

Bush's best-laid budget plans go awry

By David Baumann, [National Journal](#)

Judged simply by the numbers, President Bush's record on controlling government spending has been lousy. Bush promised to maintain a balanced budget and pay down the federal debt, but he has failed to do either. During his term, the nation has gone from enjoying a \$236 billion surplus to confronting a \$477 billion deficit. The federal debt has ballooned from \$5.7 trillion to \$7.1 trillion. And annual nondefense discretionary spending has swollen from \$319 billion to \$433 billion.

Confronted with that record, Bush administration officials and allies are quick to point out that the president has faced huge, unprecedented expenses that were beyond his control. The economy was already in a recession when Bush took office in January 2001, and the terrorist attacks in September of that year generated a tremendous financial burden. Government spending soared as homeland security suddenly became the nation's top priority, and as the United States launched military missions in Afghanistan and Iraq.

"The American people understand that we've had serious challenges in this country," Joel Kaplan, deputy director of the Office of Management and Budget, said in an interview with National Journal. "We've had economic challenges, and we've had national security challenges."

At the same time, Kaplan insisted that Bush has curbed some federal spending and is committed to ratcheting up those efforts in the future. "In the nondefense, discretionary spending, the president has brought down the rate of growth," Kaplan said. He added that Bush remains determined to cut the deficit in half over the next five years.

But such explanations and promises mean little to some fiscal conservatives. Although they once were optimistic that the Republican president would oversee a government-wide belt-tightening, some conservatives are badly disillusioned as Bush campaigns for a second term amid sky-high deficit projections.

"Bush's record on spending restraint has been abysmal," Stephen Moore, the president of the Club for Growth, a conservative political action committee, declared in an interview. "There's been an across-the-board desire to just throw money at problems. There's just more money for everything."

And conservative analyst Veronique de Rugy, a visiting fellow at the American Enterprise Institute, contended, "Republicans have clearly forfeited any claim of being the fiscally responsible party in Washington."

The grumbling from the Republican-controlled Congress has also grown louder, even though Capitol Hill has certainly aided and abetted -- even exacerbated -- the spend-a-thon over the past four years. Late last year and early this year, small pockets of conservative GOP lawmakers broke ranks with Bush and their leadership to oppose the Medicare prescription drug benefits

legislation and the fiscal 2004 omnibus appropriations bill because they considered the measures too bloated.

Moreover, some congressional Republicans were less than impressed by the president's attempt in February to polish his conservative credentials by proposing an austere fiscal 2005 budget. Bush proposed big spending increases for defense and homeland security but called for boosting spending on other discretionary programs by only 0.5 percent. The Republican Study Committee, a group of about 90 House conservatives, complained that Bush's budget was still "overly generous." Rep. Sue Myrick, R-N.C., the group's chairwoman, said that while the president "showed restraint in several areas, the total spending is still too high."

Conservative pundits also began banging the drums of discontent more loudly earlier this year. "The Right is rumbling over the Bush administration's failure to put a lid on spending," columnist Robert Novak wrote in February.

Likewise, columnist George F. Will complained, "Republicans are swiftly forfeiting the perception that they are especially responsible stewards of government finances. It is surreal for a Republican president to submit a budget to a Republican-controlled Congress and have Republican legislators vow to remove the 'waste' that he has included and that they have hitherto funded."

Lofty Goals

Looking back at the budget proposals Bush made during his presidential campaign and his early days in the White House, it's hard to imagine how he could now be facing such dissension among fiscal conservatives. Back then, Bush envisioned a new era of budgetary restraint and shrinking government, akin to the ideals espoused by President Reagan.

During the 2000 campaign, Bush decried "Al Gore and Bill Clinton's attempt to dramatically increase spending during the last days of their administration." Bush said he was proposing "a responsible budget that's balanced," and he declared, "Big spending, as always, will slow the growth of our economy and return us to the days of debt.... My plan has spending discipline. [Gore's] just has spending. He's convinced the surplus is the government's money. I say the surplus is the people's money."

Bush planned to use half of the expected surplus to strengthen Social Security, and he proposed returning about a quarter of the surplus to taxpayers through tax cuts. He also campaigned on making "important investments in Medicare, education, the environment, and national defense."

Even then, however, some budget experts suggested that Bush's plans were unrealistic. After evaluating the budget proposals of both presidential candidates in 2000, the Committee for a Responsible Federal Budget, a nonpartisan watchdog group, warned that Bush's plan called "for much smaller discretionary spending increases than have prevailed since the government began running surpluses.... The discretionary spending restraint implied by the Bush plan could prove very difficult to achieve."

During the 2000 campaign, Bush also proposed a series of reforms to the congressional budget process. He suggested that the budget resolution -- currently a nonbinding document that doesn't require a presidential signature -- should be signed by the president. "A joint budget resolution signed by the legislative branch and the executive branch would start the process on the right

footing, encouraging cooperation and early agreement on fundamentals," Bush said. He also proposed to convert the annual budget process to a two-year process, which he said would allow more time for careful spending decisions and for thorough oversight of federal programs.

In his first budget, proposed in February 2001, Bush projected a \$5.6 trillion surplus over 10 years, and he proposed to retire nearly \$1 trillion in debt in his first term. "The arrival of budget surpluses in 1998 has led to an explosion in federal government spending," he said. "History has shown that -- unlike tax cuts -- spending increases, once made, are rarely reversed. This pattern cannot long continue without jeopardizing our nation's long-term goals."

Bush's budget called for reforming the budget process and eliminating the tradition of midyear supplemental spending increases. And the president vowed to curb the congressional practice of "earmarking" funds for pet projects. "Washington is known for pork," Bush said in April 2001. "This budget funds our needs without the fat."

In the spring of 2001, Bush won the passage of a \$1.35 trillion tax-cut package, the largest in 20 years. Congress began the appropriations process that summer, but before it completed all 13 spending bills, disaster struck. The terrorist attacks on September 11 drastically changed the way that Congress spends money. And at least for the short term, the Bush administration's desire to restore order to the budget and appropriations process was shelved. Suddenly, the term "homeland security" was on everyone's lips and at the top of Washington's urgent priority list.

In the immediate aftermath of the attacks, the same administration that had promised to stop sending supplemental spending bills to Capitol Hill suddenly sought a \$40 billion emergency supplemental, which Congress quickly passed. Many more supplemental spending bills have followed, to pay for anti-terrorism efforts and the wars in Afghanistan and Iraq. Eventually, the Homeland Security Department opened its doors and Congress established House and Senate Homeland Security Appropriations subcommittees.

Spending on homeland security has doubled during Bush's term. The Congressional Budget Office recently reported that homeland-security spending has increased from \$20.7 billion in fiscal 2001 to about \$41.4 billion in fiscal 2004. The CBO estimates that Bush's fiscal 2005 budget proposal would increase that figure to \$47.3 billion.

Excuses, Excuses?

Administration officials point to defense and homeland-security requirements as the primary reasons for increased government spending during Bush's tenure. In unveiling the administration's fiscal 2005 budget request on February 2, OMB Director Joshua Bolten contended, "Since September 11, more than three-quarters of the increase in the federal government's discretionary spending has been directly related to our response to the attacks, enhanced homeland security, and the war on terror."

Moreover, Bolten's deputy, Kaplan, noted in the interview with National Journal that increases in discretionary spending have slowed under Bush. During fiscal 2001, the last year of the Clinton administration, nondefense discretionary spending increased 15 percent. Such spending increased 6 percent in fiscal 2002, 5 percent in fiscal 2003, and 4 percent in fiscal 2004.

Some fiscal conservatives and budget watchdogs charge that such spending increases are still too high, and some dispute the administration's numbers entirely. These critics concede that Bush

could not have controlled the need for more defense and homeland-security funding. But they complain that the president also chose to pursue other initiatives that greatly expanded the deficit.

These critics suggest that, confronted with the national emergency of 9/11 and with an economic recession, Bush should have trimmed back his agenda. Instead, the president pushed additional tax cuts, a sweeping education reform bill, and a costly new Medicare prescription drug benefit. He also signed an expensive rewrite of the farm bill and numerous routine appropriations bills packed with spending he did not request and with pork for individual lawmakers.

"Economic circumstances changed," said Robert Reischauer, who was a CBO director during the Clinton administration and now heads the Urban Institute, a liberal-leaning think tank. "The president didn't come back and modify his policies. They've doggedly pursued the original game plan."

Bush's allies point to the president's determination to keep his campaign promises. "There were promises made," said Richard E. May, a former Republican staff director of the House Budget Committee who is now a legislative consultant at Brownstein Hyatt & Farber, a Washington law firm. "They were promises made during a time of surplus," May added, and to keep those promises, "we had to spend the money, even if we didn't have it."

Yet other usual Bush allies disagree that continuing to spend money was the right approach. "The president and Congress got used to spending after September 11," said Brian Riedl, a fellow in federal budgetary affairs at the Heritage Foundation, a conservative think tank. "They became used to surpluses. There was a culture of spending on Capitol Hill."

The Heritage Foundation has disputed the administration's contention that most funding increases during Bush's tenure can be attributed to 9/11. In a report late last year, Heritage claimed that only 45 percent of the spending spike between 2001 and 2003 was related to the war on terrorism or to homeland security.

Riedl insisted, however, that the Bush tax cuts have not contributed significantly to the deficit. "Even if the tax cuts had not taken place, we would still be in deficit," he contended.

The Center on Budget and Policy Priorities, a liberal think tank, presents a different argument. "The cost of the tax cuts enacted since the start of 2001 significantly exceeds the cost of all defense, anti-terrorism, and domestic discretionary and entitlement increases combined," the center concluded in a February report.

An Uphill Battle

In each year of Bush's term, Congress ignored his budget request and spent more money than he had asked for. Yet critics say that the administration can't just blame Capitol Hill for out-of-control spending, because Bush has not vetoed a single bill. "A veto is the most powerful tool the president has," said Moore of the Club for Growth.

For many conservatives, the president's decision to sign the farm bill in May 2002 was particularly galling, and they say it signaled that the federal store was open for business. "It was a mistake to let the farm bill spiral out of control," said Sen. John Sununu, R-N.H. "That set a bad precedent. He had an opportunity to send a message to Congress."

But during Bush's term, Republicans have held, at best, only a bare majority in the Senate. A Bush veto would have incensed lawmakers -- particularly Senate appropriations leaders, who are notorious for pushing spending increases. And some observers suggest that it would have been hypocritical for Bush to veto spending bills while he was pushing his own spending and tax-cut initiatives. "It's very hard to [veto] when you're showing no restraint on your own priorities," Reischauer said.

OMB's Kaplan said that Bush has not had to veto any legislation because he has worked with congressional Republican leaders to make bills acceptable. "When necessary, the president has threatened a veto," Kaplan said. "The close and productive relationship [with congressional leaders] made vetoing those bills unnecessary."

Apart from failing to meet his overarching goal of controlling federal spending, Bush has had no success in fulfilling his promises to overhaul the budget process and to cut down on earmarks. At bottom, his administration never aggressively pursued either cause. Whether the White House would have followed up on such efforts absent 9/11 is an open question. Moreover, even if Bush had pushed budget-reform and anti-earmarking campaigns, it's far from certain that Capitol Hill would have complied. Presidents and members of Congress alike have championed such reforms many times in the past, only to be blocked by other lawmakers intent on maintaining the status quo -- and thus their own power.

In 2001, OMB identified some \$16 billion in earmarks in the spending bills passed the previous year and proposed to stop funding for \$8 billion worth of them. Yet according to Citizens Against Government Waste, a conservative budget watchdog group, the amount spent on earmarked projects for specific congressional districts has increased by some \$4.4 billion during Bush's term, rising from \$18.5 billion in fiscal 2001 to \$22.9 billion in fiscal 2004. "Every administration loses that battle," said Tom Schatz, the group's president. "I think they've essentially conceded that there's going to be a certain amount of pork."

Earmarks are inevitable when the partisan margins in Congress are so tight, said Diana Evans, a professor at Trinity College in Connecticut and the author of the forthcoming book *Greasing the Wheels: Using Pork-Barrel Projects to Build Majority Coalitions in Congress*. Evans noted that congressional leaders hand out pork projects when members' votes are needed on vital legislation. "The close margins certainly do increase the incentive for leaders to put pork into the bills," she said.

The blame for Bush's failure to persuade Congress to spend less, overhaul the budget process, or curb earmarks falls at least partly on the shoulders of his controversial first OMB director, the hard-charging, blunt-talking Mitch Daniels. Although Daniels had been a Senate and White House aide, he used little tact in pushing the administration's positions, and he made enemies among both Republicans and Democrats on Capitol Hill. During Daniels's tenure as OMB director, which ended when he resigned in May 2003 to run for governor of Indiana, he was at times barely on speaking terms with the lawmakers he was supposed to be dealing with on a daily basis.

In late 2001, Daniels provoked animosity on Capitol Hill by telling *The Wall Street Journal* that the motto of members of Congress is, " 'Don't just stand there. Spend something.' This is the only way they feel relevant." In response to Daniels's hostility, veteran Senate appropriator Ted Stevens, R-Alaska, angrily told reporters at the time that the OMB director should "go back home to Indiana."

What Matters?

As deficit estimates have soared and criticism has mounted, the Bush administration has sought anew this year to demonstrate the president's fiscal conservatism. First, Bush sent Capitol Hill a tight budget proposal for fiscal 2005. Then the president issued veto threats against both the House- and Senate-passed versions of the highway bill, which he said are too expensive. And more recently, the administration has signaled that deep cuts in domestic spending are in store if there is a second Bush term.

In late May, The Washington Post obtained an OMB memo -- "Planning Guidance for the [Fiscal] 2006 Budget" -- that appeared to direct federal departments to find savings in their programs for the president's next budget. The memo directs agencies to work under funding levels outlined in an earlier memo, which called for cuts of 0.56 percent. In response to the Post story, administration officials emphasized that the "planning guidance" does not represent a final policy decision.

The success of such belt-tightening efforts by the Bush administration remains to be seen, of course. It's also unclear whether Congress will actually hold the line on spending in an election year. Recent history certainly suggests otherwise. For some, the question is whether voters care about the deficit and government spending, anyway. Recent poll results present mixed views.

Asked in an Associated Press/Ipsos poll in March whether they would prefer balancing the budget or cutting taxes, 61 percent of respondents chose balancing the budget, while 36 percent said cutting taxes. But asked in the same poll whether they'd prefer balancing the budget or spending more on education, health care, and economic development, 62 percent said they favored spending more and 36 percent said they wanted to balance the budget.

Meanwhile, a CBS News/New York Times poll conducted the same month found that 50 percent of the respondents considered the budget deficit a "very serious" problem, and 36 percent considered it a "somewhat serious" problem. Another survey showed, however, that Americans aren't particularly worried about the deficit. In a May Gallup Poll that asked participants to identify the most important problem facing the country, the top answers were the Iraq war (26 percent), the economy (19 percent), and unemployment and jobs (16 percent). Way down the priority list, after issues like education, health care, and fuel prices, came the federal budget deficit and federal debt, which only 2 percent of respondents called their chief concern.

Political analysts disagree about whether dismay among Bush's conservative base over federal spending and the deficit is likely to hurt the president in the November election. Some observers have suggested that fiscal conservatives might stay home from the polls.

In a Jan. 24 National Journal cover story, several Republican operatives expressed concern about the political impact of conservative anger over fiscal issues. Asked to name the GOP's No. 1 legislative priority for the year, a senior Senate Republican staffer said that nothing was more important than to show "fiscal restraint for our base." And Paul Weyrich, chairman of the Free Congress Foundation, a conservative think tank, contended: "There's a great deal of unhappiness on the part of grassroots conservatives about the spending problem."

Others suggest, though, that the GOP will be united and energized to vote against Sen. John Kerry, the presumptive Democratic presidential nominee. The Club for Growth's Moore said in the recent interview that conservatives believe that Kerry is such a dangerous candidate that they

are rallying behind Bush. "Conservatives are very supportive of Bush, even though spending is out of control," Moore said.

The political peril posed by the deficit might be hard to gauge, but experts certainly paint a bleak picture of the deficit's long-term economic impact. Federal Reserve Chairman Alan Greenspan has argued that continued deficits would drastically harm the economy. He testified on Capitol Hill this year that the government could find itself in a position where "rapid increases in the unified budget deficit set in motion a dynamic in which large deficits result in ever-growing interest payments that augment deficits in future years." The inability to handle those interest payments would slow the growth of living standards, Greenspan said.

The Fed chairman also warned that the retirement of the Baby Boomers will place a huge burden on the federal government, swelling the Social Security and Medicare rolls. "The one certainty is that the resolution of this situation will require difficult choices," he warned. "No changes will be easy, as they all will involve lowering claims on resources or raising financial obligations."

If Bush is re-elected, he has vowed to tackle Social Security reform in his second term. That task, and the drive to reduce spending and rein in the deficit, will require the difficult choices that Greenspan discussed. The OMB memo directing future budget cuts implies that the president is headed in that direction. But Bush's harshest critics would say that if his first term is any indication, when it comes to making tough choices in a second term, he might just punt.