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Oral History Interviews
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Senate Historical Office
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G. William Hoagland

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Table of Contents

Preface	i
Interview # 1: The Congressional Budget Office	1
Interview #2: The Senate Budget Committee	25
Interview #3: The Budget Process	49
Interview #4: The Senate Leadership	78
Index	101

Appendices:

“Federal Fiscal Policy: Past, Present and Future (or, Be Careful What You Wish for, It May Come Back to Haunt You,” *Public Budgeting and Finance* (Fall 1999)

“A Comment on ‘The Great Unraveling: Federal Budgeting, 1998-2006,’” *Public Administration Review* (July/August 2007)

Preface

Beyond appropriating all federal funds, Congress' "power of the purse" involves determining how those funds should be spent. Efforts to better control the federal budget, through passage of the Congressional Budget and Impoundment Control Act of 1974, created the Senate and House Budget committees. The act required Congress to set budget limits for all tax and spending decisions. At the beginning of each year, therefore, the Budget committees review the president's proposed budget and set spending and revenue goals, incorporated in a budget resolution. Spending and tax requirements must then be reconciled to the budget resolutions, in an omnibus budget reconciliation bill for approval by both houses. Given that there are usually strong differences of opinion on fiscal matters between the president and Congress, and between the two houses of Congress, this process has stimulated annual "budget battles." G. William Hoagland participated on the front lines of these battles for thirty years, via the Congressional Budget Office, the Senate Budget Committee, and the office of the Senate majority leader.

Born on October 15, 1947, Bill Hoagland grew up on a farm in Covington, Indiana, before attending the U.S. Maritime Academy, Purdue University, and the Pennsylvania State University. He earned degrees in agricultural economics. In 1972 he was a research associate at the Health Research Institute, and in 1973 he became associate director of Comprehensive Health Planning Agency in Fort Wayne, Indiana. He moved to Washington in 1974 as an economist for the Department of Agriculture's Food and Nutrition Service. In 1975 he became one of the first staff members of the nonpartisan Congressional Budget Office (CBO). In 1981, President Ronald Reagan appointed him as administrator of the Food and Nutrition Service, and he also served as special assistant to the Secretary of Agriculture. In 1982, he returned to Capitol Hill, serving first as a group leader and senior analyst and then alternately as staff director and minority staff director of the Senate Budget Committee for the next twenty years. Working with the committee's chairman, New Mexico Senator Pete Domenici, he participated in the Gramm-Rudman-Hollings budget reform legislation, the Omnibus Budget Reconciliation Act of 1990, and the 1995 Balanced Budget Agreement. In 2003, Senate majority leader Bill Frist, appointed him a policy advisor on budget and financial matters, a position he held until he retired from the Senate in 2007. The Capitol Hill newspaper *Roll Call* regularly rated him among the "Top 50 Hill Staffers," and the *National Journal* listed him among "The Washington 100 Decision Makers."

Senator Frist noted that Bill Hoagland “had a voice in every major Senate budget and appropriations measure” during his two decades with the Budget Committee, and while serving as the majority leader’s director of budget and appropriations “he played critical roles in ushering forth the Deficit Reduction Act and the Tax Increase Prevention and Reconciliation Act of 2006,” among others. His weekly economics reports, Senator Frist noted, were “as much an exercise in dry wit as a profound analysis of the economic outlook.” Senator Kent Conrad, at the time the ranking Democrat on the Budget Committee, paid tribute to Bill Hoagland as one who had “extraordinary credibility on both sides of the aisle.” The *New York Times* added that “lawmakers and staff members in both parties agree that no one else has his sense of history of budget battles over the years.”

About the Interviewer: Donald A. Ritchie is associate historian of the Senate Historical Office. A graduate of the City College of New York, he received his Ph.D. in history from the University of Maryland. His books include *James M. Landis: Dean of the Regulators* (Harvard University Press, 1980), *Press Gallery: Congress and the Washington Correspondents* (Harvard University Press, 1991), *The Oxford Guide to the United States Government* (Oxford University Press, 2001), *Reporting from Washington: The History of the Washington Press Corps* (Oxford University Press, 2005), and *Electing FDR: The New Deal Campaign of 1932* (University Press of Kansas, 2007). He served as president of the Oral History Association and of Oral History in the Mid-Atlantic Region (OHMAR), and received OHMAR's Forrest C. Pogue Award for distinguished contributions to the field of oral history.

THE CONGRESSIONAL BUDGET OFFICE

Interview #1

Tuesday, November 28, 2006

RITCHIE: Looking over your biography, the first question I had was what does the G. stand for?

HOAGLAND: George. It's George William Hoagland. My grandmother always held it against me that I never went by my first name, which was George. Her husband was George, my grandfather. But I didn't feel like a George when I was growing up, so I went with the William. And it's always been a little bit of a problem because when you are filling out those applications, "first name, middle initial," I would put "G" down as my first name and my middle initial was "William," so it's been an issue, but it's George.

RITCHIE: And you were born in Covington, Indiana?

HOAGLAND: Covington, Indiana, that's my hometown. I literally was born across the Wabash River in Danville, Illinois. That's been an issue, too, because I grew up on a farm in the Midwest and the closest hospital was in Danville, larger community than where I grew up in, Covington, which had no hospital, so that was where I was born. Sometimes it shows up on resumes that I am a resident of Illinois. But it was just simply across the Wabash River in Illinois, where I was born.

RITCHIE: What did your family do?

HOAGLAND: I grew up on a farm. It was a large farm family in those days. I have four brothers. There were five of us. We liked to say we had a basketball team in Indiana, which was important. It was an agricultural community. The farm was about 400 acres, which was not large for that area of the country, but sufficient. We grew mainly corn and soybeans and, while I was growing up, we had livestock. We had lots of swine, and we had some poultry, and some cattle. But as the sons grew up and left the farm and moved on, it gradually just became a grain farm. The farm is still in the family, and was given an Indiana award recently as having been in the family for over a hundred

years. I'd like to say that it has stayed in the family for that long because none of us five brothers have depended on the income it produces. Either my brother John farms it or somebody else has farmed it for us and we've had outside income to retain it.

My mother is still alive, she's 91. And my oldest brother lives in the area. He teaches at a community college in Danville, Illinois. Nowadays agriculture has changed so dramatically since I was a kid growing up that my oldest brother can farm this in a couple of days with the big equipment they have. But in those early days, it required almost all of us, and particularly during the harvest season, and in the planting season in the spring.

RITCHIE: I was going to ask you how long your family had been there, but you said it's over a hundred years?

HOAGLAND: Over a hundred years. The farm was in my mother's family. They were pioneers who went to the Midwest, and landed in Indiana. It's one of those typical families of the pioneer era where, as far as we can trace the heritage, we had family that was mustered out at Williamsburg after the Revolution and then started west through the Cumberland Gap, and into Kentucky, and split. Some went on south and some went north, and so it is one of those families that had cousins fighting cousins during the Civil War. It's a sad commentary, I think—I've been here in Washington for over thirty-some years now, but this is never home. Home is still back there on the farm, it's still where the roots are. Though my wife is not from the Midwest, she was a Navy brat, she says, "Navy Junior," her family kept coming back here to the Washington area. I doubt if we'll retire in Indiana, but at least it's still home, and will always be home to me.

RITCHIE: Well the family kept it through the Depression, too. That's also pretty remarkable.

HOAGLAND: Kept it through the Depression. In fact, my mother tells stories about how, yes, it was tough, but they had milk, they had eggs. They survived quite well. It was not the dust bowl area, but it was a tough time.

RITCHIE: As long as you owned your land and you weren't paying mortgage on it, I suppose that made the difference.

HOAGLAND: That's right.

RITCHIE: Now did you go to local schools?

HOAGLAND: On a big yellow bus every morning. I went to all the public schools in the local community, Covington elementary and secondary. Then, interestingly, this was the age of Sputnik, and the age of John F. Kennedy, and "What can you do for your country?" I was engrossed in that and I thought I wanted to be an aeronautical engineer, because I had built model rockets, to my mother's chagrin, by taking kitchen cookie makers and other things and built rockets. The fuel I extracted from my father's shotgun shells—it's a wonder I didn't blow myself up, it's a wonder I'm still here—getting the gunpowder to build little rockets. I was really into the rocketry stuff, so I applied when I was toward my junior year/senior year to go to the Air Force Academy.

One day, I'll never forget, it was senior English class and I received this telegram and it was from Senator Birch Bayh. I reminded his son [Evan Bayh] here a couple of times that your father started my career. It said, "Congratulations, I've appointed you to the United States Merchant Marine Academy." And I said, well, I've heard of Annapolis, the Naval Academy, I've heard of West Point, and, obviously, I was trying to go to the Air Force Academy. I'd even heard of the Coast Guard Academy, because I remember seeing on the TV the big, beautiful white clipper ship, the Eagle ship. But I had never heard of this academy. Ostensibly, the appointment was because I came from a mixed family. My father was a diehard Republican and my mother was a diehard Democrat, so Democratic Senator Bayh couldn't give me my appointment. That was the reason given, I don't know if that's true or not. My two older brothers—I'm right in the middle, I have two older brothers and two younger brothers—were in school and it was tough financially, as it always is on the farm, and this was a free education, even if it wasn't the Air Force Academy.

In those days, I was the senior class president, and we made a senior class trip in the spring of 1965 to the East Coast, particularly to Washington, DC, and to New York

City. I said, well we're going out to New York, and when I found out where the academy was located. You know where it is?

RITCHIE: Throgs Neck, isn't it?

HOAGLAND: Great Neck [on Long Island]. So I said let me check it out. When the senior class trip came out here to New York City, to the World's Fair in Flushing Meadows, I left the class and I went out to visit the academy. It's a beautiful academy, the old estate of the Chrysler Foundation where they built the academy. It's small, but a federal academy, and it was an education. You could get two degrees: you could get an engineering degree or a deck degree. So I decided to go ahead and try it. This was really kind of out of the mold for a farm boy from Indiana to come to the big city. But it was just like an academy, it was the same with the plebes and all the stuff you had to go through as a plebe.

I did fine the first year, and then the second year was a training year. They put you aboard ship. The ship that I was placed on, I think I realized very quickly that I was not going to make a good mariner, because we didn't even get below the Statue of Liberty and I was seasick. By the time we hit the Verrazano Bridge, I knew my career was going to be limited. But a year at sea was an eye-opening experience, if nothing else, for a young man, I guess I would have been, eighteen. I got used to it, but one of the first ships I was on was the Grace Line ship the Santa Rosa, it had some passengers, but not like these big passenger ships of today. We were hauling apples and commodities into the Carribean and bringing back pineapples and bananas. One of its stops was in Port-au-Prince, Haiti. And I mean that really struck me, the poverty, coming into Port-au-Prince.

I presume like today, I haven't been on a passenger liner since, but they quickly take the passengers and put them in little buses, and haul them up to the resort area, and get them out of the dock area. But that was Port-au-Prince, and I was a young sailor. The starkness of the poverty in the streets, and beautiful people, but very clearly poor, and what I saw shocked me. I felt I wasn't rich, growing up on the farm, but boy this was sad. I think it helped start to develop my mind set on what I really wanted to do. What I thought I wanted to do at that time was not really ship goods back and forth but see if there was some way I could help alleviate poverty, particularly in the developing countries.

Eventually, after the second year at sea, I went back to a landlocked university, Purdue University, where I went into agriculture economics. Again, I was going to focus on income distribution and poverty issues. That really is how it got started, at Purdue. I did my undergraduate work at Purdue, in agriculture economics, and then I went on to Penn State to do my graduate work, also in economics. I was always focusing on the consumption side of the equation, not the production side.

RITCHIE: Why in particular?

HOAGLAND: Because on the consumption side this was the beginning of the federal food stamp program. It was a new program under Richard Nixon. I guess technically it had already started on the commodity side—we were talking about the Depression and there was a commodity distribution program, but it was gradually changing over to this new program. President Kennedy had launched it as a pilot program for the War on Poverty and I think President Nixon then moved it into a full-fledged program. So at Penn State I concentrated on this new program, trying to understand how it worked. Did it work? Did it change or did it help in terms of nutrition of low-income people? In fact, that was the study. That was my graduate thesis. I don't know if they still do theses nowadays at that level or not. I went on and did a little bit more toward my Ph.D., but, quite frankly, ran out of money and decided it was time to get a job. But that set the foundation.

Also, while I was at Penn State, I had a lot of economics and statistics, and learned some of the tools that I found a little bit lacking when I came here to the Hill. Some just basic statistical analysis. I used that tool at Penn State to develop a model to project food stamp participation, which I didn't think was very sophisticated, but lo and behold, caught the eye of a Dr. Heimstra down here at USDA [US Department of Agriculture]. Eventually that was what brought me to Washington, to become a statistician economist, low-level, in the Food and Nutrition Service in the Department of Agriculture, because I could “project” this program for budgetary purposes into the future.

After Penn State, there was a short stint with a health planning agency in a rural area of Pennsylvania, there again dealing with poverty issues and health care. But immediately, within about a year, they called me and asked me if I would be willing to

come to Washington. My wife, as I said, was from this area, so we thought well, we'll try it. So we came here and we've been here ever since 1974.

RITCHIE: When you were in college and in graduate school, were there any faculty who were particularly influential in your career?

HOAGLAND: Well, interestingly enough, particularly at Purdue, there are some names that you will probably remember yourself. When I started my senior policy course in agriculture policy, the professor that started the course in the fall was Earl Butz. He didn't finish the course because he then became the Secretary of Agriculture. I didn't have a lot of exposure to Secretary Butz, but I did have some. An important person there, who just recently passed away, Don Parlberg, who in that discipline was recognized as one of the leaders. They had some very good people. A lot of these people came from Cornell. Purdue and Cornell had a relationship as I understand it. A young Ph.D. graduate student at that time—now he's head of the department out at Kansas State—was Barry Flinchbaugh. Barry Flinchbaugh had done his undergraduate work at Penn State and he's the one who asked me to consider Penn State. Many years later, working with Senator Bob Dole, Barry and I once again worked together on a project. Barry Flinchbaugh, along with Ron Knutson now at Texas A&M, were my senior advisors at Purdue. Those people stick in my mind.

Up in Pennsylvania, in the relatively short time I was there, J. Patrick Madden was my thesis advisor there. He's the one who really got me involved in the analysis of the nutritional aspects of the food stamp program. I was very lucky. I had some very good professors in statistics, K.R. Bennett, and the Department head, Lee Day. People who took an interest in me, and were willing to work with me and help me along the way.

RITCHIE: Could you tell me what you found about food stamps?

HOAGLAND: Well, the study that I did, and the thesis I wrote, was based on information and data being collected under an ongoing study. I think there was on a contract, on some of the basic work here with USDA at that time. There were two aspects to it. It was what were the factors—and this was something a little bit more socioeconomic—what were factors involved in people's decision to participate or not participate in the program? It is a voluntary program. I had a large regression analysis

that I went through with data that we collected from about four rural areas of Pennsylvania, and a couple of urban areas—that was another issue we looked at the difference in rural versus urban participation. To this day, I guess, the thing that I seem to remember that sticks most in my mind was one of the most important factors which should have been obvious—but these things aren't always obvious until after you look at them, was that the reasons why people did not participate was the way they were treated in the checkout line. It was the stigma associated with it. That interested me. Now, you know, it was a rural area, and a poor area, but still there was a stigma associated with it, even though they needed it and their family needed it and particularly their children.

The other thing we studied was the nutritional impact of the program—and this was a rather involved, more technical aspect because you had to have dietary surveys and you didn't know how well they kept the surveys or not in terms of their consumption—but we did find that yes it did improve their consumption of certain vitamins and minerals relative to the group that did not participate. So I think we at least came to the conclusion that it was a positive program in terms of improving peoples' nutrition and health. But the real issues, the factors that were involved, were more this social climate surrounding the stigma of being poor, and acknowledging that by having to use that coupon going through a checkout line.

RITCHIE: That's not necessarily something that the planners would have taken into consideration.

HOAGLAND: I think that it has in fact evolved, along in this history, when I came back here and eventually became the administrator of the agency. It was a strange situation to come here and then with Ronald Reagan in 1981 to be asked to be the administrator of the agency that ran the food stamp program, the child nutrition program, not just food stamps but all the federal food programs. One of the first things I was interested in, and has now come to pass, was what I called "smartcards." I said, "Is there a way that rather than having coupons, we have credit cards, and then embed within the credit card how much the food stamp recipient is eligible for?" It would look just like anybody else going through a checkout line, so it's not quite as obvious that they are on federal support. I haven't kept up with it as much as I should, but that eventually became part of the modifications to the program. It's called "electronic benefit transfer," EBT cards. Eventually, we had phased out the coupons and had moved toward something that

I would hope would be a little less stigmatizing for those people who really need the program.

RITCHIE: On the political side, one of the things that interested me when I was reading a biography of Richard Russell, was that he was one of the promoters of the school lunch program, which seemed politically out of character for him, except that as the chairman of the Agricultural Committee from an agricultural state, he was thinking of it in terms of the production end as well as the consumption end.

HOAGLAND: Absolutely. That's always been one of the dichotomies of the program: Why is it in the Department of Agriculture? In fact, when I was the administrator, John Block, who was the Secretary of Agriculture at that time, was upset that my agency, which he thought was an urban agency, had the biggest budget in the Agriculture Department at that time. But it was exactly because of that. There were those who said, "Well, maybe we should move it." There were a couple of programs—still today—one called the WIC Program, Women, Infants and Children Program, which Hubert Humphrey was directly involved in. There might be reasons why they should be over in Health and Human Services. But this has always been the issue, that this still grew out of the old commodity distribution program. It was an Agriculture program, and it was a consumption program first. I don't know if it matters in this day and age which agency, but that is exactly why its always been in the Department of Agriculture.

RITCHIE: But it also gave it a nice political base that you had conservatives as well as liberals in favor of it.

HOAGLAND: I think it made for actions taking place, trade-offs as they always happen around here. Farm bills where you have a title on nutrition and you have a title on production, and then you get the urban and the rural interests involved, which makes for what good legislation is all about, is trade-offs.

RITCHIE: One other line in your vitae that interested me was that you had some military service in 1969 and '70.

HOAGLAND: Well, when I was getting out of college, my oldest brother John was in Vietnam at the time. He was one of the early people over there. My next brother was at Purdue with me. He became a doctor of veterinary medicine and still practices veterinary medicine, so he had the student deferral. Here I was coming out in '69 right in the midst of the war. My brother, I'll never forget, called me from Vietnam. Somehow he got a phone and called me and said, "I recommend that you get into the Reserves or the Guard and not come over here," which of course, my mother definitely supported. So along with many others at the time, I went into the National Guard. Not only Dan Quayle, but George Bush, too, when you think about it. [laughs] But it was because of what John advised me.

I went through training as soon as I graduated, before I went to graduate school. It was a terrible winter in Fort Knox, Kentucky. You know, it's funny how you remember names. Even though it was what, six, eight weeks of boot training, I'll never forget Drill Sergeant Robinson. He will always be there in my memory, Drill Sergeant Robinson, who had just come back from Vietnam at the time. A tough, tough drill sergeant. But I had been in the marching band in my high school and played the drums. In fact, that's half the reason why they wanted me at the Merchant Marine Academy, because I could play the drums in the band. So I could march and so the drill sergeant took favor with me, which was nice.

We were all either draftees or we were in the Guard. So as I moved from Fort Knox in Kentucky to Fort Benning in Georgia, I was trained on telecommunications. This was before the Internet, and I was trained on Morse Code, did-doditdit-did-doditdit, that stuff. I was to be a radio person, which was at that time in Vietnam one of the more dangerous positions to have in a squad, to be the guy carrying the radio. The people I traveled with in Fort Benning went on, I presume, mostly to Vietnam, and I came back to graduate school, but then continued to serve. I changed from the Army to the Air Force Guard. I had to be in a unit. I didn't pull what some of them did to lose the time, but I moved from Army to the Air Force, and served my time here in fact. I finished up here in Washington out at Andrews Air Force Base, after the war had ended, having fulfilled my six-year obligation. I look back on that and wonder if I shouldn't just have gone ahead and gone active, but you probably know as well as I do, Don, how difficult that time was for everybody. It reminds me a little bit of where we are today, too.

RITCHIE: Yes, I was a draftee in 1969, but I never saw any combat. It was a roll of the dice. You had no control over what was happening to you.

HOAGLAND: Right. My draft number was coming up and it was high, and I was lucky. I was lucky that I got into the Guard at that time. But it was an interesting time.

RITCHIE: One other question about when you were in economics is I remember that at least the basic economics textbook was [Paul] Samuelson and the great fight was between the Keynesians and Galbraithians and [Milton] Friedman, who was coming along. Everybody was reading Friedman at the time. Was much of that influential in your education?

HOAGLAND: The one thing, the Phillips curve, I always was a fan of the Phillips curve, because I could understand it. It seemed to me that there was a logical trade-off between inflation and unemployment. I used the Phillips curve a lot. I tried to understand it better. I had to read a lot of [John Kenneth] Galbraith. I probably was leaning towards the Keynesian side. In fact, I find these things interesting, how you bring these things out of a person, Don, but I seem to recall a *Time* Magazine cover story in the early 1970s where Richard Nixon said, “We are all Keynesians now.” And I thought, well, that’s right, I kind of agree that government does have a role to play. Government can influence policy—which I have moved a little bit away from over time. But during those years, I thought, yes, back to my poverty issue, we can make macropolicy help us in terms of dealing with income distributions and poor people. So I leaned heavily towards the Keynesian. As you say, Friedman was just coming on board at that time, at the Chicago school. Most of the professors I had, particularly in the regular economics as opposed to the ag-econ, were of the mind set that government policies, tax policies, fiscal policies, could influence economic growth into the future, but not monetary policy as Friedman was lecturing and writing about.

RITCHIE: I would think especially in agriculture economics, being influenced by the AAA of the New Deal and all those agricultural subsidies that really defined so much of what was going on.

HOAGLAND: One of the concerns I have about agriculture is the consolidation that's taken place over the years. I'm critical of it because, as I say, our farm is still farmed. Of course, we don't have any debt on it, either, and that helps. But there has been a tremendous amount of consolidation creating large farms. What still concerns me on the agriculture side is what it's done to small communities. As my brother would say, now he has to go fifty miles to replace a broken piece for his combine, it used to be he could just go downtown to the local implement dealer. They don't exist anymore. The small town squares with the implement dealers and everybody around, they're just not there anymore. So I'm a little concerned about how consolidation and large agriculture has impacted rural communities. Definitely, some of the subsidies have helped, while the subsidies may have helped the small farmers, they also may have helped to precipitate a consolidation in agriculture that I'm not quite sure has been in the best interest of the country.

The one thing that agriculture taught me—and I was back at Purdue a couple of years ago for an alumni award they gave me—I observed that when I was an undergraduate we really didn't have a current account deficit. We didn't have a trade deficit. *We* were the big exporters. *We* were the strength. Even in agriculture, which was the key to our exports in terms of grain, agriculture was the one that kept us in the positive for so many years in terms of our trade deficit, now even agriculture has come down in terms of its contribution to the trade balance. So over the last thirty years, and that comes back to the economics around here, what's happened over the last thirty years, at least from my observation, has been a tremendous amount of changes in a global financial market, which brings me back to fiscal policy as I saw it first coming here.

In my first job over on the Budget Committee, back over in the Carroll Arms building, that was a hotel back here that they tore down to build a parking lot, I thought it was obvious that if you run a deficit you crowd out private investment, you drive up interest rates and dampen the economy. That may have been true, but over time now with capital flows in a global economy, it's not quite the same. It brings me back to my, I guess, my dilemma leaving here is: Does fiscal policy have the same impact? Does Keynesianism still work like it used to in a global environment? Back at Purdue, when I was an undergraduate, I never worried about the global economy because we always dominated, we were the 800-pound gorilla in the world economy. Not the case anymore, and it has changed even the dynamics around here in fiscal policy.

RITCHIE: Back in those days you were less likely to eat grapes from Chile or tomatoes from Israel.

HOAGLAND: That's right, absolutely, and you were less likely to get red tomatoes in November and December, too. So I mean there are many of these kinds of trade-offs. But we always were taught the typical arguments that trade was good for the all and that we all benefitted from it, and if true, then trade will take place.

RITCHIE: One other thing about your economic background is that this is an institution full of lawyers—

HOAGLAND: Yes.

RITCHIE: —trained in law school to think like lawyers. Did you find that having had training in economics gave you a different perspective than some of the people you've worked with over the years?

HOAGLAND: Well, that's a good question. It's a different perspective. It used to be nervous about saying I was an agriculture economist, I used to say economist, because even that's different than the traditional theoretical economist. Because the agriculture economist one thinks of actually has a product. You can say it's hogs, corn, cattle, hay. It's something that's very specific, the grain you're dealing with. I'll try to answer your question this way by saying I have a feeling that my training in economics and agriculture combined brought a perspective on maybe a little of the real world, of the way markets operate or don't operate. My lawyer friends, all good and smart and all that, tended to come from more of a theoretical perspective. So it's more of a practical versus more of a theoretical approach.

I have complete respect for all of the lawyers and I understand that's what we do here: We make law. I'll be the first one to admit that I'm probably the worst one when it comes to drafting legislation, but you draft legislation based upon some principle that you have established, whether it be in economics or some other discipline, particularly as it relates to the area I have been dealing with fiscal policy, where you're trying to make a particular fiscal policy work. So I've always said, "Okay, this is what we want to do," and the lawyers write it. I assume that they've written it correctly. But no, there are

enough economists and there are quite a few good lawyers that have economics backgrounds, too. It takes all of us, I guess, to work together here, hopefully as a team way of approaching these issues.

RITCHIE: I remember hearing a story about Harry Truman who once said he wanted to find a one-armed economist who couldn't say, "on the other hand."

HOAGLAND: Yes, absolutely.

RITCHIE: But the agriculture economics is a little more practical than some economics.

HOAGLAND: Well, after being at the USDA for those initial years, being a GS-9 or something like that, a low-level economist statistician, I received this phone call from Alice Rivlin, who I had read about or knew about but had never met. She said she was going to be the director of this new office on Capitol Hill that had just come into existence [the Congressional Budget Office]. I said, "I'm just a lowly economist in the Department of Agriculture," and she said, "Well, what we're trying to put together here is a combination of people with practical and government experience versus the theoretical." She would bring people from academia, and her friends from Brookings, and Bob Reishauer, and others over. She said, "We're putting a mix together." The one-handed economist reminds me one of the first logos at CBO we had on tee-shirts for softball: "on the one hand/on the other hand" was the logo [puts his fists together].

That was another aspect in this which I just have to be grateful for and thankful for, was that Alice had the perspective on this that it couldn't just be academics and lawyers. It also had to be people who actually had some experience with programs. The real reason for bringing me was we were writing a farm bill in 1976 and she knew that was coming up and she knew that a major title of the farm bill was going to be the food stamp program. That's what really brought me to the Hill, Alice, with the establishment of the new Congressional Budget Office. I am happy to say we have remained friends over all these years.

RITCHIE: So she found you because of your expertise in food stamps?

HOAGLAND: Yes, in fact that was the only reason why I came to the CBO. I think she picked me out because she had heard that I had some experience in this particular program, a little analytical but also practical experience with the program. And she knew one of the traditional farm bills, every four years, was coming up, and she knew that this was going to hit the CBO as one of its early tests as to whether CBO would be able to do the analytical work, to do the estimating, and to provide that kind of information to the Congress. So that's what brought me to the Hill in '75.

RITCHIE: And that was right after the Budget Act of 1974 created that.

HOAGLAND: Right. The CBO, Alice and Bob Reischauer, and others were over here in the Carroll Arms building, sharing space with the Senate Budget Committee staff at that time, Jim Storey and others, and [Edmund] Muskie's staff. By the time I got here, they had just moved to the Ford building. It wasn't even called the Ford building at that time, it was House Annex #1, I think. Oh, it was stark. It was like just a big warehouse over there. But that's where we started and where now you wouldn't know it if you go over there today, the way they've improved it, the technology and all that.

I stayed there at CBO until I received the administration's appointment to the Food Nutrition Service in 1981. I had worked with Tom Foley, Bob Dole, and George McGovern during that period of time. One of the big issues in 1974 was another policy issue associated with this particular program called the "elimination of the purchase requirement." Say you're eligible for \$100 worth of food stamps, in terms of this is what you need is \$100, but because of your income and your assets you had to pay \$50 to get the \$100. We gave you the \$100, but you had to pay \$50. The question was, could we just give you the \$50 so you didn't have to put up the other half? How would that affect your purchasing? That was the big issue. I worked with Senator Dole and Senator McGovern on that legislation, trying to make that estimate. Would it have any impact? Some of the experience back at Penn State probably came to bear there. Again a little bit of modeling at the time. We didn't have the tools. My word, this sounds so old on my part to young staff, we didn't have the spreadsheet capabilities we have today. This was hard analytical work with punch-cards carried to large mainframe computers—we at least had those.

I was considered a—I guess Alice referred to me a couple of times as “one of the bastardized children,” because they had a policy group, and they had the budget analysis group, still to this day at CBO. It was the budget analysis group that did the cost estimates. Whenever you passed a bill or reported a bill, you had to have a cost estimate under the new law. Because I had some analytical experience, but also policy, I would slip over and do the analytical work for the budget analysis group. So I became kind of a dual person. I also wrote one of their first papers on nutrition programs and how they work at CBO. So I had, I guess, the best of both worlds, both the academic and the analytical that she was looking for.

That’s where we did a lot of child nutrition work, and that, also, expanded my horizon because then we moved into what I used to call “peanut butter and jelly.” It was program for better jobs and income. It was Jimmy Carter’s welfare reform, in ‘77 or ‘78, somewhere along in there. This program was in the income security field, so I moved into the broader area of income distribution issues, welfare reform, unemployment insurance, SSI, social security. So it started to expand my reach in terms of my knowledge of programs and activities. My foundation was laid over there for not just food programs but broader public policy issues.

RITCHIE: I would guess that the staff wasn’t as large to start with, so that gave you a chance to move into other fields as well.

HOAGLAND: Bill Fisher was my first supervisor over there, who came from the old budget office, the Bureau of the Budget, before it was converted into OMB [Office of Management and Budget]. There were a couple of others who came from that era. It was a smaller staff, but you’re right, it gave you more experience. One of the experiences I had, and I realize to this day, thinking back about it, was my naivete. I had done an estimate on the food stamp program, and there was a markup going on over here in the Senate Agriculture Committee. Now this is a young guy that’s still star-struck by the people over here. They called me over and said, “Come on.” It was Jim Storey, who worked for Muskie, who was on the Budget Committee, who said that CBO has made this estimate. I think it was Hubert Humphrey who said, “Get him over here. I want to understand this.” So they called me and here I am a young staffer coming over to the Senate where this big markup was going on in the Senate Agricultural Committee Room. There was a roomful of people, senators sitting around the markup table. I was a little

nervous, as one would expect starting out.

As I walked into the room, Jim Storey stood up—and I was a little late getting there because they called me to come on over—and Humphrey asked me a question as I was walking into the room. I kind of said, “Well Jim Storey can speak for me because he understands this.” I didn’t think about it at the time, but Humphrey’s response was, “It didn’t take long for that to happen, did it?” For the Budget Committee to be speaking for CBO, which was a mistake, because I should have been independent of the Budget Committee.

But Senator Humphrey was such a great man, and I enjoyed getting to know him a little bit before he got ill. He was passionate about these programs, and about feeding programs. And as I say, he was instrumental in starting what we call the Women, Infants and Children program, which is a similar kind of program directed particularly at lactating mothers and pregnant mothers and poor mothers. Anyway, that was my learning experience the first time here in the Senate.

RITCHIE: That’s an interesting observation because the Budget Office was supposed to be a neutral office—

HOAGLAND: Absolutely.

RITCHIE: —and the question was whether anything could actually be neutral on Capitol Hill.

HOAGLAND: And that’s why I said, I now realize in retrospect, I was nervous so I simply said, “He can speak for me.” I shouldn’t have said that because I was supposed to be representing the CBO. He was the Budget Committee and I was CBO and we were supposed to be separate. But you’re right. I realized that after the fact, but it worked out okay.

RITCHIE: Well, did the Budget Office operate in a neutral manner in those days?

HOAGLAND: I do believe it did. Alice took a little heat early on, setting up the place. I recall one of the big issues—I thought it was a little ridiculous but I kind of felt for her—was she wanted a car. She was way down at the Ford building and she had to keep coming back up here, and the GAO director, the Comptroller, had a car, why couldn't she have a car? That became a little issue early on. I think that caused a little bit more problems than it was worth. But no, I think she did a very good job. It's clear that she had her political biases, but I think she let the staff be very clear in doing the best work they could analytically and presenting it. She didn't try to tip it one way or the other. Jim Bloom, C.G. Nuckles, people who were in charge of this group called BAD—Budget Analysis Division—they were very good budgeteers. They were just green eyeshades, and they didn't tip the scale.

The experience over there helped me when I came over here in this sense, that we have lawyers here who say, "Give me a cost estimate. I want a cost estimate right now! Got to have it right now! We're going to file." If you haven't gone through the experience of, "Well, I've got to look at the legislation. I've got to look at the amendment. I've got to understand what it is," some of these things are not that easy to estimate. And as I said, in those days, you didn't have the great modeling capabilities that you have with Excel or Lotus spreadsheets. So it's not quite that easy, but you get this sense, sometimes, with staff around here, "Well, just call CBO and let's get an estimate." Like it's right there. But that give and take back and forth eventually developed, where staff on the committees start working with staff at CBO, and I think that there was an educational process that went on. Those tended to be more economists over there, and public policy types, than lawyers. I think that helped, although you're right the economist is "on the one hand/on the other hand," but at least raised the point that it's not as black and white as people would like to make it up here.

When I, as a statistician—a very small statistician—I always learned about the distribution around an estimate. I seem to recall another of the naive statements I made one time, putting together a budget resolution. I was still at CBO, and I said, "Well, why don't they just give a range?" Because there is a range around these things. Appropriately, the response was, "We don't appropriate ranges. We appropriate a number." That has maybe helped, maybe complicated, it makes decision making more difficult, but at the end of the day, at least there's information there. What Alice tried to do from the beginning was say, "Listen, whatever you do, all you can do is provide them

the information. The best you can do. They are the ones with the certificate of election. They'll make the final decision. All you can do is try to give them what you think is the best information for the decision. They may not make the decision the way you like, but you're not the elected official." She beat that into us, and that's the way we approached it and I think she did a good job.

Quite frankly, I think that CBO under Alice, and then under Bob Reischaur, and Rudy Penner, I knew them all. Jim Bloom, Ned Gramly, who went onto the Federal Reserve for a little while. There were some acting positions. Doug Holtz-Eakin did a great job. My friend, and I feel sorry for him on this, Dan Crippen had a rough time. He lost his wife right as he came in to take the job. He also had a terrible accident and broke his leg. He had just a tough time coming in and so I think it was a little bit of a down period, but I still think that the solid foundation upon which Alice, Bob, Rudy and others set for that organization still exists to this day.

I have suggestions and ideas, which always get me in trouble, but one of them, which I still would like to see, is the Joint Committee on Taxation should be folded somehow into CBO, because in the end it's both spending and taxes. It's fiscal policy. They do run it through, but I don't sometimes feel that the Joint Tax Committee has the same independence that say CBO does, because basically they are working for the two chairmen of the two committees. I know that my friends, we've discussed this and my Finance Committee friends and my Ways and Means Committee friends just get very mad at me because they have control over the Joint Tax Committee and they would not have that same degree of control over it if it was embodied within CBO, which I think speaks well for CBO as being more independent.

RITCHIE: When you raised the Humphrey comment about the committee and the CBO, what was the relationship between the CBO, when it first got started, and the Budget Committee, which was also just getting started?

HOAGLAND: At my level at that time, it seemed to me that there was a lot more interaction with the Budget Committee than the other committees. It was a lot closer in the sense that the Budget Act set up CBO and these two new budget committees. I think the other committees, in fact, the Appropriations Committee was the other power, never liked the Act anyway, and to this day still has problems with the Act. [laughs] I think

there was a lot closer relationship between Muskie and Alice and [Robert A.] Giaimo in the House. Basically, the budget committees and CBO were it. I think they had a good working relationship. As I said, there were glitches along the way in getting ourselves established, but over time what I have seen is that while it used to be that the call came from the Budget Committee saying "What does this cost?" Now it's every committee, "Let's call CBO." They don't go through the Budget Committee.

In fact, to the extent I think what's happened is CBO has gone up and the two budget committees have come down, in terms of their roles around here, in terms of fiscal policy. You can just cut out the middle man, if you like, and say, "We'll just go straight to CBO." Again, that speaks well for the Congressional Budget Office, but it also recognizes that you don't want to waste your time going through this staff, and that staff, and that staff, when they're here.

RITCHIE: I was thinking in the '70's, the authors of the legislation were, in a sense, running the committees and probably loathe to give up any control of any of it. At least, they were very interested in what was happening and keeping an eye on all of the facets.

HOAGLAND: To Senator Pete Domenici's chagrin because he says he invented reconciliation, I keep reminding him every once in awhile, "No sir, you didn't." The first reconciliation bill was done the way the Budget Act envisioned it, at the end of the fiscal year to correct for any differences between the budget blueprint adopted early in the session and the final actions before the fiscal year began. The first reconciliation bill was done under Jimmy Carter as it related to the school lunch program. Now as the Administrator of this program at the other end of Pennsylvania Avenue, I was to find savings by reducing the subsidy for the non-needy child. It was a nickle off the paid lunches and two-and-a-half cents off the reduced-price lunch, we were implementing the reconciliation bill. I had worked on that bill while still up here. That was the first and the last reconciliation bill under Jimmy Carter's presidency. So then I go down to the administration, and lo and behold, legislation I had helped at least estimate, if not craft, I had now become the administrator of the agency to implement this reduction.

This is where the story gets a little out of hand, but the bottom line was that I was a young new administrator. Just seven or eight years earlier, I had been a lowly GS-9 and

now I'm running the whole damn place. The first thing was: You've got to reduce the subsidies for the non-needy kids by five cents. I said, okay, let's do this a little bit methodically. Now I had these regional offices all across the United States, let's do a little bit of checking out and seeing what the people who run these programs think about how we should do this. The school lunch program to get the reimbursement from the federal government has to meet certain qualifications in terms of protein and calcium and milk and various other aspects of it.

So the first time I had ever been in San Francisco, I went to the regional office out there and discussed it with some of the people who ran the school lunch programs, and they said, "Listen, we have an awful lot of Asian students out here, and they like tofu, but we can't serve tofu. It doesn't qualify because you guys won't let it be credited toward the protein." I'm not a tofu fan. I don't know, but it's fine with me if it's protein. I don't care if it comes in meat or if its in soy. So sure. Then I don't know where it was, someplace in one of the districts or regions, said, "We like yogurt. Why can't that qualify as the calcium requirement for the milk requirement?" I said, "sure, again, I'm not ideological about this. Sure." Those are a couple of examples.

They said, listen, if you're going to take a nickle away, give us some flexibility. That's what they wanted, they wanted flexibility in these meal reimbursement requirements. So we put out these regulations and essentially let tofu substitute for meat, let yogurt substitute for milk, and the other mistake I made as a young administrator was we issued those regulations in August. I thought it was everything that everybody wanted, flexibility. Well, the American Meat Institute realized what was going on and all of the sudden they didn't like it. And then the other powerful interest, the American Dairy Association didn't like it, because milk—which I have yet to understand completely our subsidies on milk in this country, which is ridiculous—is based upon the fat content, and yogurt does not have the fat content. So they were upset. I didn't realize all of this. I didn't think of this. Then it didn't help that Nancy Reagan purchased, I think, that August, a bunch of new china at the White House. It was a confluence of events.

There was something in the regulations that had to do with condiments and, to this day, I still don't understand how all of this got blown out of proportion, but all of a sudden it became "ketchup is a vegetable." Even though the regulations never said anything like that, I think the American Meat Association and Dairy Association thought,

“Aha, we’ve got something here. We can take care of these regulations.” That was my downfall in the sense that I had signed off on the regulations. At that time, Jim Miller, who later became OMB director, was the regulatory man at OMB. Probably the last conversation I had with Jim Miller was while I was sitting at the desk as FNS administrator, and him yelling at me and me kind of yelling back at him. Because I said, “You signed off on these regulations. Why am I taking all the heat from the White House?” Eventually that was it, that I was the one responsible for embarrassing President Reagan. They had these big—Lowell Weicker and that other senator from Minnesota—a huge man—

RITCHIE: There’s Rudy Boschwitz and David Durenberger, or was it was before that?

HOAGLAND: No, it was before.

RITCHIE: Minnesota?

HOAGLAND: Maybe it wasn’t Minnesota. Maybe North Dakota. I remember that had him down and they had pictures in the paper of Lowell Weicker and this other senator, big men, sitting down with this little hamburger down here.

RITCHIE: Was it Mark Andrews of North Dakota?

HOAGLAND: It might be. And so it got out of hand.

RITCHIE: I remember Paula Hawkins got some bad press on this as well.

HOAGLAND: That’s right, yes. So I ended up being the fall guy, and went over to be a special advisor to the Secretary for awhile. Then I received this phone call shortly thereafter. It was Senator Dole, who said, “Having a rough time, huh?” And I said, “Yeah, I’m learning the way this town works, early.” And he said, “Well, Pete needs some help on the Budget Committee.” I had never met Pete Domenici. I said, sure I would come up and talk to him. So I came to the Budget Committee in ‘82.

They had finished the first round, '81 reconciliation, and I came to the Budget Committee in August of '82. My son was born the week I came here. In fact, I promised my wife a week off that week and we're going to get that week now when I leave the Senate. That is what's going to happen and as she reminds me every once and awhile that I never gave her that week off when my son was born.

But I came back. I came up here and it was still Carroll Arms at that time, so I started my real career here with the Budget Committee in August of '82. I walked in and the first person I met was Steve Bell, a character—you learn to love, hate, and respect him at the same time—but he's a good man, good man, extremely intelligent, who was close to Domenici. Steve and I are good friends to this day. But the other guy I met was Sid Brown, who was the number cruncher. There's the whole federal budget right here, and he's doing it on a little hand calculator! I thought, oh my gosh. This was the beginning of the PCs. I had purchased at home a personal computer with a lotus spreadsheet, so I said, "Well, I'm going to bring my computer in. I'm not going to do this with a hand calculator. The whole federal budget and you're doing it on that!"

That's the other thing that's changed so dramatically around here is the technology. At that particular time, of course, "squawk boxes" were in the corner of each room. We didn't have television, but we listened to "squawk boxes." Every morning I'd listen to Senator [Howard] Metzenbaum and Senator [Ted] Stevens arguing over the Alaska Railroad, and going on and on and on. Eventually, when I became staff director, we worked with Rick [Richard] Brandon, who was with Senator [Lawton] Chiles, a class Senator. Senator Chiles, and Rick, and I said we wanted to somehow modernize this technology here. The Budget Committee was one of the first ones to get some form of computerization. Then I had this dream, which eventually came to pass, which now works, that I wanted to be connected to CBO. Because we used to have people make computer runs all the way from CBO all the way up here, back and forth. It probably wasn't until the late '80s or almost '90s before we actually had the technology so that we moved into improving our analytical capabilities and communication capabilities throughout that period of time.

RITCHIE: Just one point about Bob Dole calling you up, you also mentioned about how you had worked with him and Senator McGovern. Just recently in the *Congressional Record*, before they adjourned, they reprinted a Dole speech at the

McGovern Institute. It was one of the most remarkable things I've read because it was this warm tribute by Bob Dole about George McGovern, not only that they both served in World War II, but that they thought alike about farm policy and that they had worked together all this period. They represented adjoining agricultural states and they had this great bond, despite the fact that they were completely ideologically opposed to each other. They had fought each other tooth and nail. Dole was the chairman of the Republican Party at the time that McGovern was running for president. It was the most unlikely tribute that I have ever read, they managed to find common ground.

HOAGLAND: Yes, on the issues that I dealt with there was a humanitarian aspect to it that both of them had, a big one. Yes, I enjoyed working with both of them and still do. I see Senator Dole every once and awhile. He's still active.

RITCHIE: It seems to me that no matter what the personalities or the politics that there's at least going to be some issue that they find some way to come together, and that the institution provides that.

HOAGLAND: Well, this may be jumping ahead, but one story that sticks in my mind that I want to get on the record somehow and this is not the proper placement of it, I'm sure, but particularly when Senator Dole was the majority leader, we had long nights. It seemed like we worked much later into the night, and he was willing to go to one or two or three o'clock in the morning sometimes. Even for a young staff, it was tough. I certainly can't do it anymore. I've had to do it a couple of times, but boy, it's not like it used to be. I recall exactly what you're talking about here, with the two ideological opposites. I left the Senate late one night. We were on the floor finishing up a budget resolution or something. I was by myself and nobody else was around except when I came down the elevator, going down the escalator to get to the tram down here, and there were these two senators in front of me, two elderly senators, and they were helping one another. One was having difficulty walking and the other was having difficulty also. They had their arms around each other. It was Jesse Helms and Claiborne Pell. Nobody else was around. They weren't playing for a photo or the press. I stayed back and I thought to myself, you know, here are two senators probably as far apart as they possibly could be political, but helps one another along—it's the old Senate. They still have that humanitarian aspect. Two senior senators helping one another. They could go back on

the floor and have a rousing debate, but still have that respect for one another as human beings.

That's a little bit of the part that I miss from the old Senate. Maybe it's age, and maybe it's not true, but there was something different in those days. Not as partisan. Not as political, maybe, as it has become. But that's exactly the same kind of situation as with Dole and McGovern, and Jesse Helms and Claiborne Pell. That's the side that the American public doesn't see. I don't know if they need to see it but it helped me. It solidified what I always thought was this institution and what it stood for anyway at the end of the day.

RITCHIE: Well speaking of the end of the day, it's probably a good time for us to stop. What's your schedule going to be like in the next few weeks?

HOAGLAND: I'm going to be around, well up until December 22nd. We haven't even gotten to Gramm-Rudman-Hollings and the 1990 budget agreement. We do need to get through some of the summit years and talk a little bit about that.

RITCHIE: Good, I like to spend more time talking about all of those things.

HOAGLAND: Next week is going to be difficult, because we're going to try to do this CR. Literally, I think we're going to try to finish by the 8th, at least the continuing resolution and maybe the tax extender bill. My sense is the Senate might be in into that following week a little bit, but it will be on nominations. We may be cleaning up the [Robert] Gates nomination or something of that nature. But the following week I should have some free time to get over here. I haven't made a decision as to what I'm going to do in January, but I'll be around. We do need to get through the summit years, and talk about that, if I can keep them all separate.

End of the first interview

THE SENATE BUDGET COMMITTEE

Interview #2

Tuesday, December 19, 2006

RITCHIE: When you came back from the Agriculture Department, that was the beginning of your career with the Budget Committee and with Senator Pete Domenici. You said that Senator Dole mentioned that Senator Domenici needed some help.

HOAGLAND: Right, I came to the Budget Committee in August of 1982. At that particular point, the Senate Budget Committee was located over in the Carroll Arms Hotel across the street. Staff were placed in individual hotel rooms. They had their own showers, although most of them didn't work. As I said in my previous interview, it was a rather coarse environment. There weren't a lot of amenities other than we were connected to the Senate floor through the squawk boxes. There were no computers. Of course, we had some electronic word processing machines, but they were limited. And any kind of spreadsheets or other technology we have today just didn't exist yet. It was all done on hand calculators. The first person I met was Sid Brown, who was an old Bureau of the Budget man. He had been brought onto the committee by Ed Muskie when the committee was started, and remained there when Pete Domenici took over in 1981. The other person who was there at the senior level was Bob Fulton, who worked for Henry Bellmon, a senator from Oklahoma. Senator Bellmon had chosen to retire in 1980, and did not run for reelection, or he would have been the chairman of the Budget Committee. I guess he never realized that he was going to be passing that up because I don't think they expected that they were going to gain the Senate in 1981.

My first responsibility, because I had some agriculture background, was to be assigned to the agriculture budget, natural resources, space technology, those functions of the federal budget, to help prepare the budget. The staff director was Steve Bell, "a wild and crazy guy," we used to say. He had the confidence of Senator Domenici as the chairman, and I worked with him. Very intelligent, very smart, very quick. Very politically savvy as well as media savvy. Steve Bell came from a press background. In fact, he was Domenici's press secretary before he became his staff director.

Those early years over in the Carroll Arms building are a little bit of a blur for me right now, but we were involved in 1982 and '83 particularly, after the 1981 major

changes to the budget process. In 1981, Congress instituted a major thrust forward on the federal budget. Along with President Reagan, his new OMB Director, David Stockman, and Majority Leader Howard Baker, Pete Domenici, and others, focused very quickly on using the budget process in a way that had not really been used extensively. That was applying broadly a provision within the Budget Act that allowed them to do what we call reconciliation. I may have mentioned this in the previous interview, a reconciliation was used at the end of the Carter administration, but on a very minor scale. In the case of 1981, it was a major scale. David Stockman, a young former congressman from Michigan, understood this “new process” and chose to use the process in a way that had not been used before. They applied this expedited procedure, not only to have a budget adopted with the broad parameters as an accounting tool, but also to implement the policies assumed in that budget through the forcing of a substantive reconciliation bill. Something new, not really ever used before at this level of detail. On a foggy day out in California, on a mountaintop, Ronald Reagan signed the Omnibus Reconciliation Act of 1981. Then in 1982 and ‘83, as the deficit continued to grow, there was some retreating on those policies, on the part of Congress, and pressure from Congress, particularly Senator Dole and others, to find ways to continue to reduce the deficit that continued to grow after the tax cuts of 1981.

I think David Stockman’s book *The Triumph of Politics* highlighted the fact that he claims that the problem was that the Congress never followed through with the spending side of it, only the tax side of it, and therefore it was Congress’ fault that we were not lowering the deficit in those early years of the Reagan administration.¹ So in 1982, when I arrived, and in ‘83, the thrust was a reconciliation bill again that would reduce spending. The rule of thumb that Senator Dole was pressing for was \$3 spending reduction for every \$1 in tax cuts. So most of the time we spent trying to figure out a way to continue the reconciliation process in ‘82 and ‘83 to achieve those kinds of goals.

All of this led up to the few major dates that stick in my mind. Beginning in late 1984 and early ‘85, the federal debt of the United States—statutory debt—was approaching the two trillion dollar mark, and we were passing that historic mark. The last

¹David A Stockman, *The Triumph of Politics: How the Reagan Revolution Failed* (New York : Harper & Row, 1986).

action of both Steve Bell as staff director, and at that point I was his deputy staff director, and Sid Brown and others, was pressed on us by a new first term senator here in the Senate, Phil Gramm.

My memory of this sticks with me to this day, that Senator Domenici was having in '84 or '85 some family health problems with one of his daughters. He was, understandably, distracted from the work around here. And this very aggressive and very forceful and very knowledgeable senator, Senator Gramm, came to his office one day and said he had an idea. His idea was to reform the budget process that now had basically gone on for—I think it was its tenth year anniversary or so—with a new mechanism that would not only set the goals, but enforce the goals. Out of this, Senator Domenici was willing to pass the responsibility on: “If you’ve got a better idea on how to avoid this fact that we’re now going to pass this magical mark of two trillion dollars”—that was the triggering factor—“then go to work on it.” Of course, out of this came what we call the Gramm, Rudman, and Hollings Act, which was, in my mind, a seminal piece in the budget process. Up until that time, we set goals, and I guess that reconciliation came in 1981, but this was a change in the process in a way that forced not only goals but forced an outcome.

It changed the whole process dramatically, because up to that time you could set the goals but if you didn’t achieve the goals, maybe the Budget Act points of order will enforce it, but if not, so what? But this was something much more dramatic. It was a Sword of Damocles, according to Senator Gramm, hanging over us if we didn’t meet these specific targets on the road to reaching balance. We were supposed to get it to balance in 1991 on this first Gramm-Rudman-Hollings Act. This act set specific targets and a whole new budget process was written. It was eventually adopted and included not by reforming the Budget Act per se, but when the debt limit bill came up to raise it to two trillion, in order to appease those who didn’t want to vote for that, this amendment, this big amendment, was added to the debt limit increase. I don’t know why I remember this, but it was also that same resolution condemning the murderers of Leon Klinghoffer, the gentleman in a wheelchair who was killed on the *Achille Lauro*. Gramm-Rudman-Hollings was the basis upon which then the votes would be there to pass this magic mark of two trillion in debt and gave cover to, if you like, the conservatives to vote for that because now we had a mechanism that was going to insure that we were going to reduce the debt as we went forward. It was put on the debt limit bill and became law. That was

the last legislative agenda for Mr. Bell, Brown, and others. They left shortly thereafter and then I became the staff director in 1986 to implement and carry through with this.

The next major marker in the history there was in 1987. By the way, the first year, 1986, there was one very, very small sequester. This Gramm-Rudman-Hollings set up a—I always thought it was a Texas word because I'd never heard of it before—"sequester," which was a mechanism by which we reduced, across the board, all spending if we didn't hit an exact deficit target. There were lots of complications and lots of difficult calculations involved, and accounts of what was included and what wasn't included in these across the board cuts if we didn't hit our target. There was a question about the constitutionality of the law because it first set up a mechanism by which the Comptroller General of the General Accounting Office at that time would validate the sequester. That became questionable constitutionally and separation of powers authority. The case of *Bowsher v. Synar* went to the Supreme Court and it was struck down. But there was a fallback mechanism that continued in place under the existing law. And so the first year, '86, it worked.

Then we went into 1987. I don't remember all the details, but my recollection is that the economy was not doing well. We failed to get a budget resolution agreement and it was all the way into the fall of 1987. Then the triggering device, in 1987, for action, was number one, we were faced with a Gramm-Rudman-Hollings sequester. And it was big. It didn't exclude anything and it meant something like almost a fifty-billion-dollar cut in the Department of Defense. Just an across-the-board cut. These were things that just couldn't happen, just politically it wasn't possible. So we were deliberating changes to the targets. The real triggering factor, however, besides the unachievable Gramm-Rudman-Hollings goals, was Black Friday in October of 1987 when the stock market dropped precipitously on the issue about the dollar currency. Out of that came a summit meeting between Congress and the White House.

It was one of many budget summits that were to follow throughout the latter part of the '80s. There had been some in the early '80s, but basically these were major sit downs between the Congress and the White House on fiscal policy issues. In 1987, Howard Baker [the White House chief of staff] and James Baker, then Secretary of the Treasury, and Pete Domenici, and Lawton Chiles from the Senate and Bill Gray, who was the chairman of the House Budget Committee, began these meetings to see if there was a

way we could figure out how to avoid or to resolve the sequester that Gramm-Rudman was about to require. We kept delaying it, but it was due or should have taken place on October 1st. We tried to see if we could come to a budget agreement.

Out of this came, in 1987, an agreement between the White House and the Congress. It essentially reset the calibration of Gramm-Rudman-Hollings, and we set a new goal for '87 and pushed it out further in terms of reaching balance in the federal budget. We set what was later to become, and still is to this day, another new element of the budget process in the 1987 summit, which was caps on that portion of the budget referred to as discretionary spending, the appropriated accounts. We set those caps for '87 and '88. It was a two-year budget agreement essentially. These caps on discretionary spending then allowed for the completion of the appropriations process in 1987 and 1988. It also allowed us to proceed with avoiding the sequester and setting the sequester off into the future. It claimed to be putting us back onto a path to reach balance in the mid-1990s. We were able to pass almost all of the appropriation bills quickly then after we reached that agreement and moved on.

The clock ticks on and 1990 was the next big mark in the Budget Committee's history as I think back on the events of the time. Once again we were faced with not meeting our Gramm-Rudman-Hollings targets and faced with another major sequester. This time we went all the way into August and September and another major summit was called. This one was referred to as the Andrews Air Force Base Summit, because we were to be "sequestered away"—using that term again—out at Andrews Air Force Base in the latter part of August and early September. Before Congress came back, we were going to fix this thing once and for all. Leon Panetta was the Budget Committee chairman from the House of Representatives. Pete Domenici again. Bob Dole now being the Minority Leader of the Senate. Bob Byrd was out there. John Sununu, Sr., spent a lot of time out there. So of course did Phil Gramm and a number of the fiscal people on the Budget Committee who were involved in these sets of negotiations. And Dick Darman was the OMB Director at that time.

What evolved out of the 1990 summit was a further refinement to Gramm-Rudman-Hollings. It was a refinement in the sense that these sequesters that I spoke about that came about with the original act were across the board on everybody. What was pushed primarily by Leon Panetta and the House was a way to say: "Wait a minute.

For those kinds of accounts that are annually appropriated, such as defense or non-defense discretionary programs, we ought to have a separate set of rules for them like the caps that we had in 1987 and '88." That's why I say that they became integral. We should set a mechanism that says if they violate then we have sequesters within that group of spending programs. Not that they should suffer the fact that Medicare or the entitlement programs were growing at a faster rate than was perceived.

For the entitlement programs, basically fifty percent of the budget we should have something we call pay-go. Pay-go meant that if you were to add to the deficit by increasing entitlement spending, you had to offset that by either raising taxes to pay for the entitlement or reducing other entitlement spending. We kept the discretionary budget and the entitlement budget separate in the sense of the enforcement mechanisms. For all practical purposes, we did away with statutory goals of balancing the budget and saying that these mechanisms would force us in a disciplined way to achieve our objectives.

The time we spent out at Andrews Air Force Base was very hot. A couple of stories that I'll never forget, I had a old Mustang car that, being the cheap staffer that I was, did not have air conditioning in it. This was a time when Senator Domenici smoked, and I picked up Senator Domenici up down here at the corner by the Senate office building. One day, Senator Gramm wanted a ride with us. I put him in the car and Senator Gramm said. "Roll up the windows and turn the air conditioner on." I said, "well I can do one or the other, I can't do both."

The other thing that sticks in my mind at Andrews Air Force Base was that the Air Force provided food out there and we actually slept out there. We stayed in dormitories. The amount of food they provided was unbelievable. But one thing they had special was a self-dispensing ice cream machine. Senator Dole just loved that machine and he would spend more time getting ice cream out of this machine. It's funny how you remember those things, but we did get some work done and we did come together. Well, the difficulty, however, was that when we came back with the agreement, a group of backbenchers in the House of Representatives, one of whom happened to be Newt Gingrich, opposed the agreement. The first proposal that came back failed in the House of Representatives and we had to negotiate it over. Tom Foley was Speaker of the House at that time. We had to go back and renegotiate. So all of the time spent at Andrews Air Force Base was for nought in some ways because we were unable to achieve passage in

the House of Representatives, because what was involved was a compromise, including revenue increases—tax increases.

Of course, this became a problem for some who said that President [George H.W.] Bush had made a commitment, “Read my lips, no new taxes.” This was a failure on our negotiating part as a compromise and was the basis upon which, initially, I think, the proposal fell apart. But we did come back and eventually put it together, but this was a black mark on Dick Darman at that time. Later, in the history books, I think you’ll find that President Bush said that it was a mistake on his part to have agreed to the Andrews Air Force Base proposal, and that may have cost him the election when he ran against Governor Clinton in 1992.

We at least established, coming out of Andrews Air Force Base, the pay-go procedure, and the sequester procedure on discretionary spending, which then lived on until about 2002, when it expired in terms of the statutory pay-go provisions. While we are at Andrews Air Force Base, in August of 1990, a little event took place in the Middle East. This is the first time when Mr. Saddam Hussein moved across into Kuwait. At the time we were putting together this budget plan out at Andrews Air Force Base, we had no idea of exactly what the consequences of that were going to be. But Mr. Darman and, I believe, the Secretary of Defense [Dick Cheney] came out at that time and briefed members. What was discussed was that there was going to have to be an emergency appropriation. It wasn’t clear how much was going to be required. Also it was anticipated, which it did turn out to be the case, that our allies would fund this. We would make the initial contribution, but we would be repaid through our allies’ support.

So the next major budget issue that we addressed in 1990—and it’s always been a problem with this budget process—was emergency spending, unanticipated spending, things you hadn’t accounted for. How do you handle those things? That was discussed also at some length out at Andrews. We’d had emergency spending, but we just kind of ignored it. We actually tried to write into budget law a provision for unanticipated and unexpected spending that would not count against the spending caps. They would be outside the caps and they would not, therefore, subject spending to sequesters, because they were truly unanticipated. That was the beginning of the emergency designation for spending and it was, therefore, an element that to this day still remains. But it still remains very controversial also as to what is an emergency—in fact, the war that we’re

involved in right now continues to be “defined” as emergency funding need.

I think the next big issue in terms of the Budget Act was in 1995. Now we have a new President, President Clinton. Now we have a new Speaker of the House of Representatives, that previous “backbencher,” Newt Gingrich. Senator Dole was still the Majority Leader in the Senate. Pete Domenici, once again, served as Budget Committee chairman. Now we have a President who believes that we should try to achieve a balanced budget by cutting spending, but also by raising the revenues. And so his first budget plan—with a Democratic-controlled Senate and House—does pass in August of 1993. It passes by one vote, a tie vote in the Senate broken by the Vice President, Al Gore. While the President worked hard on this particular proposal, off to the side Senator Gramm and others said that this was going to put the country into a recession and things were going to go bad. Surprisingly for those who thought that raising taxes was going to tank the economy—the economy boomed. We were dealing with the dot.com period and great growth in investment and stock markets booming and the revenues were coming in even faster than anybody had anticipated. Capital gains were very high. And we had a peace dividend, to some extent. The Iraq War and the Kuwait invasion turned out to actually make money, since we received more from our allies than we had expended. So the fiscal picture was looking very good.

Yet it was still not there, and after 1993 and going into 1994, we were still running a deficit and so there was a major movement to try to achieve a balanced budget now that we had Newt Gingrich in control in the House and Bob Dole in the Senate. We ended up putting together various Republican plans to cut spending. A plan to lease ANWR, the Alaska National Wildlife Refuge, is one thing that sticks in my mind. We passed these reconciliation bills and the President vetoed them. We were also facing another debt limit increase that fall, and a crisis developed. The President had vetoed and not signed appropriation bills into law because they cut deeply his funding requests. A stand-off occurred and we ended up starting a government shutdown. In the fall of 1995, for some 26 days, the federal government was actually inoperative.

My wife is an art historian and teaches art history and I recall—again, you always personalize these things thinking back on it—she had tickets to the Vermeer exhibit at the National Gallery of Art. She was more upset with me about the fact that she couldn’t go to the Vermeer exhibit than anything else, because “we” had closed down the National

Gallery. That fall was one of the toughest in my career here. We put in long, long hours, first trying to find a way to get an agreement with the White House and then falling back. We went through Alice Rivlin, who was the OMB Director at that time, to be replaced by Leon Panetta, and we ended up spending literally all of the week before Christmas in the West Wing of the White House. We met in the Roosevelt Room at the staff level around a large table as negotiations continued throughout those winter months.

One evening there was a tremendous snowstorm and for some of us who lived outside the Beltway it was hard to get home, but for the President, of course, it was no big deal. He just went upstairs. We spent an inordinate amount of time there and it wasn't until after the New Year that we finally got to the point where we had negotiated something that would keep the government operational and move on. People who went up to New York City found the Statue of Liberty shut down and various other things. It really messed up everybody's holiday season, as I recall.

That low point eventually led to a high point in my career. Beginning in 1995 and 1996, we held serious open discussions with the administration that led eventually to the Balanced Budget Act of 1997. In 1997 there were more long discussions. Now it was John Kasich as the chairman on the House side and Pete Domenici, again here in the Senate. Franklin Raines was OMB Director. Bob Rubin, as Secretary of the Treasury, played a major role throughout this period of time. Congressman John Spratt and Senator Frank Lautenberg were involved in a very open discussion.

Throughout that period of time is probably when I played the biggest role I have played in fiscal policy around here. I organized meetings with OMB, the administration, Democrats, and Republicans. At the staff level, we worked through all the issues, segmenting them into Medicare, Medicaid, housing, a magnetic spectrum, defense and non-defense, all of the issues. We would meet regularly. We'd build up solutions as we'd compromise, and then we'd take them to our principals. We worked out of the Domenici hideaway, on the lower level of the Capitol. We came to an agreement for a balanced budget agreement to be implemented that eventually became both a tax piece, with some small tax reductions, but also a big portion of it was on the Medicare and the health side; restrictions on the growth and lowering the rate of growth in spending, if we could, through various price indices and things of that nature, in the Medicare program. We also had the discretionary caps. We built up a very substantial budget and then

passed that as a budget resolution. It was bipartisan and there was a great deal of support for it. It extended some of the pay-go and the other parameters of the Budget Act. Then we passed two reconciliation bills: a tax reconciliation bill and a spending reconciliation bill to implement this proposal.

That was Fiscal Year 1997, and we ended up declaring victory. The next year, 1998, Chairman Kasich decided he was going to run for president. We had just finished all of this and as we go into 1998, and Chairman Kasich says, “I’m running for President, and I think we can go further. I think we can cut more spending.” I remember going to Senator Domenici that year, because we have to do this annually, put together a budget resolution. I didn’t want to go through it again. We had just finished all of these negotiations, so I said, “Let’s just do a “vanilla” budget resolution, basically restating in 1998 what we all agreed to in 1997. We had these caps and everybody is in agreement. Let’s just live with what we’ve got and see how it works out.” I could see what John Kasich was up to. He wanted to reopen the 1997 budget agreement. And I thought, oh, this will never work.

So what I did for Senator Domenici at that time was to go and tell him, “Listen, we better pass a budget resolution, but let’s just basically reestablish and update the numbers if they need to be updated for economic reasons, to what we’ve already agreed to. Let’s not open it up again. We’re going into an election year, let’s not get this thing all messed up again.” And he agreed. So we passed a budget resolution here in the Senate in 1998 that was basically a vanilla budget resolution, a five-year agreement, and sent it to the House. But we did one thing that was smart, I think—I hope it was smart on my part—I said before we sent it to the House that night, “Let’s do something. Let’s deem the Senate-passed budget resolution, for purposes of enforcement in the Senate for the Fiscal Year 1998 and beyond in case we’re not able to get a conference agreement with the House of Representatives.” Because I had this feeling that John Kasich had an agenda that was going to make it very difficult to get a conference agreement. That’s exactly what happened. That was the first year that we did not have a conference agreement on a budget resolution, in 1998. Again, it was driven by the politics of the House. I like John Kasich. He’s a smart man, but he had to keep pressing the issue as much as he could.

Maybe it wasn't totally necessary. It was ten years ago that we had this balanced budget agreement. Next year will be the ten-year anniversary of it. Because we actually did, then, achieve balance. It was surprising to some people, and a couple of years ahead of schedule than what we had planned. While we'd like to take credit for that, the truth of the matter is that a lot of it had to do with the growth of the economy. So the 1997 agreement, followed by the 1998, had lots of peaks and valleys here. The failure of the 1995 government shutdown, and then the peak of the 1997 agreement, and then the failure in 1998 to get a budget resolution. It was just lots of to and fro in terms of emotions.

But we actually got to balance. What was more important, I think, in 1998 was the first time we achieved balance in nearly fifty years. In 1999 we achieved balance not including what we call the Social Security surplus. We actually didn't have to have the Social Security surplus to achieve balance in 1998. The economy was growing. We had a new race for the presidency in 2000. Both the Congressional Budget Office and Alan Greenspan and others were looking at these projections of surpluses into the future. Huge surpluses. Both Democrats and Republicans, both Al Gore and the current President Bush, campaigned looking at these large surpluses in the future. So what became a campaign issue in 2000 was what to do with this huge surplus that was being projected. Maybe we shouldn't have focused so hard on it, but that was everybody's independent view. It wasn't made up. Legitimate forecasters were saying we're going to have eight, nine trillion dollars of surplus over the next ten years. Alan Greenspan, who, pretentious on my part, I became friends with during this period of time, came before the Budget Committee to testify and he was worried in so many ways that he expected that we would actually have so much surplus that we would eliminate the debt. We wouldn't have any debt. We wouldn't have any Treasury bills. He needn't worry too much.

Also what happened in about 2000 with this growing surplus projection was another little phenomenon that became critical in 2001 and thereafter, and that was we should balance the budget now excluding the Social Security surplus and that we should "lockbox" away the Social Security surplus for debt retirement or save it for Social Security retirees. That's what it was there for. Lots of issues. So we had the controversial election of 2000, settled by the Supreme Court at the end. But these projections were still there when Bush took office in 2001. So the new president proposed a very large tax reduction to reduce this surplus, to return some of the surplus to

the American public. It was \$1.7 trillion over a ten-year period, that was to be returned. It would be returned along with the fact that the remaining surplus could balance, not excluding the Social Security surplus. The other issue was prescription drugs. We could use some of this surplus for something that began under the Democrats; to provide for prescription drugs for Medicare recipients.

And we began 2001 with this rather large budget. I think Senator Domenici was a little bit more skeptical than I was about those projections. I wasn't entirely without skepticism, but I had worked with numbers long enough to know that they can turn very quickly and that it depends on lots of things that maybe you can't anticipate around here. So we ended up proceeding, after some pressure from the administration. Larry Lindsey was the National Economic Advisor at the time. We passed a budget resolution that assumed large tax reductions, and a reconciliation bill. One of the controversial issues would be that we were using this process that began back in 1981 under David Stockman and Ronald Reagan for reducing the deficit by using reconciliation. But we were using reconciliation to reduce the surplus. We were using an expedited procedure here to pass legislation that was unamendable. It limited debate, limited amendments, and it could not be filibustered. We were using this process to lower a surplus, not to reduce a deficit. It was subtle but very fundamentally different than what reconciliation had been used for up to that time.

But it went very fast. We got it done very quickly in the spring of 2001. All the way through, the new president, the new initiative, the first year of his first term, gave it a lot of momentum and things got done quickly. I think we were done by April or May of that year with both the budget resolution and reconciliation bills. The Senate was very narrowly divided.

RITCHIE: It was fifty-fifty.

HOAGLAND: Fifty-fifty with the vice president sitting to break all the ties. Then there was an issue that Senator Jim Jeffords who—I have not read his book, maybe you have, Don.² He has indicated that he had an understanding as to how some of that

² James M. Jeffords, *My Declaration of Independence* (New York: Simon & Schuster, 2001)

surplus was to be expended on a special education program. It's a discretionary program subject to annual appropriations, but there had been these commitments, much like so many other things around here, that we were going to authorize and we were going to fund forty percent of the cost of the states' special education programs. We never reached that level. We got to eleven, twelve percent, maybe got up to seventeen percent. And he, Jim Jeffords, Republican at that time, made a strong stance on the budget resolution and the follow-on reconciliation bill, that he wanted special education to be moved from a discretionary program to an entitlement. I think it may have been one of many factors but not the sole factor, though according to what I have heard, Senator Jeffords believes that it was the sole factor—the failure of that budget in that year to fund special education as an entitlement—that was the basis upon which after this was all over with that he decided to switch parties, and to caucus with the Democrats. I don't know if it was the whole reason, but he, as I said and my understanding is that's the one his book claims that was the major factor.

So now all of the sudden Jeffords switched parties and Republicans lose control. No longer is Senator Domenici chairman after all these years, but now he is the ranking member. We still have this surplus being projected. That very summer, 2001, the Senate Budget Committee offices were being remodeled and the Budget Committee staff was moved into trailers over in the Russell courtyard. We continued to have this surplus being projected. But we were now in the minority. Senator Domenici called me and said, "I want you to put together a proposal to lockbox away the Social Security surplus so that we can retain this balance going forward." So literally I'm in my trailer on the morning of September 11th on my computer writing the speech on a proposal that Senator Domenici was to give later that day on the floor of the Senate to lockbox away the Social Security surplus. I keep two TVs, one tuned to the Senate floor and one on CNBC on mute, so I can keep track of the market and what's going on. I looked up and saw the smoke coming out of one of the World Trade towers. I didn't think too much about it and I turned back and continued to work on my speech for Senator Domenici. A few minutes later, one of the staff came in and said, "You'd better look again." Now the second plane had hit, and there were rumors that something's happened at the State Department or the Pentagon. I put away that speech on lockboxing the Social Security surplus and I've never opened it up again, because everything changed dramatically within a matter of minutes. Both the fiscal outlook and that surplus went away real quick. We had reached a peak surplus, close to two hundred billion dollars. We went from some of the largest

surpluses ever recorded in this country to the largest deficits ever recorded in this country. And the economy turned. The bubble burst. We were attacked and fiscal policy changed dramatically.

That then set the stage, it seems to me, here for the remainder of my career in the Senate, in the sense that after having played some small role in helping us get to fiscal balance, we went into deficits and we have remained there, with some improvements along the way. Senator Domenici and I are very close and have been through a lot together. In the following year, in 2002, we did not even pass a Senate budget resolution. Under Kent Conrad, we didn't even consider it in the Senate. That was the second time: 1998 with John Kasich, and then in 2002. So all of a sudden we began to ask: Wait a minute, what's going on here? We're not even following through with the budget. Yes, things are controversial. Yes, there's a lot of turmoil in the world, but the fundamental role and responsibility, it seems to me, of government is you still have to have a budget. But we didn't even have one here.

So we went through 2002 without a budget, and that became an issue, of course. Republicans were in the minority and said that, "Well, the Democrats can't even get a budget." We failed to get appropriation bills done. We went into the election and the Senate switched. Tom Daschle lost his race in South Dakota and Senator Lott then became heir apparent to be the Majority Leader. That was also Senator Domenici's election year in New Mexico. I'm not from New Mexico as I told you before, Don, but I made a practice of whenever Senator Domenici was up for election that I would take leave from the Senate and I would go out and help him out making phone calls or knocking on doors or whatever.

I went out to New Mexico. It was a tough fall. Right before a debate was to take place in Las Cruces, New Mexico, I received word that his friend, Senator [Paul] Wellstone, had been killed in an airplane accident. Senator Wellstone and Senator Domenici worked together on mental health issues. So it was hard. The debate in Las Cruces was cancelled. Senator Domenici flew up to the memorial service in Minneapolis. He came back to New Mexico and I was still there helping out with the campaign on the night of the election. When it was clear that he won, he stopped me as I was congratulating him and he said, "Bill, I want to do something fun for a change after all these years." I said, "Yes, Senator, don't worry about me. I've had a good career and

it's probably a good time for me to leave. Don't worry about me, Senator." He said, "No, no, no, I want to do something fun for a change." I said, "Well, Senator, what do you want to do? What do you think will be more fun?" He looked at me and said, "I want to be the chairman of the Energy Committee." I said, "Senator, go right ahead." Electricity regulation fun? But the budget had just consumed all our time all these years. The Budget Committee was not a popular committee to be on, particularly if you're chairman, having to enforce whatever you come up with. So he said, "Well, why don't you come over." I said, "no, Senator, I don't know anything about energy. I love you, but you've got better people that know energy policies and can work with you."

So I was ready to leave the Senate in December of 2002. But right at the first part of December, I received this phone call from Senator Lott and he said he wanted to see me. I thought, oh my gosh, what have I done wrong now, because Senator Lott and I had disagreed on a few issues in my career, but we still got along. I went over to see Senator Lott, and he said come on into his office and he shut the door. It was just Senator Lott and myself. He said, "Senator Domenici's going to leave the Budget Committee." And I said, "Yes, sir." I figured that what Senator Lott was angling at is that he thought that I was trying to prevent Senator Domenici from leaving, to protect my hide. I said, "Yes, sir, I have no problems with that, he should do something that he's happy with and I'm not trying to—" He said, "No, I want you to come work for me." And I said, "What?" I couldn't believe it. I'll never forget I said to him that—I guess when you've been around for awhile you can say these things to a United States senator—I said, "well, Senator, I didn't think you liked me." Literally. He said, "Oh, I've had some reservations about you, and particularly that gang you hung out with sometimes. Keith Kennedy, Sheila Burke." We were referred to as the "raging moderates." I said, "Well, I'm honored, Senator."

The part that I guess I should have known—but then he said, "But I really want you to be over here because you know something about the budget and I want you to keep an eye on the new chairman of the Senate Budget Committee coming in." That was Don Nickles. I thought, well this is going to put me in a real interesting position. I thought that Senator Nickles and Senator Lott got along, but maybe not entirely. So I said, "well, let me think about it Senator." Between the time I'm thinking about it and getting back to him, Senator Lott has made a faux pas as it relates to Senator [Srom] Thurmond and the next thing I know he's departing the leadership.

I thought, oh great, that takes care of that, I don't have to worry about that, I just have to worry about the next job in my life. Then on Christmas eve, 2002, the phone rang. It was literally on Christmas eve and it was Senator Bill Frist. He said, "I know you had planned to come over or were thinking about coming over with the leader's office. I want you to continue to think about that." I had known Senator Frist since he was a freshman on the Budget Committee. Particularly, he had focused on health care issues and worked on education issues. So I said, "Well, I'm honored and flattered and I will get back to you." I did, and I told him, "Well, okay, I'll come over for a little while. I'll help you out getting started. But I'm not going to make any commitments for the entire time because I think the time has come for me to leave." Here it is four years later and he's leaving and now it's time to leave.

I did go ahead and take the position with Senator Frist. My first job, I think—in this time when we're hearing about how we failed to pass appropriations—I have to remind people that sometimes history books and the newspapers don't always look back—I have to remind people that my first job in 2003 was to pick up on the fact that in 2002 we had not passed a budget and we had only passed two appropriation bills and that we were on a continuing resolution to January 7th 2003. We were coming right back quickly and the first thing laid on the lap of this new majority leader was to fund government. So what goes around comes around. The same thing that's happening to the Democrats this year happened to Bill Frist coming into 2003 with only two appropriations bills passed. So my first job with Senator Frist was quickly working with Speaker [Dennis] Hastert and others to put together an omnibus appropriation bill and get it out of the way. We didn't finish until the end of February before we could even start on the next budget cycle.

Senator Frist was always a gentleman, and always good to me. I like Senator Frist. I will always respect him, particularly, no question, in terms of his medical prowess. I think that's what he loves more than anything else. I did expand out in the final years here with issues that he was interested in. One that he was particularly interested in was water for the poor. We worked with Paul Simon before he passed away and then with his widow. One piece of non-budget related legislation that I'm most proud of, and I think he's most proud of, was the passage of something called the Water for the Poor Act, Paul Simon Act, that tries to expand the availability of potable water to developing countries, particularly Africa, where he has a keen interest. He's also

interested in AIDS but, of course, with AIDS, it was pointed out to me that if you take those drugs with unclean water, it doesn't do much good.

The tsunami that hit Indonesia also was a major issue in 2005 and again another water issues. So there were some interesting side things. I was disappointed in the final years here that, in some ways, politics took over again. He was being pushed, I think, by some to consider a presidency run. He may still do that in the future, I don't know, but obviously not for 2008. I think that shifted his focus a little bit. And if I have any one regret in my career with Senator Frist it was at a staff meeting—we would have staff meetings just about every morning, early at 7:30, 8 o'clock sometimes. One morning an issue came up about a young lady in Florida who was on a ventilator. One of the staff said, "You've got to get involved in this." Senator Frist said, "I don't know anything about this issue." Later he was pushed, I think, by some of the conservative members of the caucus to get involved. We weren't going to go home for Easter until we took care of this young lady, Terri Schiavo. I say the one regret I have in my life is that I sat there. My area does not deal with these social issues and I sat there and I kept thinking, "Don't go there. Stay away from this. We shouldn't be involved." But I didn't say anything. I don't know if it would have changed anything, but I don't think he should have ever gotten involved in that particular issue. I think history will prove that that was a huge mistake on his part. He was under a lot of pressure. I know the family, her mother and father, camped out in his office for a period of time. Nonetheless, that was one of my biggest regrets.

A regret also is that we were not successful in getting Social Security reform done or that we weren't able to find a solution to, quite frankly, to getting back on track to balancing the budget. But those issues will continue long after I'm gone. They will continue to be issues that the country will have to confront in the future. I don't know what else to say, Don.

RITCHIE: Well I have a lot of questions but I don't know what your time is in terms of if you want to continue now at this point.

HOAGLAND: Go ahead.

RITCHIE: I was just remembering, when you were talking about Senator Frist, that Senator Domenici gave the most unusual valedictory for him, essentially that he's the nicest man in the world but he can't pass an appropriations bill.

HOAGLAND: Yes, I wondered if you caught that. I caught that too and I emailed Steve Bell, who's still over here at the Senate, and said: if you knew nothing else about this process, if you were watching this from afar, the first response would be, "My God, after four years, he must have terrible staff people over there that deal with budget and appropriations. Can't they educate the leader on how to bring an appropriations bill to the floor?" I said it half-kiddingly. I know that Senator Domenici was trying to be cute and I think it came off wrong. Interestingly enough, Senator Domenici called me that evening and said, "Somebody tells me that you're upset about something I said," I said, "Oh, I just thought that it was even as much a reflection on poor staff work as it was on Senator Frist that after four years his budget and appropriations staffer couldn't educate him on how to bring an appropriation bill to the floor."

Senator Domenici was upset specifically that we weren't doing his bill. And this last year I've been upset also, but I didn't set the schedule for the floor. There were other "legislative items" that occupied it. I've been in enough leadership meetings to know this last year, and the last few years, that there were arguments made by some conservative senators: "Don't bring appropriation bills to the floor; they're fully amendable, fully debatable. We'll have to vote on difficult issues. We don't want to do that in an election year." So he was getting advice from others to hold off. Had Republicans retained control of the Senate, maybe things would have been different. It's almost identical to what it was in 2002. Had the Democrats won in November 2002, they might have come back and rapidly completed the appropriation bills.

RITCHIE: Well I wondered, you worked with Senator Domenici for a long time. How would you describe him? What was he like?

HOAGLAND: I guess as is true with all of us, he is a complex man. He is a man who I think is very astute politically, a man who loves his native state of New Mexico, who will do anything he can to protect federal funding in that state for the programs and activities out there, particularly Sandia, Los Alamos, the Indians, the Pueblos and tribes. It's a very poor state in many ways. In fact, it is a poor state except for a few oases out

there and very dependent upon the federal support. I think about seventy percent of the state is owned by the federal government when you think about the Bureau of Land Management, the Forest Service, the reservations and what have you. So first of all, I think his love for the state reflects in his effort always to try to protect the state. That has made it complicated when you're also talking about holding down the deficit. Whenever I raised that with him he always said, "Well, Hoagland, I will work my hardest to make sure that we are on a path to keeping spending as low as possible, but once we've established that spending level I'm going to work my hardest to make sure that my state gets as much as it can."

His is a man who loves his family. This is a gentleman who has a large family. Loves his grandchildren, and is very family-oriented. A Senator who with his Italian heritage and his Catholic upbringing is a very honest, decent man. When I first started to work for him he was a big smoker. In fact, I think it was out at Andrews Air Force Base that he stopped smoking, or shortly thereafter, which was good. I think he had a few health scares. A man who after many years is the longest serving United States Senator from New Mexico. A man whose health has not been as good as it should have been over the last few years. I think that's worn on him. But when he's thinking clearly he is still one of the sharpest in terms of public policy. I will always be indebted to him. He didn't have to make me his staff director when he did. He did and we will always remain friends.

RITCHIE: Where would you put him in the spectrum of the Republican Party?

HOAGLAND: Well, like so many things in the Republican Party, that has changed over time. When I first started here I thought he and I were very, very copacetic on fiscal policy. I would say a moderate. Now in the last few years, the latter part of his career, he's become more socially conservative, maybe. But that never bothered me because I just thought that was part of his Catholic background, particularly on the issue of abortion and stem cells and things like that. But I think he has become more complex in the latter part of his career. He's become a little bit more right of center than he used to be. I think he believes that tax cuts are fine, but there was, as I said when we went through the history, there was a period of time where we said, "Well, maybe we should be more careful about those tax cuts."

I think, much like so many of us, he believed very strongly in fiscal discipline and that deficits mattered when I first started to work for him twenty five years ago. Maybe that's not as important today as it once was in his mind. But I still look at him as slightly, just slightly, right of center in terms of the party. The party has become more further right of center. I still think of Senator Domenici as a moderate who thinks government can do good and that there is a role for government and that yes, there are things that government need not be involved in. But, overall, I think he still believes government has a function to play in bettering the lives of people.

RITCHIE: Well how did that play out in, say, during the Reagan administration, when he had a very conservative President and a very conservative House of Representatives? Where did that put him and the Senate?

HOAGLAND: There were clashes early on, particularly on such things as Social Security, where what we refer to as the Dole-Domenici proposal, which was claimed by some to be the basis upon which the Republicans lost control, because he had proposed that we have a one year freeze on Social Security COLAs. That was in 1986, I believe, when we lost control of the Senate. And early on, as I said, there was a willingness on the part of Senator Dole, Senator Domenici, Senator [Bob] Packwood, to compromise and to say yes this is a balance here between revenues and expenditures, even though it did clash with the Reagan administration and the conservative House. So early on he showed more independence, I would say, more willingness to stand up to members of his own party, to reach across the aisle and work, partly because these were senators who had been in the minority for so long and they knew what it was like to be in the minority. So they were willing to reach across the aisle and work with them.

But it did create conflicts, particularly in '82, '83, with the Reagan administration. I remember—I was not in the room at the time—but I remember that we were about to pass a budget resolution. It probably was '83, and we had a level of funding for defense which was not what Caspar Weinberger wanted or what the President wanted. Literally we were in the room ready to put the mark to a vote when the phone rang in the cloakroom and it was President Reagan. He wanted to talk to "Pete." Senator Domenici went back and told the President, "I'm sorry, Mr. President, we're about to vote and that's the way it's going to be." There was a lot more of that early on. Over time, maybe it's just being worn down, beat down, what have you. That ability to stand up and be

independent of other members of the party has been more difficult.

RITCHIE: Well, there were more pragmatists, I think to some degree, in the Senate in the early '80's. I think of Senator Dole, for instance, in that role.

HOAGLAND: Absolutely.

RITCHIE: So he had a little bit more support then for standing up for some of those issues.

HOAGLAND: Yes, he did. Now he looks around and you're right, the support isn't there like it used to be. The core kind of, as you call them, pragmatists, are hard to find.

RITCHIE: It seemed like when it came to the deficits everybody said, "Well, deficits are bad." And when it came to taxes everybody said, "Well, it will be great if taxes were lower." But when it came to spending, nobody could agree on where to cut.

HOAGLAND: Yes, that's right.

RITCHIE: Because whether conservatives or liberals, they all had something that they wanted to spend money on.

HOAGLAND: Yes, absolutely.

RITCHIE: That's what seemed so hard to control. The Reagan administration wanted to spend money on defense, at record levels. So where else were you going to cut in the process?

HOAGLAND: Right. It's always been a trade-off. That's what the budget is all about, finding the trade-offs.

RITCHIE: Well, I wondered about the relationship of the Budget Committee with the rest of the Senate. You've got the Appropriations Committee, which has a role in all this, but then you have all those authorizing committees that think they should be

making decisions about all this. How does the Budget Committee steer through all those standing committees out there?

HOAGLAND: Difficult. It's very difficult. When you go back and think about the origination of the Budget Act, quite frankly, there were two committees that were the most difficult and fought the budget process. That was the Appropriations Committees and the tax-writing committees—Finance and Ways and Means—because they were the big gorillas in the room. They looked at this Budget Committee as a new guy on the block that was somehow going to circumvent them. As I always say, we never do away with anything, we just add. With having been at CBO in those early years, I saw this Budget Committee as not exerting a great deal of their authority, or trying to superimpose but rather, as I mentioned earlier, as being an accounting tool. We've listened, and we've got your views and estimates, and we're just racking up and just having a counting of this. I think when it began in 1981 with reconciliation, that's when the Budget Committee started to exert some of its power that it really had not used up to that point. That's when it began to tell the tax-writing committees, and the spending committees, and the authorizing committees: this is how much you're getting. More importantly, we're going to reconcile you for it. That's when they started to exert influence.

Now I believe, like so many things I've seen over the years around here, in those early years the other committees didn't understand. Maybe the Finance Committee understood, but it was like, "Oh my gosh, I didn't realize. I better stick to what the Budget Committee says." Because it was early and they hadn't figured out the process and so the Budget Committee, throughout most of the '80s, had that authority that the authorizing committees worked with us on, particularly with the reconciliation process. I spent an inordinate amount of time dealing with the staff directors of all the authorizing committees, particularly if we were reconciling and working with them.

The Appropriations Committee under Mark Hatfield, who I loved, clashed early. I'm getting into the weeds here a little bit, but one of the big successes early on was something I still have a yellow paper hanging around where Senator Hatfield went to the floor and said, "I'm going to abide by the Budget Committee's 302b allocation." That means that we had assumed in the Budget Committee what each one of the subcommittees were going to get. He had the right to adjust it however he wanted but he said, "I'm just going to abide by it. I'm not going to get involved in renegotiating it."

So there was this early Budget Committee. I think subsequently as we're seeing now, there was leadership—the key is leadership. Domenici, the White House, OMB directors, who were strong, effective, who believed that the process meant something and that fiscal discipline was important, and that we should be carrying it through, and the committees followed. Somewhere around about the mid-1990s that started to fall apart. It's not to say that the Budget Committees don't still work with the authorizing committees, but I'm seeing a lot more clashes between the current outgoing chairman of the Finance Committee, Senator [Charles] Grassley, and Senator [Judd] Gregg. I don't think I ever saw a clash and some of the hard feelings that you see there today that Domenici would never have had with Packwood or even with Grassley or with Dole. I guess what I was getting at was as people became more knowledgeable about how the process works on the non-budget committees then they're able to figure out ways, "Well we can maybe game the system a little bit or tweak it here to our benefit." There has been, unfortunately, a lowering of regard for the Budget Committee over the last few years. Witness, quite frankly, what I was getting at earlier, that we didn't even pass a budget in 2002, and then we didn't do one this year. We passed one in the Senate but we didn't get a conference agreement. That's three times in the last five years that we haven't and that's very, very disturbing to me.

RITCHIE: The other part of this is that you're dealing with the House all the time and the House is a different animal. It thinks differently and at some points there's just no form of middle ground between the two it seems.

HOAGLAND: Yes, and they have their different set of rules and procedures over there, where here in the Senate, the Budget Act has points of order raised traditionally, over there they're just waived under the rule. So you never really get that kind of oversight that we'd like to see. So, yes, quite frankly, I think it's less effective in the House than here in the Senate. So that when we try to enforce things here in the Senate it becomes a bigger problem for the House.

RITCHIE: It's ironic because actually the rules of the House give the majority party a huge amount of say as to what goes on. It's very hierarchical and the leadership can control what happens on the floor. The rules of the Senate are so diffuse that the Majority Leader has much less authority. So you'd think that the House would have more control and the Senate would have less control in the process.

HOAGLAND: That's right. I think it depends on the leadership over there, both in the Budget Committee and in the Speaker's office as to how effective they are. I believe that you'll see in some strange way that maybe in the House in the new Congress, the 110th Congress, that the budget process will be even stronger than it has been in the past, largely because you have the mix of the new members coming in, along with what are called the Blue Dogs. And Mr. Spratt, who is very good, will have a lot more say than maybe did Mr. [Jim] Nussle and others in the past.

RITCHIE: Well, I have a lot more questions but it seems like you've been here for awhile now and this might be a good time to break. When you come back, I'd like to talk more about Gramm-Rudman and the 1990s, to get a little bit more detail.

HOAGLAND: Sure. I thought I'd better just get it out first.

RITCHIE: Sure, it's much better for you to set out the terrain and then for me to ask some follow-up questions.

End of the Second Interview

THE BUDGET PROCESS

Interview #3

Tuesday, January 30, 2007

RITCHIE: Previously, you gave me a picture of the change in the Budget Committee from the time you went on its staff to the time you left to go to Senator Frist's office. I'd like to go back and sort of ask a few questions about the workings of the Budget Committee. When I was reading about it, the word that popped up the most wasn't an economic term, it was "negotiations." Is it a fair assessment that negotiations are a large part of what goes on in the Budget Committee?

HOAGLAND: Well, I would say up until the mid-1990's yes, negotiations went on even outside of the Budget Committee, whether it was an ad hoc gang of twelve or gang of thirteen in the early 1980's, or in 1987 there was negotiations in the sense that we had the administration and the House leadership and Senate leadership and the Budget Committees. In 1997 there was negotiations because it was the White House. And so I think I would say that's how we got things done. We sat down and even outside of the Budget Committee formulated groups and leadership as well as the major committees. So we kind of expanded the role of the Budget committees.

I would argue that after 1997, and maybe up until most recently, it's been the lack of negotiations, the unwillingness to work across the aisle in that committee, and to some extent even in the full Senate, that has hurt the budget process. But yes, I came to accept very early on that the Budget Committee started the process but there were many negotiations outside of the Budget committees necessary to bring about those agreements that we had throughout, up until the Balanced Budget Agreement in 1997.

RITCHIE: Well, going back to the days when you were the staff director on the committee, when a new Congress began, just how did you go about it? What was the process that the committee was dealing with?

HOAGLAND: The budget process, as we like to refer to it, it is front-end loaded in terms of the legislative calendar. The President's budget comes in the first Monday of every February under the new Budget Act. I keep saying "the new Budget Act" after thirty-three years. We would begin the process very early. Just before the President's

budget came up, we would receive from the Congressional Budget Office estimates that kind of set the framework, or set the groundwork. As we like to say, the “baseline” upon which putting this big bird on automatic pilot and flying it. What would happen if we didn’t change any laws and moved forward? So, what we start with is the Congressional Budget Office, about a week or two weeks before the President’s budget arrives, that sets in place the starting point.

The President’s budget arrives the first Monday in February. Our hearings—the Budget Committee doesn’t have that many hearings, but if the Budget Committee has hearings, it’s usually right after the President’s budget comes up. It’s usually rather truncated and collapsed into two to three weeks. Usually the President’s Day recess falls in there too. So most of the hearings were, of course, with the OMB Director, the Secretary of the Treasury, the fiscal guys out of the administration. Depending upon the issue at the time in the President’s budget, it might include the Secretary of Defense or the Secretary of Health and Human Services. But we would have a standard set of hearings. Mainly it was for the administration to have an opportunity to present their budget orally to the committee. As I said, there weren’t that many hearings on the President’s budget. Then you usually had a few outside witnesses, particularly from the business community, or from the various interest groups. If it was a health issue, then we probably would have the American Hospitals Association and the American Medical Association. We would try to get, we would reach out to try to capture as much information as possible in a very short amount of time.

What really took place, though, behind the scenes while that’s going on, is that we would begin the process of taking—I’m really getting into the weeds here a little bit—but I instituted very early on when I became staff director what we referred to as “waterfall tables.” The “waterfalls tables” were taking the Congressional Budget Office estimate for various functions of the budget as it came out of their baseline, and then taking the President’s budget, for that particular function of the budget, and “waterfalling” it down to how do we get from here to the President’s budget, or up from here? We organized the Budget Committee with analysts in all of these major functional areas of the federal budget and we would spend a lot of time and a lot of hard work for the analysts to try to take the President’s budget and get it to the baseline or the baseline to the President’s budget. To be able to explain line by line—and these were large spreadsheets that each staffer was responsible for. This was done both in the majority and on the minority side.

What that did was it gave you a way to then start the process, which had to begin very shortly after the hearings were over, of putting together a budget resolution.

Then we would begin to have, first of all, our internal meetings at the staff level. But more importantly then we'd begin to meet with the majority senators (and sometimes we were minority senators) and then say, "Okay, this is where the President is or this is where the baseline is, what of these policies that go from here to there do you not agree to or not like or don't want to have? Or what do you disagree with or what do you want to do differently?" We would go through this function by function. It was rather tedious. Sometimes the members were not happy to go through this process, but it was the *only* way that they could actually really get to the point where they took some ownership for the product that was being produced. Out of this process then you came to a number by function and you were able then to be able to basically build the blueprint. This led then to the markup process and then negotiations—if there were to be negotiations—with the minority or the majority, in terms of our input.

Up until I would say the mid-1990s, a lot of this was free-flow back and forth between the two sides of the aisle. Then it became a little bit more partisan, so it became to the point where the Republicans, if they're in control and they're going to put a budget out, they've got the votes and they've already worked it through, everybody is in agreement, so what are we doing here in this markup? Let's vote it out and then go onto the floor.

But all of this, of course, supposedly was to be done by the middle of March, which really is basically a very fast time frame. The President's budget the first Monday in February to the middle of March, maybe at the end of March. The objective was to be able to take the members and staff and work through and produce a blueprint, a budget resolution, that we laid out and then actually had a markup of that in the committee. We had a rule—it's not a rule, I think it's the law—that we do not have proxies in the Budget Committee votes. So we were very careful to organize the markups around the time when there wasn't anything else distracting their attention. We would, of course, organize it so that the votes were stacked so that we didn't violate the no proxy rule.

When I first started back at the Congressional Budget Office, and I remember some of those early markups under Ed Muskie, this process would go on for a week to

two weeks, in terms of a markup. The analysts would sit at the end the table and answer questions, and they would go function by function and even further. There are “subfunctions” within the federal budget. We’d get down to the “subfunctions.” The markups would last well into the evenings. Muskie and [Henry] Bellmon would stay there and the staff would keep working through. This was pre-computerization, so it was really tough. As time went on, the markups became a lot less time-consuming as they related to the members. Usually what happened was that this process that I just described would result in the majority having a blueprint that they wanted to lay down. They’d call a markup. They’d lay the blueprint down. The minority staff or in my case, the Democratic staff, would have one night to look at it and to prepare amendments to it. We’d come back the next day and we’d go through it and we’d vote it out. So it got truncated over time to a very short and quick process.

RITCHIE: Was the staff doing more than say in the past when you say Muskie and Bellmon were doing it? Was more of it falling on the staff at that later stage?

HOAGLAND: I would say yes. In the early formative years of the budget process, I think there was—well, I know there was—an attitude and a feeling that if I said, “The community development block grant program should receive a ten percent increase and I’m going to build that into my budget resolution,” what happened, of course, members started to understand you can *assume* whatever you want about this program or that program, but it doesn’t matter. What really matters is the total amount of spending, whether it’s discretionary or mandatory. So I think early on the Budget Committee staff and members were very program-oriented. They knew *exactly* what the Community Development Block Grant program or the Rule Development Program did, and they built their budget on “We’re going to do this and we’re going to do that.” Then it fell on hard times and the sense was: We’ve gone through all this work, but it doesn’t matter. It depends on what the appropriators decide to do with the allocation you give to them.

Early on, I’m not saying that the staff hadn’t done a good job, but it got to the point where we used to kid around in the committee that we really only needed about three or four staff. We needed somebody to tell us how much revenues. We needed somebody to tell us about Social Security and Medicare. And we needed somebody to tell us about the level of appropriations. That’s basically the three major categories of the budget. Now, obviously it’s a little bit more. That’s oversimplifying it. But you could

see the evolution from the beginning when there was a lot of hard work put into really understanding every program. Then it became: Why am I spending this amount of time because the decision will be made over here on the appropriators when they get their allocation whether they want to fund CDBG or not? It's not really our say so long as they stay within the top-line allocation.

RITCHIE: Was the House on the same timetable as the Senate?

HOAGLAND: Usually yes, very much so. Of course, the law says that by tax filing day, April the 15th, we're supposed to be finished with all of this, both House-passed, Senate-passed, conference, finished by April the 15th. So our goal early was always to be finished by April the 1st or be on the floor the first week in April so that we could pass it. The House was usually on about the same time frame, and then we would conference and try to be done by April the 15th. It didn't always happen, of course, but generally in the April to May time frame.

What motivated the House to get it's work done was that under the Budget Act, if a budget resolution had not been agreed to by May the 15th, then in the House the Appropriation subcommittees could begin their process without it. In the Senate, there were points of order against consideration of spending bills in the absence of a budget resolution. So the House was always pushing a little harder to get done because the Budget Committee knew that if they were not done, really done, by May 15th, then it was going to start anyway, with or without them on board.

RITCHIE: And the House is supposed to begin appropriations first anyhow.

HOAGLAND: Right, and I think that was the reason that the law was written that way.

RITCHIE: Well, does the Senate committee then keep contact with the House committee while your doing this independently, to know sort of what's coming?

HOAGLAND: I had a lot of interaction with my counterpart in the House. When both the House and the Senate were under the same control, when the Republicans controlled both chambers, we shared information. But for most purposes, we operated

fairly independent between the House and the Senate, at least in these initial stages. I can't say there was a lot of interaction. We were aware of what was going on, and they were aware of what we were doing, but each one prepared their separate budget resolutions independently. and did their analytical work separately. I think the thing that kept the two somewhat linked was the fact that we both were using the Congressional Budget Office as a starting point. So when we met up later in conference, at least we were all starting from the same starting point.

RITCHIE: One reason I ask is because in the 1960s, I've been working with the Foreign Relations Committee records and they would deal with the foreign aid bill. This was before the Budget Act went through, but the Senate was always authorizing more money than they really wanted because they knew that the House was going to authorize less. When they got to conference, they could be pretty confident that they would split the difference.

HOAGLAND: That's a good observation. When you set top line goal of balancing the budget, when you set that top line the opportunity for splitting the difference and things like that may come up. But generally good analysts on both side of the Capitol dome, interestingly, would probably come to the same conclusion, so there wasn't a lot of splitting the difference necessary at the end, again particularly when both chambers were under the same control.

RITCHIE: Were your markups and other sessions always open?

HOAGLAND: Obviously hearings were always open. Markups were open. Where they fell apart in terms of the openness and the criticisms that were leveled, particularly against Senator Domenici and [Representative John] Kasich over the years was when we got to conference. Here again, I probably can count on one hand the number of times that I recall that we had anything more than what I used to refer to as a photo-op, where yes we would have the conferees appointed and we would come together and there would be an exchange of the gavel, because we rotated back and forth between the House and Senate from one year to the next who chaired the conference. If we were of the same party, which most of the time that I was there we were either of the same party or we were both in the minority, we would exchange the gavel and we would have some opening statements and then the chairman would say, "Subject to the call of the

chair.” Then we would go off and the staffs would get together, House and Senate staffs, and then next there may be another meeting, but most of the time no. The next time the chairman communicated with the members was circulating the signature sheets to be able to file the resolution in the middle of the night—because it always seems like they never did anything in the daylight.

But up until conference I think that everything was pretty well open, certainly on the Senate floor. The big difference I always saw was between the Senate floor action and the House floor action. The House, under their rules and restrictive procedures, would limit the number of amendments. That usually packages alternatives to the majority’s blueprint. Of course, in the Senate, it’s fifty hours of debate. Quorum calls don’t count and time toward the time on the vote does not count against the fifty hours. In the Senate, an awful lot more time was spent, I think to the chagrin of the House, as always is the case: “Why does it take you so long?” But at least we had it limited to fifty hours.

One of the biggest problems and it still has not been resolved to this day and continues to be an issue is that in the Senate that once the fifty hours has expired, you would think, well you vote and you’re finished. You either vote it up as amended or you don’t. It’s gone. It’s done. But it became kind of a loophole that people could continue to offer amendments, they just “couldn’t debate them.” So we had what we referred to in the Senate and became known as vote-a-thons. Even after the fifty hours were done, you could still have forty, fifty, sixty amendments. It was a nightmare on how you managed those. We would go late into the night and some of the record voting, the history of record voting in a day, you’ll find was on a budget resolution, because you had twenty or thirty or forty amendments that were stacked up at the end that you still had to dispose of unless the members withdrew it. As I say, that continues to be an issue, I think, for those people looking for ways of improving the process. How to we refine this vote-a-thon process?

RITCHIE: Were most of the amendments people trying to get money for something that they thought was not otherwise covered or not covered adequately?

HOAGLAND: Here again, I think over time, members started to figure the game out, if you like. Particularly in an even-numbered year, the amendments offered became a

political document. Sadly, I think, in some ways, but it's the process, because what would happen is members would look at a particular function, a broad function of the budget like health, and even though there was only a number in there, they'd say, "I want to add a million dollars for—" and in the statement of purpose would be "immunization of children." A million dollars out of a four-hundred-million-dollar line. So these became political votes. As I seem to recall, some of the people who work in campaigns said, the best opportunities for making campaign documents and ads was to look at the votes on the budget. You'd say, "He voted against increasing a million dollars for immunization for children. How could he possibly be so cold and ruthless?"

The difficulty, of course, was it didn't make any difference. Because at the end of the day, if that million dollars we spent was not a decision of the budget resolution, it was a decision of the final appropriators. So there were frustrations with most of these political amendments. Then you had the other big-ticket items which were worth the debate. The level of revenues. Should we assume or should we not assume a tax cut? Should we reform an entitlement program? Should we reduce or not reduce Social Security benefits?

Of course some of the debate, which was 1986, I believe it was, was the infamous vote on a budget resolution, which was a Dole-Domenici amendment to freeze for one year Social Security COLAs. This was a way of trying to get to balance. The Senate passed it by one vote, as I recall. It was a very tight vote. Then it went to the House. The House, at that particular time, was under the control of the Democrats. I believe Tip O'Neill was Speaker in '86. There was always this hard feeling between Dole and Domenici and Ronald Reagan because they felt that they had been undercut because the President said, "I'm not going to support anything that touches Social Security." Tip O'Neill made that deal with the President. So I'm saying that there are times when there were very big issues that were debated as it relates to the level of entitlements and COLAs and tax levels. So not all of them were these little nitpicking political amendments. There were times when fundamental issues were being debated in the broad, broad fiscal landscape. By the way, on that particular vote, there was always this perception that the Republicans lost the control of the United States Senate to the Democratic party because of that vote on that budget resolution. So they are not unimportant, I guess, is the point I'm trying to make. There can be very fundamental, major issues.

RITCHIE: All of these amendments sound like earmarks, with members trying to get money specified. But you're saying that they really don't specify.

HOAGLAND: They don't. It's just a number. I think the thing that people forget about a budget resolution and budget amendments, when you look at it, if it wasn't for the statement of purpose, which has no force of law, an amendment to a budget resolution is: change this number; move it up; move this one down; add a million here; subtract a million here, if you're trying to make it deficit proof. Add a million to function for Health and Human Services. Take a million out of general government because there's waste, fraud, and abuse. These, while they're not in the sense of earmarked targeting a particular program, project or activity back in a particular state, they are in that sense, yes, earmarks of saying we want to spend another million dollars for immunization.

Again, the thing that I think that was most disturbing to Senator Domenici over time, and to a lot of us, was these are political amendments. Because at the end of the day all of the discretionary spending, whether it's health, whether it's international affairs, whether it's for agriculture research, or whether it's for highways, it's all one big pot of money that goes over to the Appropriations Committee. They have to stay within the top line, but how they decide to divvy it up is their jurisdiction. That's where the control really lies, getting down to that level.

RITCHIE: Well, if a budget amendment had a lot of support to it, would that be a signal to the committee?

HOAGLAND: It would be. I think that's fair. Mr. [Arlen] Specter from Pennsylvania was always a very strong supporter of the National Institutes of Health and, invariably, over my last many years here—and I respect Senator Specter tremendously on this—but invariably, whatever number we put in for the National Institutes of Health, it wasn't enough. He did not come with a million-dollar request. These were add a hundred million, add four hundred million dollars over the amount. And if there was a vote, as there always would be because you couldn't filibuster a budget resolution, then that was something we did have to take into consideration when we went to conference. The House would say, "We don't have add that money." We'd say, "Well, we had a vote over here. And his vote was important for the passage of that resolution, so it's important

that we not just ignore that vote”—even though it may not have the same direct impact on the appropriations.

Also, I think, it impacted the decision later on which was the next step in this process that when it came time if we had a budget resolution conference agreement and we had the aggregate allocation, Mr. Specter could always go to the chairman of the Appropriations Committee and say, “We voted on the floor for that level of spending. I expect at least that amount of money to be allocated to my subcommittee when I go through the process.” Clearly, it did send a signal.

RITCHIE: What’s the role of the OMB in all of this? There’s that old line about the President proposes and the Congress disposes. Once they send up their budget, how active are they in fighting for it?

HOAGLAND: Well, I must say that in my experience, particularly over the last four to five years, they work very hard to achieve the top-level of spending. I mean, they may have a particular program and proposals, but in terms of where it’s become over the last many years, particularly this [George W. Bush] administration and even the previous [Bill Clinton] administration, was to set the level of discretionary spending. And they would fight very hard. Now, again, they don’t have anything to say about this in the sense that the President doesn’t sign the budget resolution. It’s a blueprint, a rule upon which then guides the rest of the action for the rest of the year. But they are actively involved in the process of trying to make sure that their budget, at least in the aggregate numbers, particularly for the upcoming fiscal year, is achieved.

The big one has been whether it relates to proposals such as tax cuts, tax reforms, or entitlement savings. In that particular regard, the administration puts forth a proposal to reduce the update for reimbursement for a Medicare payment system, and that becomes part of the debate in terms of where we want fiscal policy to go. Then that gets wrapped up into the reconciliation process. In that sense, they have played a very important role. It will be interesting to see this year—after what, twelve, fifteen years?—to see if they continue to have that rule with the control of the House and the Senate different than the White House. My sense is to expect divergence. They will not have as important a role at this stage and that the blueprint will be a congressional blueprint. At the same time, if the President lays out a budget that says: I’ve got to get the balance by some date

certain—2013—that will be a parameter that maybe Congress says, “Well, we can do that too but we’ll just do it differently.”

RITCHIE: Earlier on you used the word “assumption” when you were talking about figures. That reminds me of the famous story about the economist on a desert island with a can of tuna fish and no can opener. He says, “It’s simple to solve. First we assume we have a can opener.” Isn’t that true about the figures that the Budget Committee deals with? You assume that there will be such amount of tax revenue and that there won’t be any other emergency spending. How much of this is realistic and how much of it is just a good guess?

HOAGLAND: Well, first of all, I think the nature of making projections is exactly that. They’re projections. They’re estimates. Sometimes we’re better at it than other times. I have two thoughts on this. Number one, in order to make the process function, you have to have some starting point. That starting point could be off, but at least you’re always measuring from the starting point. The policies that come along are measured from that basis. I’ve always told people that they’re wrong. I can tell you right now, that projection is wrong. It’s not going to be right. I think I explained in one of my earlier comments to you about my faux pas as a young economist-statistician. I had made the mistake of telling a seasoned appropriator how I thought, why did you need this point estimate, this deterministic estimate? I knew, I was a statistician, that there was a standard area of the estimate around every point. He put me in my place by simply saying, “Young man, we don’t appropriate ranges, we appropriate dollars.” So I know that the projection’s wrong. To what degree is it going to be off? I don’t know, but at least we’re measuring changes and all starting from the same starting point.

There are unknowns, as you indicated. Acts of God that we can have no way of knowing. I don’t think there’s any way of knowing sometimes the acts of God: hurricanes, and tornadoes, and disasters, and floods, and drought. So that’s why in 1990 we began trying to figure out: Is there a way to budget within this uncertain world for emergencies? That also has become an issue over these last many years. Well, why didn’t you know that the Census Bureau was coming up with it’s decennial census? They do it every ten years. Why is that an emergency? But generally I believe we number one, start with a baseline and, number two, we know it’s going to not be perfect but it’s the basis upon which then we can function for that time period. Then we adjust.

The difficulty as I see it has been a real tough tradeoff. We know the further we go into the future, the more uncertain the estimate. So therefore, if we only budgeted for one year, we might be closer to the truth. Because fifty-some percent of the federal budget are in programs that really you can't control in the first year but because of the nature of their "entitlement" you're torn between doing something in the short term versus trying to focus on the long term. It's the long term where these programs have the biggest impact. Then I like to tell people that amongst everything else, the numbers may be wrong, but I'm certain of one thing and that is ten years from now we'll be ten years older than we are today. That's the problem. We know the demographics. If anything, demographics is the future that we're living with now. We know that's going to happen. So I accept the fact that we'll miss the turning point in the economy from time to time, but that's why, I guess, we do this on an annual basis, when we do the adjustments and proceed.

RITCHIE: Do you start with the CBO, their figures and their assumptions? Or is it the OMB's assumptions? Or do you combine the two?

HOAGLAND: Over my history on the Budget Committee and all those years, we certainly look at what CBO and OMB say in terms of their economic forecast. Maybe before I arrived in 1982, I'm not certain but I believe that maybe the budget committees simply adopted the administration's economic forecast. The famous [David] Stockman Magic Asterisk-type forecast. But in the time that I was on the Budget Committee, while we looked at the differences, it became obvious that the only way to really make this function even from a practical point of view, a logistical point of view, was to use CBO. You could question, but knowing that later on you were going to score legislation and CBO had produced a baseline, how are you going to ask CBO to go recalculate on the administration's economic forecast? It encumbered the system. So in my career up here, I have always said we go with CBO. You may not agree with them. It may be different than the administration in terms of the baseline. In fairness, and this is just tweaking it, there is a possibility for the budget committees to redefine something that CBO may have put into their baseline. But you state it up front. You start with the baseline and then you make adjustments to it.

The best example I can give is under the mechanics of this process that if in a particular year you have an emergency, for example, with Hurricanes Katrina and Rita,

we had a big appropriation for those disasters. Under the rules of producing these baselines, the Congressional Budget Office has no other authority but to take the last year's appropriation and inflate it to the future. Well then they're building in, as they have with the recent Iraqi War stuff, they're building in into the future that number. We know what it is and we can subtract it out when we're building our budget. So we can work within that baseline, adjusted for things. While we're not going to have—we hope we don't have another Katrina and Rita—therefore we can take that out of the baseline as projected into the future.

RITCHIE: Now why is the census an emergency?

HOAGLAND: It's my remembering that issue that we were running a surplus about then, for the first time in many years. In some ways, I always thought the best way to maintain fiscal discipline around here was to run deficits because when you run surpluses then people say, "Oh, well, what do you care?" What happened was in that year the appropriators had basically filled up the water glass from the allocation that had been given to them. They knew we had to do the census. So as one way to make room for non-census activities, they just simply said we'll make the census an emergency and add it on top. Because designation of an emergency can be challenged but the designation of an emergency spending was outside of the allocation given to them and did not count against the budget. Now, of course, it obviously counted against the budget. It obviously was spending. But at least for enforcement purposes around here it did not count. To be honest, I think we were gamed on it that year. The appropriators went ahead and filled up the water glass all the way with what they had and said, "Oh my gosh, we forgot to do the census! Let's make the census an emergency."

RITCHIE: So in other words, the committees plan some maneuvers to try to get around the figures that you set for them?

HOAGLAND: They do, absolutely. And I'm not being critical, because I think part of the problem, particularly this year, some of the criticisms that have been appropriately leveled that the 109th Congress did not finish it's work, but they didn't finish their work also in the 107th Congress either. It was the same situation. In fact, I'm trying to write a paper for a university about this issue, what it seems to me we have to recognize is that—and earmarks is a prime example of this—where the restraint that's

been imposed by the budget resolution on appropriations may have been unrealistic. It's just politically unrealistic. Now for the last many years it's been the President's level and we have gone along with it. But the reality is that what the President wanted was never really vetted up here. So you were torn between this. You had members saying: "We'll find ways to stay within this. We don't have to do everything at present, but we'll stay within it." But when it got right down you couldn't do that. When it came time to pass the bills, and particularly this year as it relates to Labor HHS, you couldn't make it fit. You adopted something in the spring that as Mr. [David] Obey would say, was completely unrealistic and completely unprofessional and now you expect us to live by. It's not going to happen.

So that's when the emergencies start appearing because, well, that number that the budget resolution adopted was never anything that would ever have been enforced anyway. I think there's some truth to that over time. I think also because this last many years the real pressure on spending has not been, unfortunately, on that fifty percent of the budget on the entitlements. It has not been on defense, either. I can be assured of that. It's been this seventeen or eighteen percent of the budget known as non-defense/non-homeland security. It has been squeezed. But for the average American out there, I bet when they think of government—highways, sewer systems, inland water ways, research, land-grant colleges, National Institutes of Health, National Science Foundation, Post Office—they're probably thinking about that seventeen percent. And the education budget, it's all in that little seventeen percent, and that's been squeezed rather dramatically. I think that has precipitated this conflict about a unrealistic budget and unenforceable and therefore resulting in emergency designations.

I would go one step further. I'm not a defender of "earmarks" in the appropriation process. I'm perfectly willing to say that's not necessary. But if you were elected to represent your district back home, or your state, and you see restraint on this top line of discretionary spending, you then say, "Well, if it's going to be that restrained, I at least want a piece of that for my district, or my home, or something I believe is important. First Amendments rights, it seems to me, the right to petition your government, they have a right for that. So I have a theory, though I probably can't prove it, that the growth of earmarks has been a direct function of the fact that that area of the budget has been the area that's been squeezed the most over the last many years.

RITCHIE: Rather than people going to the appropriating committees, they look out for one individual senator who's going to slip an earmark into it some way or another.

HOAGLAND: Right.

RITCHIE: So there's no hearing on it. There's no the traditional process.

HOAGLAND: Yes, and again, this is an issue that's popular today, on the front page and all that, but it's not like the administration doesn't have its own earmarks. When the President submits his budget, it may not be in the big budget appendix document, but if you go beyond the budget appendix and go to the agencies' budgets that back up that, which we call the explanatory notes, I can assure you, because I've done this, that the Department of Energy, the Corps of Engineers, has a list of projects. Now that's what they plan to do. Of course, they would like to say, "We're going to do these projects." If somebody says, "Wait a minute, you in the administration how you are going to output that. I'd like to rethink that." Then that becomes a congressional earmark. But I just want to balance it to say it's not like the administration doesn't earmark its requested funding around here also. Maybe I'm overstating it, but I think the earmark issue first of all doesn't have that big of an impact on the fiscal, because it doesn't change the top line. Maybe it's more efficient and more transparent, I'm all for that. But to suggest that the administration, when they submit a budget, hasn't thought about how they plan to "earmark" the funds, I think is a little bit misinformed.

RITCHIE: How well monitored is all of this? Is the press doing a good job in following the budget process? When you picked up the newspapers after things you were involved in, did you think that they were getting the stories straight?

HOAGLAND: I think like every profession, I guess, you have those people who really dig. Those reporters who dig and do good work and really work to get to the facts. I think they do a good job. Generally, I'm not critical of the "fourth estate," if you like. I think they do a good job. It's complicated and I think that at the national level they certainly try to present the facts in a fair manner. What I see is you get kind of down below that into what various trade group newsletters, where I get a little bit more upset with what they report. Again, it's focusing on their particular issue and they can't understand the trade-offs that have to go on within the big scene. But I'm not going to be

critical of other people. They do the best they can. It is not a totally transparent process in and of itself to begin with, but I think they get the right idea.

The biggest problem is communicating to the American public out there, from what I can tell. I remember a number of times receiving phone calls from my mother and we'd worked in the spring to get a budget resolution done, and it was passed, and the press would report, "Congress adopts a budget." Then lo and behold we're here in August and September and October and we're passing the budget again. It was the disconnect between the budget blueprint and then the implementation of that budget. She'd say, "I thought you did that in the spring." That probably is lost a little bit, that this is a total process. You don't just adopt a budget resolution and everything's finished. That's just the start of the process.

RITCHIE: Well, what is the next step, then, after you've adopted the first resolution?

HOAGLAND: After you adopt a budget resolution and the conference agreement has been agreed to, of course, the first thing I always tell people is it stops, technically. It doesn't go to the President. He doesn't sign it. It becomes a rule. As I look at it, a rule upon which then the Senate and House proceed to then begin to implement that blueprint. That then takes the blueprint and we provide in the budget resolution and the report language does the allocations to the committees of jurisdiction. How much goes to the Appropriations? How much, particularly discretionary, all goes to the Appropriations Committee? How much then goes in terms of entitlement spending if it's to the Finance Committee or to the Agriculture Committee? What was assumed and what was built into this blueprint for spending for agriculture? It's mandatory spending then that gets allocated.

And so each committee, the next process—really the green eyeshade process—is to take the blueprint and then divvy it up. It's what we call "cross-walking" the budget resolution to the committees of jurisdiction. It's a term we used to use. Then the committees now have an allocation and now they start their process of actually passing their legislation, if it's an appropriation bill, to live within that blueprint. For the appropriation process there's a little bit more. Another step is required. They receive one lump sum of money—843 billion dollars, I believe the number was this year. Their next

step on each one of the appropriation committees is to take that and divvy it up to their subcommittees' jurisdictions. Then the subcommittees build their reported bills not to exceed their allocation. Same thing for the authorizing committees with entitlement jurisdiction. We may have provided them with additional assumption of spending built into this. Then they can go ahead and start reporting legislation that's a change to current policy, going back to the baseline. Then they proceed with reporting their legislation.

The big issue then comes to what we call the enforcement of the blueprint. Adoption, allocation, enforcement. Now it requires as this legislation is reported from these particular committees of jurisdiction, have they stayed within their allocation? This "score keeping" process is a little bit behind the scenes, but it's basically the Congressional Budget Office receives the legislation as it's reported from the committee, and goes through the scoring of the legislation. Again, all tied back to the baseline from where they started. They provide the scoring of that particular legislation to the budget committees. In fact, they provide it to anybody that wants it. And then the question becomes when that legislation comes to the floor, has it violated the blueprint that we adopted? Have they spent more? Or have they cut taxes more than we assumed? If they have, then the enforcement process kicks into gear and that is any United States Senator—the House has its different rules and from my perspective the House simply waves the points of order—but in the United States Senate, any Senator could stand up and say, "Mr. President, the bill before us violates the allocation that we gave to them under the budget resolution and therefore, Mr. President, I raise a Budget Act point of order that it is in violation."

Unless the mover of the legislation stands up and says, "Mr. President, I move to waive the Budget Act for the legislation before us." If he does that, he then will for a vote, but to waive the Budget Act requires sixty votes. We know that because the Senate has been so evenly divided, that sixty votes, particularly on a Budget Act, is a very, very important vote. It's not to say that we don't waive the Budget Act. I think we do waive the Budget Act sometimes simply because the scoring says you've violated it. The prescription drug benefit of a few years ago did not quite meet exactly what was assumed in the budget resolution. There was a Budget Act point of order. Sometimes these violations are well within the standard error of the estimate. Who knows? But they are. Other times they're *de minimis* and people will just say, "Fine, a million dollars. What's that in a 2.7 trillion dollar budget?" But the enforcement process is very important

because if that Budget Act point of order is not waived then the bill falls, the amendment falls, it's kaput. It's done. So it is an important process.

RITCHIE: Now when the senators stand up and make the point that they've overshot the budget, has your staff been alerting them on any of this? Are you the ones who are monitoring what these committees are doing?

HOAGLAND: Oh, yes. That's a good question. Usually what happens is we have monitored the legislation. As I say, after the staff have put together the budget blueprint they move into the enforcement. They step back. They let the committees go to work. But then they track the legislation and they work with the Congressional Budget Office, and quite frankly, over years, the good committees are sophisticated enough now also not to have to necessarily go through the Budget Committee, but actually go to CBO and say, "We're reporting. How will this score?" Usually, it has become more frequent that the committees reporting will work with CBO directly themselves to make sure. "Well should we change it here? Change it there? How should we do it so that we're not violating it?"

But we track it and then we report that. Normally what we do is just simply tell the parliamentarian, because we don't know if anybody will raise the point of order. They may not, in which case our responsibility at the staff level is to make sure that the parliamentarian is—he never—I won't say never, but hardly ever looks beyond numbers. If the Budget Committee says it violates, he says it violates.

RITCHIE: What does he do?

HOAGLAND: What he does is he's got the information and if then some senator stand up and says it violates, he can say, "Yeah, it does." What usually happens is that nobody's blind sided on this. If somebody's going to raise the point of order, that to the extent is still the old Senate. Courtesies are: I go over and tell the senator I'm going to raise a point of order. If he knows that you're going to raise a point of order, he goes over to the parliamentarian or he checks with his Budget Committee staff, "Yes, the point of order is well-founded." Then he is prepared to move to waive the point of order and he may win or he may lose.

Senator [Judd] Gregg had a number of examples this last year. I think the highway bill was one of them. A couple of others where my old boss, the former chairman of the Budget Committee, on the energy bill, had violations to the Budget Act. There was tension between the former chairman and the current chairman in the year 2005 over that. But the Budget Act was waived for the old chairman, not for the new chairman. The new chairman lost. He wasn't able to stop the energy bill.

RITCHIE: Well, I suppose, to some degree it also suggests that if you can build a consensus behind a particular bill, then that's an important part of the process.

HOAGLAND: I think the consensus is, you know, you're talking about a super majority. You're talking about more than just a simple majority, which is important. Again, I think they found, whether they knew it or not, there is something to be said about what started out this discussion, about they're estimates. They could be off. The best example I can give you right now is—it just hit me—that the prescription drug bill, which violated the Budget Act. I think it was close on the dollars, but since it was a sensitive enough initiative, somebody raised the point of order. I recall that Senator [Trent] Lott was under a tremendous amount of pressure. He was the sixtieth vote, I believe, to waive it and he went along with it. He didn't like it, but he did it. Looking back today, if you looked at the latest estimates, the CBO has reduced its estimates from what it had at the time by thirty percent. So it does say: You didn't like waiving it, but look, it's not costing what you thought at the time by nearly thirty percent. So it's back to my old idea that there is some flexibility in the system because they are estimates. I don't know if it helps Mr. Lott today. He may still not like the program, but at least I can say to him, "It's not violating the Budget Act like you thought it was."

RITCHIE: At what point in this process does reconciliation play a role? That's one thing I've never quite understood.

HOAGLAND: Reconciliation comes into this in the sense that we know how we can control appropriations on an annual basis because that's discretionary and that's a number. How much do we give to the appropriators? Reconciliation comes into this when that budget resolution—it's probably one of the most important aspects when preparing a budget resolution—when that budget resolution is being put together, and there is a recognition that we want to make some changes in mandatory programs.

Programs that are not subject to the annual appropriation process. The only way to control that program is to change the underlying statute. Change the reimbursement rates for farm program, for the price support program for corn. Or change the reimbursement rate to a hospital. To change the COLA benefit for a Social Security recipient. The only way you're going to achieve—I hate the word, but we'll try it—effectuate the reduction or the increase in that program from a baseline is to take that particular mandatory program and, not an appropriation program, and say, “Committee of jurisdiction: Finance. Report to the Budget Committee by a date certain changes of laws within your jurisdiction to achieve a dollar amount of savings.” That is a reconciliation instruction, and that is imbedded within that budget blueprint resolution.

It's important here, and I think you're on to something that's very, very critical in this process, the adoption of a budget resolution is a simple majority vote. It doesn't require sixty votes. If that budget resolution includes a reconciliation instruction, then it sets in place an instruction to a Finance Committee or a Ways and Means Committee to make changes in laws and to report back to the Budget Committee some time in the future those changes that they bundle up. That bill then comes to the Budget Committee. Those pieces come to maybe one committee or maybe more than one committee, and usually it has to be more than one committee. If it's one committee, it goes straight to the floor. But say the Agriculture Committee and the Veterans Committee, the HELP Committee, the Finance Committee, they take these and they all report to the Budget Committee by a date certain. Usually it's in the middle of July under the process, if it works appropriately. The Budget Committee bundles this up and it's called a reconciliation bill. By law, the Budget Committee can do nothing more than just report what's been given to them. That then goes to the floor. It is a reconciliation bill. It is expedited. Now we're talking about implementation of the blueprint. Since the blueprint is simply a set of numbers and doesn't go to the President, how do we get these savings? Well, you have to pass a law. You have to change the reimbursement rates.

So this bill, called a reconciliation bill, then goes to the floor. What's important here is it is not filibusterable. It doesn't require sixty votes. And that there are limits in terms of the amount of minutes. So interestingly enough, some very controversial pieces of legislation, tax cuts over the last few years, changes in farm price support programs, the example I gave earlier with Dole/Domenici, changes in the Social Security program, were considered within that context of a bill that time-limited on debate, twenty-five

hours. Time-limited on amendments on the floor. And once it passed, you couldn't filibuster it and it didn't require sixty votes. Then a conference with the House and, the same situation, goes to the President.

So reconciliation is the only way we have found to make changes in entitlement programs or revenue programs. Up until I think up until about 2000 or 2001, the assumption was the language in the Budget Act simply says that the Budget Committee can instruct committees to make changes in laws within their jurisdiction to carry out the purposes of the budget program. What became very controversial, and it still to this day—I think the House in its own rules recently has changed this—is that that says you can add to the deficit or you can reduce it. It doesn't matter. It says, "Just make changes." So if that blueprint, that budget resolution, said, "We want tax cuts." Well that's going to add to the deficit. I thought the budget process was to reduce the deficit. Well, no. Back when the first time we used that in a big way, we were projecting surpluses. We were reducing the surplus. We weren't increasing the deficit. We were reducing the taxes on the American public. It has become an issue as to whether or not reconciliation should only be used for reducing the deficit and not for increasing the deficit. But the way the law is written, it is straightforward: Just make changes. Those changes could be positive and they could be negative as it relates to the fiscal situation of the country.

RITCHIE: Now what about the Byrd Amendment?

HOAGLAND: [laughs] Oh boy! Man, you've got this stuff down, Don. The Byrd Amendment—gosh, I have been here a long time, haven't I? What this was goes back to reconciliation. And my recollection is that this was because of Senator [Ernest] Hollings that the Byrd Rule came about. I hope I'm right on this. I think I am. We were passing reconciliation and so we instructed the Commerce Committee to change some fees. Again, it's a reconciliation; fast tracked, expedited, can't filibuster. If I remember this correctly, Senator Hollings said he didn't want to do the reconciliation savings anyway that he was instructed to do under that budget resolution, which I think was done under Lawton Chiles that year. He said, "Fine, if I have to do this then I have a trade bill that I have been trying to get considered." It was a textile bill. "And I can't get it considered on the Senate floor under normal procedures. So when they reconcile me, I'm just going to put that into the bill. My response back to the Budget Committee is: "I'll give you your fees that you want for deficit reduction. But you're also going to get the

changes in the trade law that I have been trying to get through.”

As I said, the Budget Committee is not authorized to make any changes. They can only report that which was given to them. This was before the Byrd Rule. What became clear was: Well, my gosh, senators and chairmen who had legislation that was stymied could use this process to do completely unrelated budget fiscal policy issues and get it fast-tracked, non-filibustered, and through the United States Senate. There could be an amendment on the floor to strike it, but remember that’s a majority vote. But that’s better than having to find sixty votes if there was a filibuster.

Rick Brandon, who was the staff director for Senator Chiles at the time, realized we had a problem. Out of that then came one of the changes to the Budget Act in 1987-88, Senator Byrd took credit for this, he was the genesis behind it, which said that, okay, within a reconciliation bill here’s a series of criteria. It had to, first of all, have fiscal consequences. It couldn’t produce new authorizations. It also said that you couldn’t add to the deficit outside the window of the reconciliation structure. So we have this perverse outcome sometimes that we have reconciled tax cuts, as an example, for ten years, but if we had continued those tax cuts beyond ten years, that would have affected the surplus or deficit and so you had to sunset these. Part of the problems with the tax policies in this country sometimes point right back to the Budget Committee because reconciliation says you can’t make these things permanent—in reconciliation. Now you want to make them permanent outside of reconciliation? Go right ahead, but face the full debate amendment process. So the Byrd Rule was intended, and still to this day, to make sure that reconciliation is limited to fiscal policy issues.

RITCHIE: I recall it came up in 1993 when the Clinton health plan was being considered. Leon Panetta, who was chairman of the House Budget Committee, actually recommended to the White House that they do it via reconciliation, and Senator Byrd said—

HOAGLAND: He said no. Another example came up that we were going to do prescription drug benefits. There were a lot of people who said, “Well, let’s just put it into reconciliation.” Including some of my leadership. This was massive legislation. First of all, it’s spending legislation. It includes rules, regulations, implementation, lots of things that are unrelated to effectuating—again, that word I hate—the budget blueprint.

So I argued, “Listen, just like Clinton health care, you should not be using reconciliation for major policy changes that affect so many people.” Now, some people would argue well that should apply to taxes too, but taxes is simply changing a number. Changing the rate from fifteen percent to ten percent. It had major fiscal consequences, but it was not a major setting up a whole new program or something like that. But you’re right.

RITCHIE: Reconciliation is so seductive, because it gets you around all the obstacles that normally have to be overcome.

HOAGLAND: Right, right. It’s interesting.

RITCHIE: Well, I was reading an article that you wrote in 1999 about the Ghosts of Christmas Past and Present in the budget process, which I enjoyed very much.¹ You had a statistic that caught my attention. You said that in all the years—and I guess at that point it had been twenty-five years since the Budget Act had gone into effect—the federal deficit had risen from half a trillion to 5.5 trillion. That raises this question as to why this system that is so elaborate, with all these checks and balances, somehow didn’t control the budget?

HOAGLAND: Yes, I hope I’m not repeating myself here, but I do not think that when you go back and look at the corpus of the Budget Act of 1974, that the Budget Act necessarily had a specific policy outcome envisioned. I think the Budget Act, initially, was truly an accounting device. In the sense of providing some transparency, obviously some shift of more power to the Congress from the Executive over fiscal policy. Quite frankly, I believe that the Budget Act was neutral. If you want to run deficits, run deficits. If you want to run surpluses or if you want to balance, you can do it. I don’t think it started out with a particular goal in mind. It began with the idea of making the elected officials aware of the consequences of the decisions they were making. I think that changed with Gramm-Rudman-Hollings, which comes along in 1985. That changed fundamentally the Budget Act in the sense that it now had a policy outcome and vision and that was to get to balance. And obviously that’s not happened.

¹G. William Hoagland, “Federal Fiscal Policy: Past, Present and Future (or, Be Careful What You Wish For, It May Come Back to Haunt You),” *Public Budgeting & Finance* (Fall, 1999), 88-96.

Gramm-Rudman, in many ways has expired. Pay-go expired in 2002. We try to enforce through tools that we have but I just would simply say that it is, for those of us who still believe deficits matter and balance should be required, it is one of the sad things about the process that we have not been able to achieve that. Again, that process can only go so far. It still requires leadership and the political will to live up to those objectives. I don't think there has been a political will over the last few years. People said deficits don't really matter. Maybe that's changing here.

So we've gone through these cycles. Since 2001 particularly, I don't think people have felt nearly as strongly about the deficit as an issue. Usually, in these polls it doesn't show up. But again, I believe that they do have consequences. I call it the proverbial termites under the front porch. Deficits will continue to undercut our long-term prosperity.

RITCHIE: Well you also mentioned the Ghost of Christmas Future, you say that the demographics are working against us as the population ages, especially when it comes to Social Security and Medicare. Those are essentially political decisions rather than budget decision. People have got to make some hard choices.

HOAGLAND: Yes, and I would simply pick that up by saying I have a paper that I'm working on next week juxtaposing those major issues, while they are political they are huge fiscal issues too. What I would argue is that part of the reason for the focus on earmarks is that it's easier to attack earmarks than it is to do the kinds of changes that might be required to address that Ghost of Christmas Future. If we don't figure out a way to balance our income with our out goal that is back to our projections, I am certain demographics will drive those programs into the future. How to balance that are very, very difficult political decisions and not popular political decisions, either. Raise taxes, reduce benefits, are not things that members of Congress like to consider when they're out on the stump running for reelection.

RITCHIE: The last time there seemed to be any really serious accomplishment was when Dole and Moynihan and Claude Pepper got through the Social Security revisions in the Reagan administration.

HOAGLAND: [Alan] Greenspan. The Greenspan Commission. We were faced, as I recall, that was when I first started working on the budget, we were faced with a crisis. The crisis was literally we couldn't send out Social Security checks. That was within six months or something. So that's the fear I have is that we will survive, but we'll wait until the bitter end to make the adjustments that are necessary. If the adjustments would be done over a period of time, then that might be lesser of an impact. We wouldn't have to do quite as much when the crisis actually hits.

On Social Security, it's obviously very political. Again, a very important program. A major program in the social contract of the United States, as are Medicare and Medicaid. But how we make these changes is very difficult to convince, first of all, the American public, in some ways, that we have to do anything. But second of all, to convince the leadership around and elected officials that, yes, they do need be making these changes. It is the most difficult aspect of this whole budget process.

RITCHIE: I always thought that one of the advantages that Reagan had was that he had half of a Republican Congress and half of a Democratic Congress. That sort of forced a compromise on the issue. It wasn't one party's chore versus the other.

HOAGLAND: Senator Domenici many times used to say that the only solution to this was "simultaneity." He used the term "simultaneity" a lot. I don't know if that word actually exists, but he felt that the only way you were going to address the issue is if we all kind of joined hands, Republicans and Democrats and walked the plank together. In some ways that's what we did in 1997, when we were able to get an agreement with a Republican controlled Congress and Democratic sitting President. We gave and they gave. We gave on some issues and I think that's the essence of the political process. We haven't been able to achieve that kind of a negotiation that we started the discussion with because we've only been negotiating with one side of the table for the last few years.

RITCHIE: When you were a staff director on the Budget Committee, or head of the staff on the minority side, who did you find to be the easiest people to deal with on the other side of the table? In other words, your ranking minority member and others.

HOAGLAND: Well, Lawton Chiles definitely was good to work with. At that particular time, though he wasn't on the committee, he had a major impact, I found it very

easy to work with Senator Bob Kerrey. That's because I think he and Senator John Danforth and Senator Moynihan and others kind of had the same concerns that I had. Maybe that's why I could work with them. Senator Sam Nunn again was not on the committee, but certainly one who I could work with very easily as it relates to some of the social policies we were dealing with back then. It may sound odd, but Senator Harry Reid. He was, for a long period of time there while I was there he was the whip. Senator Domenici and I could never have made it through a number of those budget resolutions and vote-a-thons without Senator Reid. He was a blessing. He helped control. And to be honest with you, George Mitchell, too. Senator Mitchell was somebody that I personally could work with. We wanted to get things done and wanted to keep the process moving. So I was blessed with having been able to know those senators and respect those senators to this day. Some, obviously, have gone on. But those are the ones that come to my mind immediately.

RITCHIE: Were there some who gave you more trouble than others?

HOAGLAND: Well, a senator from New Jersey, Bill Bradley, seemed to give me a little bit of a rough time, and I don't know why that was. But Bill Bradley made some conflicts on the floor. They were minor issues, I'm sure, looking back on it. Part of it, I'm sure, was my naivete as a young staffer at the time. I should add that Senator Byrd was always helpful. He understood the institution, of course, and the process. I hate to say it, but I'm trying to think of senators who gave me a rough time and not too many come to my mind. Some on my side [laughs] may have been a little more difficult to deal with at times.

But, listen, I considered my role to be a staffer. They are the ones with the certificate of election. I tried to respect their position because they were here because of the American public and their constituency. So I did not necessarily feel it was my role to argue strenuously if a position was something against where they were coming from. Again, they were the elected official and I was the staff person. I never forgot my role.

RITCHIE: They were the ones that ultimately had to vote, too.

HOAGLAND: That's true.

RITCHIE: Well, looking over the budget process and knowing that you had so much to do with it over the years, if you were sitting down with the Rules Committee and you could make a change in the process, what do you think would be the best adjustments to it?

HOAGLAND: Well if I had that kind of power, I would recommend that we change the Budget Committee to make it an “A” committee as opposed to a “B” committee. Then I would raise the stature of the Budget Committee by making it a “leadership committee.” I would make it so that the majority leader and the minority leader and the chairmen and ranking members of the major fiscal policy committees; Finance, Appropriations, probably the HELP Committee today, Commerce Committee, those major fiscal policy committees. I would make it a requirement they’d be a member of the Budget Committee. The reason I would have it done this way is so that they, as the leadership and the chairmen of the major fiscal committees, have a buy-in to the product at the beginning of the process instead of being at the end of the process saying, “This damn Budget Committee has imposed this upon me and it never made any sense when they did it,” and yada yada yada. If they were made a part of the process early on, I think that might help in the decision-making process later on for the implementation.

This is a hard one that I’m about to tell you, and my Appropriations staff friends will just scream and holler. I also think, going back to where we were discussing earlier, it’s just a number, who cares? I would have the budget committees, when they adopt a budget resolution, make it *enforceable*. Make it what we call a 302B allocation. In other words, I want to set what the level goes into appropriations to the Defense committee, to the Foreign Ops Committee, to the HELP Committee. I would say if we’re going to vote on the floor to add money to for HHS [Health and Human Services], essentially through the National Institutes of Health, I would make sure that there is a 302B that comes out of the Budget Committee that’s enforceable on the appropriators. That a problem for the appropriators, but I think that would be one other major change.

Then finally on the entitlements side, and in terms of the process itself, the difficulty I’ve seen with the reconciliation process is that we give a one-year instruction, “report back to us in the first year,” and then maybe five and ten years. But they’re aggregates and as a consequence, particularly I’ve seen this with the Finance Committee and the Ways and Means Committee, they’ll hit the first year and then those years that

follow you start seeing strange things to gain the system a little bit by “sunsetting” a tax cut much earlier than the ten-year window. They know what’s happening: they’re going to force another extension. So they’ve been able to take this instruction and even parley it into something that may cost us even more in the long run. What would I do? Again, this would be very controversial. I would say that the Budget Committee, when it reconciles, not reconcile one and at five and a ten years, but reconcile *each* year. That they have to produce a policy that meets the instruction each year instead of gaining those over a ten year period.

I have warmed up to, though I realize it’s still not entirely popular, the idea of some form of changing the budget and appropriation process from an annual process into a biannual. There are limitations to that proposal, but I’ve come to the conclusion that we spend too much time on adopting a budget resolution, passing and appropriation bill, trying to enforce those appropriation bills, and that that time spent subtracts from other legitimate work of the Congress as it relates to the oversight and authorization process.

Part of the reason why Congress failed to get its work done last year was because we were doing other things besides appropriations. I’m not sure I would have agreed with the things we were doing, but other major issues that come before the country; stem cell research, and some of those kinds of issues. As a consequence, Congress and the Senate does not have the time, it seems to me. I feel for a United States senator with all the issues that they have to deal with, and running for election, and constituents, and fund-raising. How can they possibly fully grasp the issue? I think the budget process—I mean budget and appropriations—has consumed too much time to the expense of oversight and authorization. So I would have the budget resolution and appropriations take place in one year; the second session of a Congress be authorization. Or flip it. I don’t care how you do it. Probably I would do it so that the budget and appropriations takes place in the odd-numbered years so that you’re not doing it in election years. Those are some of the ideas.

RITCHIE: Well I know a lot of staff would second your suggestion. So many of them talk about how involved the budget and appropriations process is and then when you’re finished with it, it starts all over again in January. It’s a relentless process.

HOAGLAND: The criticism of it, of course, is that we'll have emergencies that will just increase the number of supplementals. My sense is, yes, it's kind of an adjustment, but it's maybe one supplemental, one major supplemental, not another thirteen bills. When we looked at it, back when Senator Domenici was pushing the idea, there was bipartisan support for it. I don't think Senator Byrd supports it. But what we found was that for the vast majority of those accounts in the federal budget, they're predictable. I mean, they're S&E accounts. You could do them for two years. You don't need to do it every year. There are those accounts that vary, but they're those accounts that have uncertainties associated with them. You're not going to do away with supplementals, but at least you're not running through another thirteen appropriation bills—I guess we've changed it back now to twelve.

RITCHIE: Well, thank you, this has been a wonderful account of a very convoluted process. But you made sense out of it all to me. I'd really like to do another session if you have the time. I'd like to talk about your time with the leadership, and then some general views about the Senate and how you've seen it change over the last twenty-five years or thirty years now.

HOAGLAND: Okay.

End of the Third Interview

THE SENATE LEADERSHIP

Interview #4

Thursday, August 30, 2007

RITCHIE: I wanted to ask you what life has been like after the U.S. Senate and how your new position has developed?

HOAGLAND: The new job, probably like most people after having left after similar lengths of government service, has been a transition, an adjustment period that most people would go through. My new position is as a policy director for a company called Cigna, which is involved heavily in health insurance and dental and vision, and other types of insurance programs. So most of my work has been very heavily involved in health insurance, which is topical today. Challenging, but similar in some way to the Senate work dealing with budgets: What are the cost drivers to health care,? Issue important both to the federal government in terms of its large health care programs, but also issues critical to the private sector.

It's been challenging making the adjustment. I find that corporate America has its own set of rules and procedures and its own bureaucracy. I also find that I'm learning that there are politics in corporate America as there are in the political environment on Capitol Hill. I like to say that at least on Capitol Hill I knew where they were coming from. Sometimes in corporate America you're not always exactly sure where the political winds are blowing. But it's been fascinating. It's been helpful to me to learn a lot about the private sector and particularly health care. I'm writing a lot and informing a lot of the managers of this large company, plus doing a lot of presentations out in the country related specifically to health care reform and the budget process and how they all interact. So it's almost a continuation of the same work that I was doing here.

I do miss the Senate. I do miss the Hill. From time to time I get nostalgic for the Senate, but when I go home at night and turn on the TV and see them in session at midnight or so I don't feel quite as nostalgic. But it's been an interesting transition.

RITCHIE: Well you're not far away. Cigna has its office six blocks down the bottom of Capitol Hill. Have they been in Washington for long or is this something new that they're doing?

HOAGLAND: Well, Cigna, as I'm learning, used to have a large operation in Washington, a large governmental affairs operation. Cigna went through a downturn back in about 2000 and they scaled back and basically eliminated the office here in Washington as they reorganized. They eliminated almost all of their jobs. They kept one person in Washington and she was a young lady who, in fact, worked up here on the Hill with Senator Spector and is from Philadelphia where the corporate headquarters is located. She stayed on—Kristen D'Amato—through that transition. They scaled it all back just to one person, and that's an awful lot being asked of one person for a very large company dealing with a very big issue. So they brought me in and basically tripled the size of the office now, because I brought in an assistant to help Kristen out and we are now a three-person office. It's still rather small, but Cigna did not have a major presence since 2001, and I think what they've identified, which everybody has identified, is that this domestic issue of health care and health care coverage and insurance and access to health care is going to be a major political battle. It is already and will continue to be in the 2008 campaign. They felt they needed somebody to represent the organization and provide management with updated, current information on policies impacting the health care industry.

I don't like to be referred to as a lobbyist. I don't consider myself a lobbyist. I have the luxury of *hiring* lobbyists to work for Cigna. One, as an example, former Senator Don Nickles has a small firm and he has some very good health care people that had worked on the Hill. So one of the first jobs I did was to hire Senator Nickles' firm to be an adjunct to our operation and to handle those kinds of issues of lobbying, which I do not want to do. It's balanced out in this town, since I think it's important that corporations be as nonpartisan as possible, by another counsel on retainer, Heather Podesta. So we have both ends of the political spectrum represented here. I think it's worked out real well. It has been a challenge for me, personally, as I learn how to work in this environment. How to work in the private sector and use these resources effectively.

But I find most of my work is educating—educating management and keeping them informed. A major bill that will be debated here—it has already been debated and will be on your agenda in September—will be the State Children's Health Insurance Program, SCHIP. Interestingly enough, a private sector corporation has interest in a bill like that because it does have some ramifications as to coverage of insurance. Also, one other aspect of this job is state health care reform, so as a large company we have

coverage in places such as Massachusetts and California and nearly all the states. We're having to follow what's going on at the state level, particularly in California, where major reforms are underway. So it's fascinating. It's interesting. It keeps my brain cells working and I think that's a key to any job, that you keep active and involved and interested in what you do.

RITCHIE: Historically, whenever the states become active and start driving policy, they tend to do very different things—there are very conservative states and liberal states—and pretty soon corporations face fifty different sets of rules. The impulse then is to suggest that the federal government do something so that we have a national standard on that issue.

HOAGLAND: Right, and I think that's why you're seeing states taking the lead, such as former Governor [Mitt] Romney in Massachusetts, although he now in the presidential campaign is not necessarily associating himself with the Massachusetts program that began, in fact, became effective on July 1st in terms of mandating insurance coverage. But you see California has taken a slightly different approach. You're right. What you'll see here, and I have already seen, is a great deal of activity at the state level that eventually will require, at some point, some standardization. Eventually, it will require some sort of federal coordination. And maybe what we're seeing—here I'm telling you, you're the historian—what you're seeing basically is the states as the great laboratories. The laboratories of experimentation are out there that will eventually may lead to some sort of federal standards. I'm not saying the states shouldn't have their own health care programs, but something like this requires probably a little bit more standardization, particularly as it relates to the private sector. You can't have fifty different kinds of rules and regulations. It adds to the complexity, adds to the cost, adds to the administrative, and makes it much more difficult for the consumer. So you're right, the states are major players right now, and will lead policy changes at the federal level.

RITCHIE: Do you find that there are any major misconceptions that people outside the government have about the way the Congress works or the Senate works that you've been able to help them with?

HOAGLAND: Oh, well, immediately I was asked to schedule meetings on Capitol Hill with members of Congress, both House and Senate, for my CEO, my Chief Executive Officer, the chairman of Cigna, Ed Hanway. We have done two now. In fact, I have a third set of meetings scheduled for later in September. I'm not sure that there's misconception as much as there is frustration with Congress. "Well, why can't they do this?" or "Why does it take so long?" "What's so complicated about this process?" When you're a CEO of a large corporation you snap your fingers and it happens. I've had to educate the corporate executives about how that's not the way Congress operates. It is a deliberative body, particularly the Senate. And these are difficult decisions. So, maybe there are misconceptions about the way we operate, but they are more along the lines of trying to educate people I work for, who may not have had government service, as to the complexities and beauty of the legislative process.

I have done work with the management of this company in the area of regulations issued from the executive branch. I have tried to bring the various pieces of the puzzle together and educate as to why it takes so long to get any decision made even after legislation has passed. I guess the one thing I can say—it's a little discouraging to me and a little bit down heartening, maybe I should have checked this out before I started to work for an insurance company—but a recent ABC/Wall Street Journal poll, just a couple of weeks ago, asked people about their confidence in certain institutions. The military is very high and Congress is very low, but it turned out that health insurance companies were even lower than Congress. In fact, they were the lowest. I guess I'm a little bit discouraged that I didn't realize how little respect there is for insurance companies.

They have a role to play. There is an issue here. The unfortunate circumstances in dealing with health insurance both here in Congress and in the private sector is understanding what are those factors that are driving the cost of health care. And unfortunately it's the insurance person at the end of the pipeline, after the doctors, and the hospitals, and everybody, that shows you the bill. So you take it out on the insurance company not realizing that, in some ways, it's the costs that are coming on down from higher in the stream. And you can see that. You can see that in the political process up here, that the doctors and the hospitals have a stronghold, but the insurance companies, oh, they're the bad guys. I guess this is a challenge, but at the same time being in the Budget Committee, as we discussed, was not popular either, so it's just my...what I'm doomed to be in life is to work for companies or institutions that people don't like.

RITCHIE: Well, whenever journalists ask me about why Congress ranks so low in those polls, I point out that journalists rank even lower.

HOAGLAND: [laughs] That's good. That's good.

RITCHIE: But, I suppose for the average citizen, the insurance company is the institution they have the most direct dealings with, just like with the government the Congress is the part of the government that citizens are going to deal with more directly—their members as opposed to the vast executive bureaucracy.

HOAGLAND: Particularly when you're sick and you go to the hospital and you want the care and you don't really worry about what the bill's going to be until the bill comes, and then who gets the bill is your insurance company and that's when I think then you're healthier now. "My gosh, I didn't realize it was going to cost this much and how much are my deductibles." And things of that nature. So it is a challenging area of business that requires a lot of attention. But it is also a major domestic issue. There's no question that somehow we have to find a way to lower the escalating costs of health care. Back to the budget, Medicare and Medicaid will just consume the entire budget by 2050. Twenty percent of GDP would be expended on Medicare and Medicaid. Well, that's the size of the federal budget today, about twenty percent. It will squeeze out everything else and that's a challenge.

RITCHIE: Let's go back to the fact that the Congress doesn't work the way people on the outside think it should work. It's slower and it's more frustrating and it has more steps to the process. I wanted to ask about your last position in the Senate, with the leadership. You spent most of your Senate career with the Budget Committee, but spent your last several years in the majority leader's office. How different does the Senate look from a majority leader's office than it does from a committee? What are the kinds of problems that a majority leader has to deal with?

HOAGLAND: Well, while the last four years of my career here in the Senate was spent with Senate majority leader Bill Frist, I will say that by the nature of what I had done before on the committee I had interactions with leadership and the leader's office, going back to my first arriving on the Budget Committee and working with the then majority leader Howard Baker. That's largely because Senator Domenici was the

chairman and he and Senator Baker worked together very closely. Budget was a key element of the leadership. It set everything. So I was very fortunate over the years, whether it was Senator Baker or Senator Dole, even when Senator Mitchell was majority leader on the Democratic side, all the way up to Senator Lott and then to Senator Frist's time. I even worked with Senator Daschle and his staff.

Because budget played such an important role across the board, we had ample opportunity to work with the leader's office on helping to set the agenda or the budget, and the budget then drove policy down to appropriations and final legislation. The difference I saw, at least with Senator Frist—and every majority leader's office operates probably a little differently than the previous one—was some majority leaders, and I'll go back to the beginning with Howard Baker, tended to give a lot more flexibility and discretion to the committees. Over time what I saw was more of a concentration of authority and power, in the leader's office. I did not have a good appreciation for the need for that when I was on the committee as I did when I was in the majority leader's office.

In the United States Senate, there are one hundred *prima donnas*. They all think that their issue is the most important issue. It *has* to be considered *right now*. Your heart goes out to the majority leader trying to set an agenda in this kind of an environment, the proverbial herding cats situation. So I developed a greater appreciation out of the majority leader's office for the difficulty that office has in trying to manage the great deliberative body. While I still think that the committees are critical to the basic functioning of this organization, and of getting the process started, I do have a better understanding for the challenges facing the leadership.

In the area of fiscal policy over my career, there was a tendency to set up task forces out of the leader's office. Now some complex issues might require that kind of a structure, an ad hoc structure of a task force where you took somebody from maybe the Budget Committee and the Energy Committee and the Commerce Committee because the issue is cross cutting. I think those task forces may not have been as successful because they didn't have the same structure, they didn't have the same authority, that a committee structure had. I'm not being critical of Senator Lott at all, because he had a number of problems that he had to deal with, but such things as setting up a Department of Homeland Security had many cross-cutting issues and many different committees of

jurisdiction. How do you bring those committees together and how do you bring about a proposal unless you somehow develop, as I say, in an ad hoc manner a new structure to the committee, which sometimes in its staid way may not have been the best structure for these major cross-cutting issues.

Senator Frist established very early on—and I was managing it at the staff level—something he called a “five and ten group.” We called it “nickle and dime.” It was bringing together, on a bipartisan basis, with not a lot of publicity given to it, groups to talk about issues. It ended up basically being just Republican members, but there were some young members and some of the older members. Senator Ted Stevens had been around for some time, Senator [Susan] Collins as an example, Senator [Norm] Coleman. Senator [Jon] Kyl at times. It was a mixture of senators, some freshman, some veterans, to try to come together on a monthly basis in a dinner setting for two hours without any cameras or staff involved (except myself to help organize it), to discuss the institution and what we thought it should look like five or ten years out into the future. Was the committee structure appropriate for the institution’s dealing with complex, challenging issues? Was it set up in a way to address those challenges that we expected to be coming and facing us in the future? It evolved into discussing what those challenges would be, whether they’d be immigration, energy, technology, the clash of civilizations issues, and other things. We would bring in outside prominent speakers. We brought in Alvin Toffler one time, the futurist. We had frank, off the record, hard discussions.

Once again, we ended up talking about the issues. We never got to the point of taking those and bringing them back and saying what does this mean for this institution? But I will give Senator Frist credit that he was thinking about the future of this institution in that context. At least it challenged some of the traditional thinking. Senator [Robert] Bennett was a member of that organization and was very thoughtful in thinking about issues in the future and what that might mean. So there were opportunities in the leader’s office to think outside the box. But unfortunately it was too infrequent because of the workload and the agenda just prevented you from having the time to spend I these discussions.

RITCHIE: It’s very interesting what you said about the task forces because that was essentially the way they dealt with the immigration bill this year. That’s a way of getting around maybe potentially obstructionist personalities on a committee, by creating

a task force of like-minded people. But Senator Specter gave some very interesting talks on the floor about how if they had followed the regular order and they had done it in the committee, they would have addressed a lot of the problems and amended the bill before it got to the floor.

HOAGLAND: Yes, right.

RITCHIE: As a result by doing it through the task force route, there were hundreds of amendments that were introduced that could perhaps have been accommodated earlier on in the committee.

HOAGLAND: I agree with you. I think that you've said it much better than I have. There is a reason why you have committees and if you try to go outside the committee structure it ought to be for very unique reasons. In this particular case, with the immigration bill, I concur. I think that the expertise was there to work it through the committee. You're not going to avoid the great deliberative body at all. You're not going to avoid those amendments, but at least you can follow the regular order to the maximum extent possible. In the long run, I think it always turns out to be better to try to follow regular order. Now, again, there are unique situations and I'm sure there are times when you can't do that. But those times should be unique and you should lean in the direction of the committee work product most of the time.

RITCHIE: Senator Lott was a creative leader in part because he had been a leader in the House. It's rare that somebody held a leadership position in the House and then came to a leadership position in the Senate. He seemed to be trying to import some of the House mechanisms for getting things done a little more efficiently: fill the amendment tree and things like that. Did you get a sense that he was different than Baker and Dole and Frist and others?

HOAGLAND: Oh, yes. I'm not so much sure about Frist, per se, but definitely when you think about Senator Baker and Senator Dole, particularly, both of whom I worked with for some time. Both of them were of this institution. Senator Dole, I believe, had been a member of the House, too, but only for a brief amount of time. But staff would—some of the older staff, and I guess I fell into that category—would from time to time say that former House members are trying to make the Senate more like the

House. It was obvious, I think, in some cases. And I can understand the frustration that Senator Lott and others would have with this process, but they were reflecting the ability to have a Rules Committee to move legislation quickly and get it done and out of the House and move it on. But some of the more senior, the older senators, who looked at this maybe from a different perspective saw that the Senate had a specific role here.

Again here I am talking to the historian who knows all of this more than I do, but I always used to say in my discussions with some of the younger staff: Don't you remember the story about Washington and Jefferson and the cup and the saucer, that we were the saucer to cool the hot passions of the House. Some of the staff will step back and they'll say, "You know, that's right." If you wanted it efficient and to run on time, you wouldn't have structured it the way you did. But that was not necessarily the goal. The goal, as I see it, was to be inclusive and democratic, and an opportunity to get in this environment as much input as possible to make the best decisions. You work it out eventually. But, yes, there were times when it was clear that former House members yearn for the days when the process would be similar to the House and its ability to truncate and cut off debate, move fast, limit the amount of amendments, and restrict, in fact, the amount of activity on the Senate floor.

It is an issue that I do think needs to be discussed, as to whether or not there are ways to change the process here in the Senate. Of course, in my area where I'm most familiar with was the idea of maybe some sort of a biennial budget. In one of the last interviews we discussed ways to change the process and the idea of some form of biennial budgeting and appropriation process that might free up more of the time could be one way to stay within what the founders thought was necessary for debate, but at the same time give more opportunity for members to debate broader issues rather than being forced into just a limited time, which meant from time to time not getting things done.

RITCHIE: You mentioned these dinners that you would have on looking at the future. Did you get a sense of frustration on the part of the senators? Or did they sort of accept the fact that this is the way the system works and we have to make the best of it?

HOAGLAND: I didn't get a sense of frustration. I got a sense of, first of all, appreciation—which was that we don't do enough of this. We don't, in an informal setting, step back and have an opportunity to think about the future. We're worried about

this bill or that bill or this next week or this campaign fund-raising event and we don't have an opportunity to look out into the future. So the first thing I took away from these was an appreciation for that opportunity they did not think they had in the current environment. In terms of frustration, yes, there was some. Very early on, Senator Stevens made a speech to the younger members about how when he was running for majority leader he made a speech about restructuring the committees to address the new world and the issues that we faced. He said he ended up failing miserably to win the position of the majority leader and he always thought it was because he had proposed restructuring. He said there's a lesson to be learned here, too, for leaders: You don't do this easily. Change comes with a price.

So there was that frustration. And in some ways, I guess, the failing of the "five and ten dinners" was that we never closed the loop. That's the problem of the future as it relates to energy. Should we have an energy commission? Do we restructure it? Should we have a joint committee? How should we approach this? We never really got back to thinking about the institution and the structures here in the institution to address what most of them agreed and, quite frankly, probably most people even that were not participating would agree were the challenges that faced the future: health care, the changing demographics, education in this country, our competitiveness position, the growth of China in the world market, security issues. These cultural issues, particularly these issues of a changing civilization, "clash of civilizations" issues, all of these things were there and that they discussed over this period of almost three or four years. But we never closed the loop. So what should we do here differently that we're not doing now? That's the frustration. Yes, that would be the frustration.

RITCHIE: Well, during the years that you were with Senator Frist you also had a Republican administration in the White House with its own ideas as to the legislative agenda. What kinds of pressures does that add to a Majority Leader when it's not just his majority party but it's also his president and his president's agenda that he has to deal with?

HOAGLAND: Every situation has its own peculiarities, and I believe that in this particular situation with Senator Frist as the Majority Leader having fallen into the position after Senator Lott was removed, the perception was, correctly or incorrectly, that Senator Frist owed his leadership position to the White House. That and his being

someone who never really held a leadership position before, and never was a chairman of a committee. Particularly for Senator Frist, it meant that he was dependent upon the advice and counsel of the White House.

I can only relate to the things that I was directly involved in. I was frustrated with some of the fiscal issues early on with the Bush administration—issues that I worked on. And I sometimes would let my frustration be known. Unfortunately, a couple of times it made it into the press. Interestingly enough, Senator Frist would get phone calls directly from the White House, whether it'd be Josh Bolton or others. Josh would have been OMB Director, I believe, at that time. Or Karl Rove. They'd call Frist directly to complain about Hoagland again. I thought, "Well boy, now I'm going to get the boom laid on me." And Senator Frist wouldn't do it. He said, "No, he has a right to express his opinion. He's loyal and I don't think a diversity of opinion is necessarily wrong on some very complicated issues." My mistake was that what I said should never have made it into the press, I guess.

So I think Senator Frist—you're asking me a hard question and I'm not filibustering here—but I think Senator Frist took a lot of direction from the administration. Over time, when he finally showed some independence on stem cell research, something he knew a lot about, I was extremely proud of him that he would show that there is a separation and that there is an independence here. But in fairness, I think he probably was overly dependent and that made my job a little bit more difficult because I wanted to be more independent of some of the policies from the administration. I think it added to his frustration. I think it became, for some people, it became: He's just in the back pocket of the administration. I don't think that's entirely true, but I can see how it developed over those years that he was there.

RITCHIE: I would think it would be a lot harder to be the majority leader if a president of your own party was in office. It was probably easier, in some respects, for Senator Lott when he was the majority leader to deal with President Clinton than it was for Senator Frist when George Bush was president. To some degree, when Senator Dole was the Republican Leader in the minority, all he had to do was to prevent the first President Bush's vetoes from being overridden.

HOAGLAND: Right, right.

RITCHIE: That only requires forty one votes and as long as you're obstructing something or objecting to something, you can actually be more cohesive and effective than if you are trying to do something in the Senate.

HOAGLAND: Absolutely.

RITCHIE: It's much more difficult to have a positive agenda.

HOAGLAND: In my career up here, as we discussed previously, there were low points and there were high points. The high point was probably the 1997 Balanced Budget Agreement, and that was a divided Congress and White House. The ability to give and take and to trade off forced compromise. It was a little bit easier—I say easier, but it allowed us to work together in a framework as opposed to just being a partisan taking whatever the president says. So yes, you are absolutely correct. It is much harder to be a majority leader when your president is in the same party, in some ways.

RITCHIE: It must have been frustrating for you on the budget side of it because this was a period when the government was going from surplus to deficit. We had war spending but we also had tax cuts going on at the same time. Did you think that there were alternative ways of dealing with some of these things?

HOAGLAND: Yes, and that is what caused some of my bosses to be frustrated with me at times because I still believe and will continue to believe that deficits do matter. I worked very hard with Senator Domenici, we tried our best to get to a balanced budget. We got there and then all of the sudden after a few years it goes back into deficits. It was frustrating in that sense. Now I will also say that I can rationalize the decisions that were made. We sometimes forget that when George Bush was running for President in 2000 that it was not only George Bush, but it was Al Gore who were basing their policies on a projection that had surpluses growing as far as the eye can see. I did agree that if that truly was the case that the surplus was really going to grow as was being projected at that time, about \$6.1 trillion over the next ten years, that there was a reason why there should be some reduction in those taxes. At the same time I think that the lesson to be learned from budgeting is that you should be flexible in policy projections when it comes to these numbers. They can change rather rapidly, as they did.

The rationalization again is I ended up working to help pass that first Bush tax cut bill because we had these projections of surpluses. But we also were going to spend money on prescription drugs out of that surplus. Then, of course, nine months after we had an attack on the country, and the bubble burst, and the economy turned, and those revenues dropped off, and we went from the largest surpluses to the largest deficits.

It was frustrating to have worked so hard to try to get to a balanced budget and then to see us back into the red. But then to continue after that, even to this day, to say that all we have to do is just keep extending more and more tax cuts on. I don't like taxes. Nobody likes taxes. But I don't know of any time in this country's history, correct me if I'm wrong on this, that we've had a major war that we haven't somehow sacrificed by paying for that war. When you add the fact that we now are close to—the numbers I looked at last night for the current activities in Iraq and Afghanistan is something close to \$750 billion, close to a trillion dollars. The president is requesting more here in the month of September. One would say maybe we should be sacrificing as those brave men and women are sacrificing and putting their life on the line over there are. We have the responsibility to fund this activity and not pass this debt onto future generations. So it has been frustrating, particularly in the last three years in the leader's office when I was not totally in sync with the policies of both the administration and the caucus.

The caucus also here turned conservative in the sense that tax cuts were the answer to everything. I guess it was a good time to leave the Senate maybe. I'm not proposing tax increases. I'm just saying you have to weigh these trade-offs and I think we should pay for what we're expending.

RITCHIE: That's the old guns and butter argument.

HOAGLAND: Sure.

RITCHIE: Of course, everybody thinks they could have both, but there comes a point when you have to make some decisions between them.

HOAGLAND: Right.

RITCHIE: You mentioned the Republican caucus. What's the role of the caucus in the leadership? How responsive is the leader to the caucus and how much does the caucus drive the leader?

HOAGLAND: The policy lunches that they had every Tuesday were an opportunity—quite frankly, I'm critical of the policy lunches because you would think they were going to talk about policy. But at the end of those policy lunches there would be from time to time, a particular issue and it would evolve into a Republican Conference, and that's basically where an issue was placed before the caucus. What I saw in that was that the leadership did listen to the caucus and particularly if it was put to a vote in the caucus, sometimes literally you could see that they did not want it to go to a vote in the caucus. But I think the leadership was receptive to and cognizant of the caucus. After all, they were there because the majority of the caucus had put them in that leadership position. So yes, I think they were. I think Senator Frist and Senator McConnell were always cognizant of and careful to listen to the conference and the positions it'd take.

I think my frustration with both policy lunches as well as conferences was that lots of times those particular senators who had a strong feeling about an issue and knew that it was different than where the majority was wouldn't even come. They wouldn't even show up and basically blew them off. You couldn't get the dialogue. You couldn't get the interaction. Also, by the time an issue got to the conference or the caucus, maybe the members had already made up their minds and there was no way to change them. Very few times can I say that I could see where there was an attitude or an issue where a conference may have changed a particular senator's position. If anything, the conferences were opportunities for senators who really hadn't made up their mind to listen. But you would come out of the conference and you wouldn't know whether they had changed their minds or taken a position. So they're useful dialogues; more interaction, more information, more exchange of ideas, but I believe to the extent that they took a position and were willing to take a position and you could hear it, then yes, the leaders would follow the conference caucuses pretty closely.

RITCHIE: Plus you had within the party you had the hardliners who wanted to push ahead. They were the same people who had objected to Senator Hatfield and rewrote the rules of the conference. Did you still have those sort of pockets of senators who wanted to go faster and further than the leadership was willing to go?

HOAGLAND: Yes, you had, during those four years that I was here, you had very strong feelings of Senator Santorum, Senator Kyl, Senator Sessions. The Steering Committee seemed to have a lot more input into this. I'm still, to this day, not clear where that organization gets its power. But the Steering Committee basically became the conservatives, but then people thought well I should attend that because that's where the decision's going to be made, whether they were conservative or not. So yes, all of those, there were some very strong conservative voices both in the conference and in leadership, and I always thought more conservative than Bill Frist was by his nature, but drove him, again, to follow the conservative line.

RITCHIE: Yes, it's hard to be a leader if you're not going in the same direction with the rest of the pack.

HOAGLAND: Yes, and these are very forceful individuals. Also if you are a young leader, and new to it, never having held a leadership position except for the Senatorial Committee, he recognized that he had to be more of a follower than a leader when it come to the caucus. Which is unfortunate because I think Senator Frist had a lot of intelligence and a lot of skills, but I don't think he could exercise them quite as much as I would have liked to have seen him do.

RITCHIE: There's one other piece of the puzzle: the leader of one party has to deal with the leader of the other party, because the rules of the Senate have always given the minority a greater voice than the rules of the House have. How did the Republican leadership deal with the Democratic leadership when you were there?

HOAGLAND: Well, I think that Senator Frist and Senator [Harry] Reid had a good working relationship. There were times, when pushed, that Senator Frist created problems for Senator Reid and there were some hard feelings. But overall I think Senator Reid respected Senator Frist, particularly respected him as to his medical background and his knowledge in medical issues of science and health. They would meet regularly meet to discuss the agenda and to schedule the issues.

I even recall that I was invited to a dinner, a social event, with the two of them. Senator Frist was a hunter. Kind of hard to believe, but he was a duck hunter. He and Senator Domenici had a duck roast from some of the ducks they had shot, ducks and

geese that they had hunted on the Eastern Shore. They came back in the spring and at Senator Frist's house had a dinner where they roasted their game. I was kindly invited to attend. Senator Reid came with his wife. Senator [Dianne] Feinstein came, Senator Lugar and Senator Domenici. I'm trying to remember who else was there. So on an informal basis they got along fine and that helped.

In fact this dinner, now that I think about it, this dinner was occurring right at the time—Marty Gold's stories will have to tell you more specifically—but this happened right at the time that Senator Frist was thinking about the “nuclear option,” changing the handling of judges. That was an issue that probably caused as much consternation and division as any between Senator Reid and Senator Frist. But overall, they met, they exchanged. I never heard a hard word between the two of them in any of the meetings that I was ever involved in. I'm sure there were disagreements, but both were gentlemen and respected each other. That was uplifting, at least to me. Now you go out and you engage in the battle and afterwards, may the best man win. As I said, most of the time I think Senator Frist was being pulled by his caucus one way and Senator Reid may have been pulled the other way. Had the two of them been left to their own devices they probably could have solved a lot of differences. But they both had to respect their individual members' wishes.

RITCHIE: You've mentioned a couple of social engagements for senators. Do you think there are enough or do you think that's one of the problems of the Senate these days, that they're here from Tuesday through Thursday and they don't socialize as much as they might have in the past?

HOAGLAND: It's a sad state that they don't have that opportunity to get to know one another more on a personal level and to interact. Time is so limited. I agree with you totally. Part of the “five and ten” dinners was a little bit of a hope to get more social interaction with both Democrats and Republicans. As it turned out, only one or a couple of dinners had Democratic participation. But it was a forcing activity. I wish it would be a lot more informal and a lot more of unplanned activities. But you're right, there should be more of that. But with the fund-raisers and campaigns and voting and in and out, I just don't think they get to know one another at the personal level like maybe it used to be in the old days when you didn't jump on a plane Thursday night to get back to your district.

RITCHIE: People have told me that sometimes the best socializing is when they go on a congressional delegation overseas, because at least they spend a little bit of time together and it's not always business.

HOAGLAND: Right, they have to. And usually their wives are with them too, which helps break the ice too. But it would be nice if there was more of that. Now with the new ethics rules they may not be able to. That may also restrict that kind of activity

RITCHIE: You've had over thirty years experience with the Senate. How different was the institution by the time you got to Senator Frist's leadership office than when you started? What kinds of changes did you really see over time?

HOAGLAND: The obvious one was first from a very macro level the polarization, more partisanship. A lot more driven by the policy committees, the party committees structure having more say, and driving the two parties apart. And the amount of money, the amount of campaign fund-raising activities. Maybe I wasn't directly involved in it early on when I first came here, maybe there was more of it, but it just seemed to me that as the years went on every evening you had to plan around these fund-raising events. There is more money involved in trying to run for office today than thirty years ago.

The structure—more policy decisions are driven by pollsters as opposed to substantive, analytical work. Press secretaries tell us what we should be doing. How does it play in the press as opposed to is that the right decision or not. I was critical of the leader's office that we had more press secretaries, speech writers, pollster-type people than we had analysts, tax counselors and budget analysts. Over time I saw a growing number in staff structure. It was not the MBA or not the person who had some practical experience in the operation of the IRS or the tax code, but I saw the offices—particularly the personal offices—tending to shift more and more toward the press secretary type. How do we spin it? I saw that change and it seemed to be a big change over time.

Communications. No question about it. When I first came here there was no such thing as computers. There was no such thing as email. People wrote the memorandums and used white out and typed over if you were sending out a memo. A Selectic typewriter is something that's just unbelievable to still see around here.

RITCHIE: Only in a historical office.

HOAGLAND: So I think that there's a lot to be said about how technology changed things. The other thing that changed dramatically was going from the squawk boxes and just having the sound on the floor versus the TV. The one thing that maybe Howard Baker and I would disagree with, I'm still not sure to this day that was the right decision [to televise Senate floor proceedings]. It's too late now. You're never going to turn that back. But what it did was on the floor more than anything else it seemed people were playing for the TV. So now you have these chart shows on the floor, all these charts. When I went to school you used a chart to educate and you didn't use it for props. Clearly, I don't think we would have had pictures of Katrina on the floor of the United States Senate, literally pictures, they weren't charts, they were pictures, on the floor before TV.

I accept that that's the way it's going to be. BlackBerrys constantly in touch, tethered to you. You're always on call, 24/7. No time for yourself. I don't know how I made it with raising two young children while I was up here. They're grown now and they're out on their own, and they're doing fine, so I guess my wife had a lot more to do with it than I did. But you see it's for a young person up here now. A person who doesn't have family commitments and is not as involved in their community. Not their church or their local community. This is their life. You are the Senate life. And I must admit that I was pretty subsumed by it too. But all this activity and things, over time, I honestly can't say I don't know if the legislative outcome, the legislation as it developed, was it any better quality-wise than it was when we didn't have all of this technology and activity?

Let me be fair, there are good things about technology. The ability for a lot of the work in the budgetary world, I'm so thankful for the technology and the computers to be able to tabulate and display quickly as compared to the old days when the budget arrived, it was this nightmare. All night long and all the way through with white outs and changes. So there are positive aspects to this but at the same time I'm just not totally convinced that the product is that much better or more thought through today than it was before all of this came about. Time goes on and I'm sure it will be fine, but those are the changes that stand out in my mind.

RITCHIE: Sometimes the technology becomes a substitute for the substance rather than an enhancement of it. People get caught up in the means of communication and less in what message they're communicating. You mentioned about press secretaries and I wanted to ask you: you were working in the middle of where everything was happening. When you went home at night and watched the news or you read the newspaper the next day, how good a job did the media do in covering what was happening up here?

HOAGLAND: I used to get home by the time the news was over with, so I didn't get to see it that much on the TV. In fact, I hardly ever watched the evening news. Oh, the other thing that's changed is TV now in your offices...C-SPAN is running or Fox News or CNBC all the time in your offices. So basically the news is right there, you don't even have to wait. You don't have to go home at 6 o'clock at night. It was there all the time in your face. But I used to kid my wife that if you make the news you don't have to watch the news.

But generally I'm not critical about the state of the news. I think that they have a tremendous amount of responsibility and a very, very difficult task to pull together some rather complex issues. Sometimes, in fact, I would say, "Darn it, I wish *I* had said it that way." They could take, by having to compress it down to making it intelligible in a short amount of time to the average viewer out there, I think they did a good job. I was more critical of the spin-off industry of all the various advocacy organizations. The flyers and the short newsletters which would present clearly their advocacy position. As was one who always was saying, "There are trade-offs here. Don't you see you have to provide both sides of the argument," Those kinds of operations have their job to do and they have their advocacy work cut out for them, but those are the kinds of pseudo-press activities that I found most frustrating and not very accurate and not telling the whole story. I'm not a big fan of lobbying activities, I guess. Recognizing the First Amendment that's absolutely everybody's right. Now that I work for a company, I should recognize that I have a right to petition my government. But I still have faith in the American public that they can see the two sides of an issue when it gets down to it.

RITCHIE: Were there any particular publications or journalists that you thought highly of?

HOAGLAND: Well, interestingly enough, I developed in my career up here a liking for two particular publications. I hate to say it but probably neither one of them would necessarily be considered American: *The Financial Times* and *The Economist*. Because of my background and because of what I did, both of them, I thought, did a wonderful job of reporting. Sometimes it's better for somebody outside the country to look in and you can get a better perspective. But to this day, I continue to get my *Financial Times* and *The Economist*. *The Financial Times*, particularly—there's a story, I don't know whether to put it on the record here, but if it's okay—I was invited to a conference—I never got invited very often—but I went to a conference in Berlin, Germany. It was put on by *The Financial Times*. In fact, they were going to pay for my wife, too. We arrived and were picked up at the airport and whisked off to the Avalon Hotel right there next to the Brandenburg Gate. I don't know if you've ever been there, but it's a beautiful old hotel. It was destroyed during the war and rebuilt. I thought, well this is a lot more than normal for a Hill staffer. I concluded that *The Financial Times*, which was putting this on, thought I was Jim Hoagland [the *Washington Post* columnist] instead of Bill Hoagland, because he writes a lot on international affairs.

When I was speaking to Martin Wolfe, who writes for *The Financial Times* a lot, I said, "Boy, I love this newspaper. And I love the fact that I don't have to turn from one page to another to finish a story." I don't know if you've ever seen *The Financial Times*, but you don't have to go from A1 to A16. It's all condensed on one page. He said that that has been an ongoing issue with *The Financial Times* for many, many years. You keep your article on one page so you don't have to flip back to A6 or A7. I guess I didn't realize it, but that's why I like that. And I think they do a great job.

Obviously *The Wall Street Journal*. Yes, *The Washington Post* and the *Roll Call* and *The Hill*, basically I tried to get through as much of that as I could. Now *National Journal* and *CQ*, I don't know how a Hill staffer can survive without the *National Journal* and *CQ*. We eventually got to *Congress Daily*, which I think is from *National Journal*. That one was essential that we saw at least that daily. And I dealt with many of those journalists, and I thought they did a good job. A tough job. A thankless job. But they did a decent job of presenting what the issues were and what was going on.

RITCHIE: There's an old saying in the press galleries that reporters love Congress and editors hate Congress, because a reporter can't walk through the building

without picking up a half a dozen stories, they can't sell most of those stories to their editors because the editors think they're too parochial. They're too focused on the institution and they don't appeal to a broader audience.

HOAGLAND: Interesting. Well, the audience, though, for that *Congress Daily* is really right here.

RITCHIE: The media has sort of divided up the audience so it knows who it's speaking to and therefore you get the specialized publications. Well, there's one other group I wanted to ask you about. I've seen you at the Wilson Center on some occasions where you've been invited to participate in conferences with political scientists and historians in discussing issues about Congress. I wondered what was your take on the scholarly community's view of this institution? Do they have a realistic sense of how Congress operates.

HOAGLAND: Well, some do and some don't. How's that? [laughs] I don't know where you draw the line on the scholarly and non-scholarly. I'm obviously not in the scholarly category, but organizations such as the Brookings Institution or the Woodrow Wilson Center—Don Wolfensberger does a great job, but he is what I would consider both knowledgeable, having worked here for those many years in the House, and has the academic background. Mr. [Tom] Mann over at Brookings, I think he has an understanding.

In the couple of conferences you and I were involved with—I thought the political scientists had over-thought the issue. This is snide on my part, but I don't think the professors of political science should qualify as professors of political science if they're going to talk about the federal process, without having had an internship in this institution somewhere. I'm not saying they don't. Probably many of them do. And I'm not saying they have to spend thirty-three years here either. But I think that this is a unique enough of a place that you can't really just read it in the *Congressional Record* and understand what's going on, without having some practical experience around here. My straight answer is I think some do a wonderful job and I think some of them just need to spend a little bit more time in the trenches up here with the rest of us to get a better appreciation for what's actually happening.

RITCHIE: It's a hard place to quantify or to come up with an equation for something that is as fluid and sometimes as contradictory as it is.

HOAGLAND: Yes it is, that's very good.

RITCHIE: I would think, given all the different pressures coming from all so many different directions, that to predict the way a particular leader is going to operate is not a feasible task.

HOAGLAND: I agree. But I will say I'm thankful for people wanting to study government in this day. Thankful for anybody to teach and educate. I always tell students, whenever I meet with them, to do something in your career that gets you involved in public policy, whether it's at the local level or at the state level or at the federal level. Even run for office, as a dog catcher, but have some public experience, because I think that's what we all owe to this great country. I've paid my dues, I guess. As I said at the outset here, I miss it, too. I will always owe my entire career to this institution, the United States Senate, and the great people who I've had the opportunity to work with over these many years.

RITCHIE: Are there any people we haven't talked about that you wanted to mention? Any of the senators or the others that you wanted to put into the record?

HOAGLAND: I can't think of any, Don, that I haven't already mentioned. There's so many that I'm afraid that I would leave somebody out. Obviously, Senator Domenici was critical in my career. Senator Baker, Senator Dole, Senator Nunn, Senator Lawton Chiles. Senator Frist, obviously. Back in January, just before I left here, I sat down and wrote notes. I think email is a little informal when it comes to this. I wrote at least eighty notes to senators. It was during the holiday break and I slipped them under their doors and hopefully they got the notes. There were just so many senators that I had worked with on both sides of the aisle, in leadership and out of leadership, that I came to respect. I came to understand that they had their constituent and they had their responsibility. I may not have always agreed with them, but I respected the fact that they had been elected by people to represent them. I mean, it was just about every senator that was still here at the time. They were all good to me. At the end of the day they were all fair. Some yelled at me at times, some of them chewed me out at times, but at the end of

the day I have a lot of respect for the position that they hold. I wouldn't want to start down the list any more than that.

RITCHIE: Is there anything that I should have asked?

HOAGLAND: I think you've covered it all. You've done a good job of pulling stuff out of me. I'll probably think of something later on that should have gone into it. But no, not now. I think you've covered it.

RITCHIE: There's always room for more and if you think of anything else we can add it as an appendix. We'll also have a photograph taken.

HOAGLAND: Thank you for a wonderful interview and helping me to recollect the time I spent here as staff in the U.S. Senate.

End of the Fourth Interview

Index

Afghanistan	90
Agriculture	2, 5-6, 10-13, 25, 57
Agriculture Committee, Senate	15, 64, 68
Department of Agriculture, USDA	5, 6, 8, 13, 25
AIDS	41
Alaska National Wildlife Refuge (ANWR)	32
American Dairy Association	20
American Meat Institute	20
Andrews Air Force Base Budget Negotiations	9, 21, 29-31, 43
Appropriations	29, 31, 32, 38, 40, 42, 53, 61, 62, 64, 65, 68, 76, 77, 86
Baker, Howard (R-TN)	26, 28, 82, 83, 85, 95, 99
Balanced Budget Agreement of 1997	33, 35, 49, 89
Bayh, Birch (D-IN)	3
Bell, Steve	22, 25, 27, 28, 42
Bellmon, Henry (R-OK)	25, 52
Bennett, K.R.	6
Bennett, Robert (R-UT)	84
BlackBerrys	95
Block, John	8
Bloom, Jim	17, 18
Bolton, Josh	88
<i>Bowsher v. Synar</i>	28
Bradley, Bill (D-NJ)	74
Brandon, Richard (Rick)	22, 70
Brookings Institution	13, 98
Brown, Sid	22, 25, 27, 28
Budget Analysis Division (BAD), CBO	15, 21
Budget Committee, House	28, 70
Budget Committee, Senate	11, 14-16, 18, 19, 21, 22, 25, 29, 32, 35, 37, 39, 40, 45-53, 59, 60, 66-70, 73, 75, 76, 81-83

Budget process	26, 27, 29, 46, 48, 49, 52, 63, 69, 71, 73, 75, 78
Bureau of the Budget	15, 25
Burke, Sheila	39
Bush, George H.W.	9, 31, 88
Bush, George W.	35, 58, 88-90
Butz, Earl	6
Byrd, Robert C. (D-WV)	29, 69, 70, 74, 77
Byrd Rule	69, 70
Carroll Arms	11, 14, 22, 25
Carter, Jimmy	19, 26
Cheney, Dick	31
Child nutrition program	7, 15
Chiles, Lawton (D-FL)	22, 28, 69, 70, 73, 99
Cigna	78, 79, 81
Clinton, Bill	31, 32, 7071, 88
Clinton health plan	70-71
CNBC	37, 96
Coast Guard	3
Coleman, Norm (R-MN)	84
Collins, Susan (R-ME)	84
Commerce Committee, Senate	69, 75, 83
Computers	22, 37
Conference Committees	34, 47, 53-55, 57-58, 64, 69
<i>Congress Daily</i>	97, 98
Congressional Budget Office (CBO)	13-19, 22, 35, 46, 50, 51, 54, 60-61, 65-67
<i>Congressional Quarterly, CQ</i>	97
<i>Congressional Record</i>	22, 98
Conrad, Kent (D-ND)	38
Continuing Resolutions (CR)	24, 40
Crippen, Dan	18
C-SPAN	96
Darman, Richard	29, 31
Daschle, Tom (D-SD)	38, 83

Day, Lee	6
Defense Department	28, 30, 31, 33, 44, 45, 50, 62, 75
Deficits, federal	11, 26, 28, 30, 32, 36, 43, 57, 69-72, 89
Dole, Robert, (R-KS)	6, 14, 21-26, 29, 30, 32, 44, 45, 47, 56, 68, 72, 83, 85, 88, 99
Domenici, Pete (R-NM)	21, 22, 25-30, 32-34, 36-39, 42, 44, 47, 54, 56, 57, 68, 73, 74, 77, 82, 89, 92, 93, 99
<i>Economist, The</i>	97
Energy Committee, Senate	39, 83
Energy Department	63
Entitlements	30, 37, 56, 58, 64, 65, 69
Federal Reserve Board	18
Feinstein, Diane (D-CA)	93
Filibusters	57, 69, 70
Finance Committee	18, 46, 47, 64, 68, 71, 75
<i>Financial Times</i>	97
Flinchbaugh, Barry	6
Foley, Tom	14, 30
Food Nutrition Service	14
Food Stamps	5-7, 13, 15
Ford Building	14, 17
Fox News	96
Friedman, Milton	10
Frist, Bill (R-TN)	40-42, 82, 84, 85, 87, 88, 91-93, 99
Fulton, Bob	25
Galbraith, John Kenneth	10
GAO (General Accountability Office)	17
Gates, Robert	24
Gaiamo, Robert A.	19
Gingrich, Newton	30, 32
Gore, Al (D-TN)	32, 35, 89
Gramly, Ned	18

Gramm, Phil (R-TX)	24, 27-30, 32, 48, 71, 72
Gramm-Rudman-Hollings Act	24, 27-29, 71
Grassley, Charles (R-IA)	47
Gray, Bill	28
Greenspan, Alan	35, 73
Gregg, Judd (R-NH)	47, 67
Hanway, Ed	81
Hastert, Dennis	40
Hatfield, Mark (R-OR)	46, 91
Hawkins, Paula (R-FL)	21
Health Care	5, 7, 33, 40, 50, 56-57, 78-92, 92
Health Insurance	78-82
Health and Human Services Department (HHS)	8, 50, 57, 62, 75
Helms, Jesse (R-NC)	23, 24
HELP Committee (Senate)	4-6, 10, 20, 21, 25, 38, 40, 68, 75, 79, 80, 84, 90
<i>Hill, The</i>	97
Hollings, Ernest (D-SC)	24, 27-29, 69, 71
Holtz-Eakin, Doug	18
House of Representatives	19, 28-34, 44, 47-49, 53-58, 64-65, 69-70, 81, 85-86, 92, 98
House Budget Committee	28, 70
Humphrey, Hubert (D-MN)	8, 15, 16, 18
Hurricane Katrina	60, 61, 95
Income distribution issues	5, 10, 15
Iraq War	32, 90
Jeffords, Jim (R/I-VT)	36, 37
Joint Committee on Taxation	18
Kasich, John	33, 34, 38, 54
Kennedy, John F. (D-MA)	3, 5
Kennedy, Keith	39
Kerrey, Bob (D-NB)	74

Klinghoffer, Leon	27
Knutson, Ron	6
Kuwait	31, 32
Kyl, Jon (R-AZ)	84, 92
Lautenberg, Fran (D-NJ)	33
Lindsey, Larry	36
Lott, Trent (R-MS)	38, 39, 67, 83, 85-88
Majority Leader, Senate	23, 26, 32, 38, 40, 47, 75, 82, 83, 87-89
Mann, Tom	98
McConnell, Mitch (R-KY)	91
McGovern, George (D-SD)	14, 22-24
Medicaid	33, 73, 82
Medicare	30, 33, 36, 52, 58, 72, 73, 82
Mental Health	38
Metzenbaum, Howard (D-OH)	22
Miller, Jim	21
Mitchell, George (D-ME)	74, 83
Muskie, Edmund (D-ME)	15, 19, 25, 51, 52
National Gallery of Art	32
National Institutes of Health (NIH)	57, 62, 75
<i>National Journal</i>	97
Nickles, Don (R-OK)	39, 79
Nixon, Richard (R-CA)	5, 10
Nuckles, C.G.	17
Nunn, Sam (D-GA)	74, 99
Obey, David	62
Office of Management and Budget (OMB)	15, 21, 26, 29, 33, 47, 50, 58, 60, 88
O'Neill, Thomas "Tip"	56
Packwood, Robert (R-OR)	44, 47

Panetta, Leon	29, 33, 70
Parlberg, Don	6
Pay-go	30, 31, 34, 72
Pell, Claiborne (D-RI)	23, 24
Penn State University	5, 6, 14
Penner, Rudolph, “Rudy”	18
Podesta, Heather	79
Press corps	21, 23, 25, 63, 64, 88, 94, 96, 97
Purdue University	5, 6, 9, 11
Quayle, Dan (R-IN)	9
Raines, Franklin	33
Reagan Nancy	20
Reagan, Ronald	7, 20, 21, 26, 36, 44, 45, 56, 72, 73
Reconciliation, Budget	19, 22, 26, 27, 32, 34, 36, 37, 46, 58, 67-71, 75
Reid, Harry (D-NV)	74, 92, 93
Reischauer, Bob	14, 18
Republican Conference, Senate	41, 90-93
Rivlin, Alice	13-15, 17-19, 33
<i>Roll Call</i>	97
Romney, Mitt	80
Rubin, Bob	33
Rudman, Warren (R-NH)	24, 27-29, 48, 71, 72
Rules Committee, Senate	75, 86
Russell, Richard (D-GA)	8
Russell Senate Office Building	37
Saddam Hussein	31
Samuelson, Paul	10
Santorum, Rick (R-PA)	92
Schiavo, Terri	41
School lunch program	8, 19, 20
Senate Budget	14, 25, 37-39
September 11, 2001	37

Sessions, Jeff (R-AL)	54, 92
Simon, Paul (D-IL)	40
Social Security	15, 35-37, 41, 44, 52, 56, 68, 72, 73
Social Security COLA	44, 56, 68
Specter, Arlen (R-PA)	57, 58, 85
Spratt, John	33, 48
Squawk boxes	25, 95
staff	14, 15, 17, 19, 22, 23, 25, 27, 28, 33, 37, 41-43, 46, 49-52, 66, 70, 73-76, 83-86, 94, 100
State Children’s Health Insurance Program (SCHIP)	79
Stevens, Ted (R-AK)	22, 84, 87
Stock Market	28
Stockman, David	26, 36, 60
Storey, Jim	14-16
Sununu, John Sr.	29
Supreme Court	28, 35
Tax cuts	56, 76, 90
Taxes	18, 30-32, 45, 65, 69, 71, 72, 89, 90
Television	3, 22, 78, 95-96
Thurmond, Stom (D/R-SC)	39
<i>Time</i>	10
Toffler, Alvin	84
Treasury Department	28, 33, 35, 50
Truman, Harry (D-MO)	13
Vermeer, Johannes	32
Vietnam War	9
<i>Wall Street Journal</i>	81, 97
<i>Washington Post</i>	97
Water for the Poor Act	40
Ways and Means Committee	18, 68, 75
Weicker, Lowell (R-CT)	21
Welfare programs	15

Wellstone, Paul (D-MN)	38
WIC (Women, Infants, and Children Program)	8
Wolfe, martin	97
Wolfensberger, Don	98
World Trade Towers	37