

# Tax & Budget

BULLETIN

No. 16 • August 2003

## On Spending, Bush Is No Reagan

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The administration recently released its mid-session review of the federal budget for fiscal 2004. The new data reveal that discretionary outlays will rise a stunning 16.9 percent in FY2003, having risen 13.1 percent in FY2002.<sup>1</sup> Defense outlays have risen rapidly, but so have nondefense discretionary outlays, with a 12.7 percent increase in FY2003 and a 12.2 percent increase in FY2002.

In some respects, President George W. Bush has pursued policies similar to those of Ronald Reagan. Like Reagan, Bush entered office with an ambitious plan to cut taxes. Like Reagan, Bush has supported a large defense spending build-up. But a stark difference in fiscal philosophies is evident with regard to nondefense spending. While Reagan attacked the “destructive pattern of runaway spending,” as he called it in his second budget, Bush has expanded a wide array of “compassionate” welfare state programs.

### The Overall Spending Record

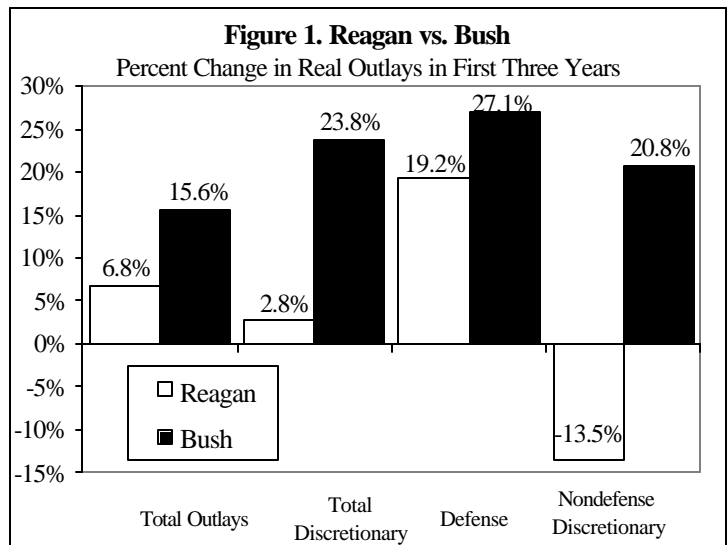
Figure 1 compares the percentage change in real or inflation-adjusted spending over the first three budgets of Reagan and Bush, incorporating the recent mid-session review estimates. The figure shows that Bush has been a big spender across the board.

Total real outlays will increase about 15.6 percent under Bush (FY2001–04), but increased just 6.8 percent under Reagan (FY1981–84). Both increased defense substantially, but Reagan cut real nondefense discretionary outlays by 13.5 percent compared to a 20.8 percent increase under Bush.

Of course, presidents share the federal purse strings with Congress, making it difficult to assign responsibility for budget outcomes. But one way to evaluate fiscal priorities is to compare budgets as originally proposed by Reagan and Bush. In each of Bush’s three budgets, he has proposed increases in total federal outlays above baseline levels. In his FY2002 budget, he asked for \$43 billion over 10 years to “reform” education and \$153 billion over 10

years to “reform” Medicare. He got his big education increase, and his FY2004 budget pushed up his Medicare request to \$400 billion.

By contrast, Reagan proposed that spending be reduced to below baseline levels. In his first budget plan, he proposed cuts of \$41 billion for FY1982, or about 5 percent of baseline outlays.<sup>2</sup> His second budget for FY1983 proposed an additional cut of 5 percent.<sup>3</sup> He targeted both discretionary and entitlement programs for cuts, including health care, welfare, food stamps, student loans, housing, and education. Reagan did not get all the cuts he wanted, but he did push for subtractions from the baseline, not additions as Bush has pushed for.



Sources: *Budget of the U.S. Government* and *Mid-Session Review* for FY2004.

### Spending by Department

Presidents Reagan and Bush both inherited defense budgets that they believed were inadequate for the threats facing the nation, and both presidents sought and won big increases from Congress. Although there continues to be substantial waste in the defense budget, military spending

is a clear responsibility of the federal government, whereas most other federal spending is not.

In his first budget plan, Reagan proposed a “dramatic downward shift in federal spending growth rates” by “eliminating federal activities that overstep the proper sphere of federal government responsibilities.”<sup>4</sup> Table 1 shows that real spending fell in most departments in Reagan’s first three years. Certainly, overall nominal spending was not cut under Reagan, but his domestic proposals were nonetheless a sharp change from prior policy. By contrast, Table 1 shows that real spending in nearly every department has increased substantially, sometimes exorbitantly, under Bush.

**Table 1. Spending by Department**

Percent Change in Real Outlays in First Three Years

Department	Reagan	Bush
Agriculture	-13.2%	8.5%
Commerce	-29.0%	9.6%
Defense	18.6%	27.6%
Education	-21.8%	60.8%
Energy	-19.6%	22.4%
Health & Human Services	9.0%	21.4%
Housing & Urban Dev.	-3.7%	6.1%
Interior	-4.6%	23.4%
Justice	1.2%	11.0%
Labor	-29.4%	56.0%
State	9.5%	32.5%
Transportation	-13.0%	-1.3%
Treasury	31.1%	-7.0%
Veteran Affairs	-3.9%	29.4%
Total Outlays	6.8%	15.6%

Sources: *Budget of the U.S. Government* and *Mid-Session Review* for FY2004.

### Entitlement Spending

President Reagan’s first budget plan promised to “overhaul the nation’s overgrown \$350 billion entitlements system.” He proposed numerous spending reductions to Medicare and Medicaid and was able to make some modest reforms to slow program growth rates.

By contrast, President Bush seems intent on making entitlement spending even more overgrown. While Bush has proposed some reforms for Medicare, that has been pushed aside in favor of adding a huge unfunded \$400 billion prescription drug plan. If enacted, it would be the largest expansion of Medicare since its inception in 1965.

Many analysts are projecting that the \$400 billion cost over 10 years will be an understatement of the drug bill’s

actual cost. For one thing, supporters are sure to begin pushing for an expansion in benefits as soon as the ink is dry on the initial drug benefit law. Also, costs of a drug benefit will be much higher next decade as baby boomers begin retiring in droves.

### Bush Needs to Veto Bloated Spending Bills

The Bush administration has been running a disjointed two-track budget policy—letting Americans keep more of their money on the tax side, but steadily building up the welfare state on the spending side. That strategy won’t work because spending is ultimately a taxpayer issue. Higher spending and the resulting deficits create a looming threat of higher taxes, and even threaten President Bush’s tax-cutting legacy because liberals will use the deficit as an excuse to demand that recent tax cuts be allowed to expire.

It is true that Congress shares the blame with the administration for excessive budget growth in recent years. However, Bush has not vetoed a single spending bill during his tenure in office. Instead, he has signed every bill crossing his desk including huge education and farm subsidy bills. By contrast, President Reagan vetoed 22 bills during his first three years in office.<sup>5</sup>

Bush has also benefited from a more favorable party arrangement in Congress than Reagan. Although Republicans controlled the Senate during Reagan’s first term, Democrats dominated the House. Bush has had a GOP-controlled House and Senate (with the exception of the period from mid-2001 to the end of 2002).

While the government’s overall share of the economy was reduced only slightly under Reagan, he did fight to restrain it despite an often hostile Congress. Unfortunately, Bush has thus far shown no leadership on spending reform even though he enjoys strong support from the majority in Congress.

<sup>1</sup> Office of Management and Budget, *Budget of the U.S. Government* and *Mid-Session Review* for FY2004 (Washington: Government Printing Office, 2003).

<sup>2</sup> The White House, “America’s New Beginning: A Program for Economic Recovery,” February 18, 1981, p. III-5.

<sup>3</sup> David Stockman, Testimony before the U.S. Senate Budget Committee, February 23, 1982.

<sup>4</sup> The White House, February 18, 1981, p. III-1.

<sup>5</sup> Congressional Quarterly, *Almanac*, 98th Congress, 2nd Session, Vol. 40 (Washington: Congressional Quarterly, 1984), p. 6.