# The Balanced Budget Act of 1997

By George C. Edwards III

Throughout his first term, budget battles were at the center of conflict between President Bill Clinton and Congressional Republicans. The President's fiscal year 1994 budget, his first, passed Congress without a single Republican vote.

The Republican Congressional majority that came to power in 1995 was determined to make a balanced budget and tax cuts their vehicle for radically reshaping the federal government. But they underestimated Clinton's will and his ability to stymie them. By the time the Republicans conceded defeat in budget talks that dragged into 1996, they had triggered two federal shutdowns that closed much of the government and brought them a drubbing in the public opinion polls. They also made it easier for the President to present himself to the public as a moderate protecting the country from irresponsible reversals in well-established policies.

The residue of these battles—and of the ensuing fall 1996 elections, in which Democrats tarred Republicans as Medicare killers—was a deep bitterness that seemed likely to poison the relationship between the White House and Congress indefinitely. Yet within a few months both sides reached an historic agreement on achieving a balanced budget within five years.

**Foundations of an Agreement**

Several environmental factors contributed to this success. In the first place, a balanced budget was achievable only because of the plummeting federal deficit. The primary cause for the deficit's dramatic drop was the surging economy. Also essential to the agreement was the groundwork laid by the budgets of 1990 and 1993. Both budgets structured decision making on taxing and spending in a way that substantially constrained deficit spending.

This foundation had been costly for Presidents, however. In 1990, President George H.W. Bush bit the bullet and reversed his election pledge not to raise taxes. He agreed to a budget deal with the Congressional Democrats that succeeded in reducing the deficit and limiting spending. In 1992, he lost his bid for reelection. In 1993, President Clinton followed Bush's precedent and reversed his promise to lower taxes with a program of higher taxes and spending constraints. In the 1994 elections, Republicans castigated Clinton and the Democrats for increasing taxes in support of a bloated federal government. In the end, they won majorities in both houses of Congress for the first time since the election of 1952.

Yet despite the unsettling history of recent budget battles, efforts to obtain a budget agreement succeeded. First, everyone was exhausted from brutalizing each other over the past four years. The fighting was an obstacle not only to dealing with the budget but also to accomplishing anything else.

In addition, both sides needed an agreement. The President needed a legislative achievement for his legacy, and the Democrats needed credibility on the issue of fiscal responsibility if they were to retake Congress and retain the White House in 2000. The Republicans needed to show that they could govern as a majority party and make moderate rather than radical changes in policy.

In this environment, both sides departed from the warfare over the budget that had preoccupied Congress for most of the previous generation. Low-keyed, good faith negotiations began shortly after the President submitted his budget, and senior White House officials held a series of private meetings with Members of Congress. Unlike the political posturing in late 1995 and early 1996, neither side focused on moving the negotiations into the public arena. In the end, this made it easier for them to reach an agreement.

Equally important, both sides were willing to compromise, and they each gained from it. The negotiations culminated in an agreement to balance the budget by 2002 and Congress adopted a broadly supported, bipartisan budget resolution to guide its tax and spending decisions. This in turn paved the way for two reconciliation bills, including the Balanced Budget Act of 1997, and 13 fiscal year 1998 appropriations bills.

For Republicans, the budget agreement capped a balanced-budget and tax-cutting drive that had consumed them since they took over Congress in 1995. They got tax and spending cuts, a balanced budget in five years, and a plan to keep Medicare solvent for another decade. Thus, although they did not win a radical overhaul of entitlement programs, they did make substantial progress toward their core goals.

For Clinton, the budget agreement represented perhaps his greatest legislative triumph. He left the bargaining table with much of what he wanted, including an increased scope for the child tax credit, a new children's health initiative, restoration of welfare benefits for disabled legal immigrants, increased spending for food stamps, and a host of other incremental increases in social spending.

These compromises did not satisfy everyone, of course. Clinton had to walk a fine line between compromising with Republicans and maintaining the support of Democratic liberals who did not like budgetary constraints and did not want to hand the Republicans a positive accomplishment. They were also upset that they were not included in the negotiating process. Similarly, Republican leaders had to deal with die-hard conservatives, who did not want to compromise at all with the President.

## Lessons Learned

The dramatic shift from the rancorous partisan warfare that had dominated the consideration of the budget in the 104th Congress to the bipartisan compromise of the 105th Congress paid substantial dividends. Building on a strong economy and two earlier rounds of deficit reduction, President Clinton and the Republican majority in Congress struck an historic agreement to balance the budget in five years, while cutting taxes and increasing spending for some Administration priorities such as children's health care.

To succeed, all leaders must accurately identify the possibilities for accomplishing their goals. In 1997, President Clinton recognized that it was in the interest of both Democrats and Republicans to reach an agreement on the budget, and that such an agreement was possible. He also concluded that it was worth taking the political risk of antagonizing liberals on the left and being outmaneuvered by his heretofore implacable opponents on the right to attempt to reach a notable agreement.

Leaders must also adopt a strategy for governing appropriate to the environment in which they are operating. When political leaders take their cases directly to the public, they have to accommodate the limited attention spans of the audience and the availability of space on television. As a result, the President and his opponents often reduce choices to stark black and white terms. When leaders frame issues in such terms, they typically frustrate rather than facilitate building coalitions. The positions are difficult to compromise, which hardens negotiating positions as both sides posture as much to mobilize an intense minority of supporters as to convince the other side. Going public is often antithetical to governing.

Traditionally, Presidents attempted to form coalitions in Congress through bargaining. The core strategy was to build a coalition by providing benefits for both sides, allowing many to share in the coalition's success and to declare victory. Going public is fundamentally different. The core strategy is to defeat the opposition, creating winners and losers in a zero-sum game. In going public, the President attempts to intimidate opponents by increasing the political costs of opposition rather than attracting them with benefits. Yet going public may actually make coalition building more difficult. Polarization, gridlock, and public cynicism, which characterize American politics today, are the likely results.

The decision of President Clinton and the Republican Congressional leaders to quietly negotiate and compromise, letting everyone claim victory, made the budget agreement possible. In addition, the success of these executive-legislative negotiations paved the way for additional talks of a similar nature on Social Security and Medicare that may have ultimately proved fruitful if it were not for the confounding influence of the impeachment inquiry in 1998.

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