UPDATE

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ON SPENDING, REAGAN MUST ENFORCE THE LAW AND PULL THE GRAMM-RUDMAN-HOLLINGS TRIGGER

(Updating *Executive Memorandum* No. 202, "A Budget Summit to End the $100 Billion Spending Spree," May 25, 1988.)

Congress has been congratulating itself for completing action on the thirteen budget appropriation bills before the start of the new fiscal year on October 1. This indeed is the first time that Congress has finished all appropriation bills in over a decade. Yet Congress once again is closing out the session without any indication that it is serious about cutting spending. Legislators in fact devoted most of 1988 to creating over a dozen new spending programs, not cutting existing ones. These new spending programs — including catastrophic health insurance, welfare "reform," job training assistance, drought aid for U.S. farmers, and several early childhood education pilot projects — could add as much as $50 billion in extra federal red ink through 1993. Meanwhile, not a single major spending program was eliminated.

Congress skillfully designed these new bills so that most of the new spending takes place after fiscal 1989. This avoids an immediate breach of the Gramm-Rudman-Hollings (GRH) deficit reduction law, which requires yearly reductions in the deficit, leading to a balanced budget by 1993. Nevertheless, a flurry of last-minute supplemental legislation, including a drug bill, seems likely to exceed the mandatory GRH target even for fiscal 1989 by at least $10 billion. Under the law, unless Congress trims the projected fiscal 1989 deficit to $146 billion by this October 15, across-the-board spending cuts of the $10 billion excess will be triggered — this process technically is known as a "sequester." The President's role in this is to prepare an accurate calculation of the 1989 deficit to determine whether automatic GRH spending cuts are necessary. Ronald Reagan should use this opportunity to point out that congressmen can count and that they can read their own laws. If they exceed their own spending limits, the President must obey the law and issue an Executive Order requiring automatic spending cuts. Reagan should not end his presidency by accepting an illegal burst of new spending.

Election Year Gamble. Congress seems to be gambling that with the election fast approaching, the President will not dare pull the GRH trigger and force politically painful across-the-board spending cuts. Lawmakers know that he could avoid this by ordering the Office of Management and Budget (OMB) to cook up phoney budget numbers to make it appear that GRH ceilings are not being exceeded. Congress, moreover, could evade the spirit of the law by delaying passage of last minute spending bills, such as the drug bill, until after October 15, so that they would not affect the GRH "snapshot" deficit estimate required on that date. On

Capitol Hill these sleight-of-hand methods of avoiding the GRH law are referred to as "the big wink."

Reagan has much to gain from forcing a high stakes showdown on the budget by calculating the budget deficit honestly and ordering across-the-board spending cuts. He would be able to defend his action by reminding Americans that GRH is the law of the land — passed overwhelmingly by Congress — and that by executing a sequester, he is simply enforcing the law. He further should remind the public that it was Congress, not the White House, that knowingly appropriated every dime of money that has sent the budget over the GRH ceiling.

Continuing Necessary Services. A sequester, moreover, would be consistent with Reagan's longstanding position that the budget should be balanced by cutting spending, not by raising taxes. In fact, the only time in the past five years that federal spending genuinely has been "cut" was in 1986, when Reagan first pulled the Gramm-Rudman-Hollings trigger in response to spending overruns by Congress, forcing federal agencies to trim about 4 percent from their budgets. Despite dire predictions of crippling cutbacks in vital federal programs, that sequester demonstrated convincingly that agencies are fully capable of living on leaner budgets without disrupting necessary services.

A sequester, of course, is far from the ideal method of cutting the budget, because it slices spending from vital and wasteful programs alike. And because over half of all domestic programs are exempt from GRH, defense programs would be hardest hit by GRH automatic cuts. Yet the GRH law contains procedures that allow Congress to avoid a sequester order by designing an alternative deficit reduction package that meets with the President's approval. Hence, by calling for a sequester, Reagan would place the onus on Congress to meet in an emergency session to hammer out a responsible package of spending cuts.

Congress's Fumble. Ronald Reagan must tell the American public the cold truth: once again this year Congress has fumbled its responsibility to trim the budget deficit in compliance with its own self-imposed Gramm-Rudman-Hollings targets. This failure is all the more shocking because Congress rewrote the Gramm-Rudman-Hollings targets so that in this election year it would need only to cut a modest $10 billion from the $1.2 trillion budget, rather than the $36 billion required in the original legislation passed in 1985. Yet Congress could not achieve even this unambitious task.

If Reagan plays along with Congress's election year spending spree and with Congress gives the notorious "big wink" to illegal budget overruns, he would break faith with the American people, who elected him to restrain the congressional spending machine. If Congress is determined to violate its own budget targets, Reagan should trigger a sequester to bring spending down to that target. He should take that action because it is in the interests of the American taxpayer. He should do so because it is the law.

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