at the amount effort the agency devotes to explaining and documenting its methodology.

Critics of CBO's transparency often appear to imagine that CBO has a vast storehouse of well-documented statistical models that can just be plugged in to generate estimates of the costs and effects of any policy option that might interest Congress. However, Congress often considers complex policies that have never been tried before and for which no models exist. CBO staff is often forced to reason by analogy from fragmentary data about vaguely similar programs tried under different circumstances and to estimate interactions among several policy changes that have not occurred before. Furthermore, writing up these new methods and models in sufficient detail so that others can reproduce them is a time-consuming activity that competes with moving on to the next set of estimates that congress needs. Making these estimates is challenging and customer expectations about what a hard-pressed staff can deliver under tight time pressure should be realistic. More transparency requires more staff.

One persistent dilemma, which has confronted CBO directors since my day is responsibility creep. Although a few members of Congress criticize CBO's performance, others (sometime even the same ones) are eager to have it take on more jobs for more clients. Drafters of the Budget Act, back in 1974, recognized that CBO might become overloaded. They established a priority list of committees to whom the CBO was expected to respond, putting the Budget Committees at the top. Individual members cannot request a CBO analysis, unless they are able to persuade their committee or subcommittee chair or ranking member to request it. If the Budget Committees want the CBO to take on more responsibilities or respond to more requests, they should work with the CBO Director and the Appropriations Committees to be sure CBO has the resources to do additional work without reducing its quality.

Although I am glad that the Committee has devoted this series of hearings to oversight of the CBO, I strongly believe you should focus your attention on two far more important budget challenges:

- The dangers of a federal debt that is projected to rise faster than the economy can grow;
- The total breakdown of the budget process.

Perhaps the most important function of a democratic government is budgeting—deciding what services government should provide and how to pay for them. In recent years, the world’s most experienced democracy has spent enormous energy bickering over funding short-run discretionary spending for a few weeks or even days at a time; massively reduced future revenues in the face of rapidly increasing spending commitments; and given zero attention to restraining the growing national debt. The burden of the debt, which will weigh heavily on future taxpayers, is on track to rise faster than even optimists think our economy can grow. These derelictions of fiscal responsibility are not the subject of today’s hearing, but they are the dangerous elephant in this Budget Committee room. I could not sit here in good conscience without drawing attention to them.

Thank you and I look forward to your questions.