

A BUDGET SUMMIT TO END THE \$100 BILLION SPENDING SPREE

Thanks to the White House-Congress budget "summit" agreement last November, lawmakers have been forced to constrain their spending instincts for this fiscal year. But this is not stopping the pro-spending coalitions on Capitol Hill from finding new ways of busting the budget. Their strategy: pass popular bills this year, especially new entitlements, that do not require outlays until at least next fiscal year. With these bills already law, congressional liberals believe that the only way that the next president could meet deficit reduction targets would be a massive tax increase. Ronald Reagan should move swiftly to block this end run against the taxpayer by calling now for a pre-election budget summit, and by announcing that he will veto any new spending bill until a summit agreement is reached.

Over the past three months, legislators have rolled out more than a dozen new domestic programs with a five-year price tag of more than \$100 billion. Among them:

- ◆ ◆ Welfare spending, House bill (\$5.6 billion over five years).
- ◆ ◆ Japanese-American internment compensation (\$1.2 billion over five years).
- ◆ ◆ Catastrophic health care (\$42 billion over five years).
- ◆ ◆ Long-term health care for the elderly (\$24 billion over five years).
- ◆ ◆ New education programs (\$1.4 billion over five years).
- ◆ ◆ Child care (\$2.5 billion in first year).
- ◆ ◆ New space programs (\$2.2 billion in first year).
- ◆ ◆ Antidrug programs (\$2.6 billion in first year).
- ◆ ◆ New food assistance programs (\$3.6 billion over five years).
- ◆ ◆ Superconducting particle accelerator program (\$2.5 billion over five years).

This proliferation of new spending programs breaches last year's budget summit and the statutory Gramm-Rudman-Hollings deficit ceilings. The Reagan Administration, of course, must share a part of the blame for this sudden spending spree. The particle accelerator and the speed-up of the space program were ideas highlighted in Reagan's budget. Yet the Administration offered explicit budget savings to offset the new outlays. In contrast, Congress is trying to legislate spending without explaining to the American people how the tab is to be paid. Lawmakers respond to charges of fiscal irresponsibility by pointing to the modest initial costs of these new programs as evidence of their affordability. But this is merely the time-worn bait-and-switch budgeting ploy of hooking the taxpayer on the low down-payment and camouflaging the massive "balance due."

Balanced Budget by 1993. Ironically, this explosion of budget-busting legislation comes when the restraint imposed by Gramm-Rudman-Hollings is beginning to pay off. According to the estimates by the Congressional Budget Office, a balanced budget can be achieved by 1993, as prescribed by Gramm-Rudman-Hollings, without raising new taxes. If Congress limits itself to about 4 percent growth in nominal spending over the next four years — an ambitious but not unreasonable goal — the annual deficit will disappear on schedule. To be sure, the Congressional Budget Office forecast assumes continued economic expansion. Yet this expansion would come to a screeching halt if the economy had to swallow the \$100 billion tax hike needed to fund the new program spending.

The White House must keep lawmakers on the balanced budget course charted by Congress itself in the Gramm-Rudman-Hollings legislation. The only way to do this is for the President to force Congress back to the summit table, before the November election, to explain how it expects to pay for its massive new spending. In calling for a pre-election summit, Ronald Reagan should make two demands:

- 1) **The summit's overall spending ceilings should be inviolate** and should not exceed future Gramm-Rudman-Hollings ceilings. The President must pledge to enforce them with the veto.
- 2) **Congress must announce to the American people** how it intends to finance all new programs. If legislators plan to raise income taxes, impose a national "value added tax" (VAT), or hike other taxes, then they should state how much will be raised.

Congress has tried every possible loophole to escape from the spending restraint imposed by Gramm-Rudman-Hollings. This year's pre-election strategy should come as no surprise: pass popular measures that do not initially breach the current year's targets and hope that the legislated spending will build political pressure either to ignore Gramm-Rudman in future years or to force a tax increase. This election year gambit requires an election year response. A budget summit this summer, with the spending bills held hostage by the White House, would force the much-needed showdown on the future of federal spending.

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For further information:

James Gattuso and Stephen Moore, "Reagan's Trump Card: The Veto," Heritage Foundation *Backgrounder* No. 443, July 1985.

Daniel J. Mitchell, "Tax Increases and the Budget Deficit," Citizens for a Sound Economy, *Capitol Comment*, May 1988.