

## **THIS IS NO TIME TO RELAX DEFICIT-CUTTING TARGETS**

It was late 1985. Budget deficits were mounting. And Congress at last seemed determined to do something about them. It enacted the Gramm-Rudman-Hollings Deficit Reduction Act with its blueprint for shrinking the budget deficit down to zero in five years. The new budget law was a truly bipartisan agreement. It sailed through both chambers of Congress with huge margins, gaining approval from such liberals as Massachusetts' Edward Kennedy and fiscal conservatives as Colorado's William Armstrong. Yet now, just eighteen months later, Congress is trying to abandon Gramm-Rudman-Hollings. Instead of cutting the deficit, Congress prefers to pass expensive pork barrel, such as the \$90 billion highway bill.

Congressional leaders are trying to hide this reversion to old bad habits, of course. They have proposed the seemingly innocent idea of "fine-tuning" the budget law. But they wish to do so by relaxing the deficit reduction targets at the heart of the Gramm-Rudman-Hollings legislation. Congress wants to push the targets back a year. The result: a deficit target of \$144 billion for fiscal 1988 instead of the \$108 billion mandated by Gramm-Rudman-Hollings. For fiscal 1989 and after, promise the lawmakers, they will abide by the timetable. This is about as convincing a pledge as that of a dieter who gorges himself today with the intention of resuming his diet tomorrow with renewed vigor. Congress has even enthusiastically espoused the forecasts of several Keynesian economists who warn of a potential fiscal Armageddon should the deficit be cut by the \$60 billion required by the budget ceiling act. This is a strange twist for Congress: after five years of condemning the huge "Reagan deficits" as economically ruinous, now Congress is saying that low deficits will be economically ruinous.

Lawmakers should resist any effort to tamper with the deficit-cutting targets. Budget experts in Congress almost all acknowledge that the law's deficit targets are the only political force holding the lid down on spending. Last year Congress cut an

extra \$12 billion out of the budget in the twilight of the legislative session specifically to comply with Gramm-Rudman-Hollings. They never would have made those cuts otherwise. Indeed, House Majority Leader Thomas Foley of Washington admits: "Without Gramm-Rudman, the likelihood is that general revenue sharing would have been continued."

In addition, Gramm-Rudman-Hollings is beginning to bite. The deficit actually has begun to shrink: from \$220 billion to \$170 billion this year. This is no time to abandon the one device that yields results. Targets, moreover, are needed to keep congressional bookkeeping honest. Congressional supporters of Gramm-Rudman-Hollings revision maintain that the \$60 billion in spending cuts required to reach this year's target deficit of \$108 billion is more than Congress bargained for when they agreed to the law a year and a half ago. But the reason that Congress now finds itself in this unpleasant predicament is that lawmakers deviated from the \$36 billion cuts per year path last year. Indeed, during last year's budget proceedings some legislators were actually boasting that they had used phoney numbers and budget trickery to create the appearance that they had complied with Gramm-Rudman-Hollings without actually cutting the budget. Now lawmakers are awakening to the fact that the penalty for failing to reach the target in one year is a tighter noose the next. In short, the big spenders in Congress are beginning to realize they cannot hide for long from Gramm-Rudman-Hollings. Loosening the noose would only reward the blatant budget sham of last year.

Congress and the Reagan Administration must hold firm in their resolve to keep lawmakers' feet to the fire on the budget by insisting that the deficit targets, which were agreed to in a true spirit of bipartisanship, are non-negotiable. If Congress insists on tinkering with the deficit targets, President Reagan should declare such legislation dead before arrival at the White House.

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For further information:

Stephen Moore, "The Deficit Control Act: A First Victory in the War on the Deficit,"  
Heritage Foundation Executive Memorandum No. 96, October 16, 1985.

Jonathan Rauch, "Is It Really Working?" National Journal, January 31, 1987, pp. 244-248.