

The Heritage Foundation **Backgrounder**

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UPDATE

THE NATIONAL ECONOMIC COMMISSION R.I.P.

(Updating *Executive Memorandum* No. 216, "The National Economic Commission: A Tax-Hike Trojan Horse," September 30, 1988; *Executive Memorandum* No. 217, "Immediate Test for Bush: Picking National Economic Commission Members," November 9, 1988; and *Backgrounder Update* No. 91, "The National Economic Commission's 'Exploding' Forecasting Model," December 16, 1988.)

When Congress created the National Economic Commission (NEC) in December 1987, the Washington pro-tax lobby could hardly conceal its jubilation. The bipartisan blue-ribbon Commission ostensibly was charged with developing a strategy to reduce the federal deficit. But the assumption by congressional leaders was that the NEC would generate irresistible political momentum for higher taxes, providing political "cover" for such a move in the new Congress.

The NEC convened on May 10, 1988. Now, after eleven months of deliberations, the NEC has issued its final report. It is a verdict on the deficit very different than the one its architects surely envisaged. Predictably, therefore, the Washington establishment's enthusiasm for the NEC report has been less than overwhelming. The main surprise for Congress: the panel's major prescription is no new taxes. As the final report puts it, "With an estimated \$82 billion in additional revenues in fiscal year 1990, it is clear that we do not have to and should not raise taxes, but, rather, should restrain the rate of growth in federal spending." Even the six Democrats on the NEC who dissented from the majority refuse to endorse new taxes. The report sounds the death knell for Congress's hidden agenda of gaining a bipartisan stamp of approval for higher taxes.

Bush's Winning Strategy. The NEC report is a stunning setback for members of Congress who support a tax increase. It also is a triumph for George Bush. By carefully selecting the two appointments to the NEC that he was allowed, and by making it clear that his "read my lips" pledge on taxes would not be nullified by any commission, Bush deflected a bullet that could have wounded severely his budget strategy. By standing firm, he has won a solid endorsement from the Commission for his flexible freeze budget strategy.

One key recommendation of the NEC report is that Congress must repair its own budget procedures if the federal government hopes to stem the tide of federal red ink. The NEC calls for twelve separate budget reforms. The most significant include: a two-year budget,

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abandonment of the current services budget benchmark, tougher enforcement of the congressional Budget Resolution, and a constitutional amendment requiring a balanced budget with limits on revenues.

Highlighting the Budget Process. The NEC majority warns that “the balance of power on budget issues has swung too far from the Executive to the legislative branch,” and recommends, as a remedy, a line-item veto or strengthened rescission powers for the President. This is more bad news for Congress. For years the congressional leadership has tried to steer budget discussions away from its internal rulemaking procedures while pointing the finger at the President. The Commission’s report puts the budget process firmly back in the limelight.

The Commission’s sensible recommendations are due not only to firmness by Bush. Congress’s grand strategy for the NEC also was derailed by an effective counter-strategy mounted by key members of the panel. Dean Kleckner, President of the American Farm Bureau Federation, and former Defense Secretaries Donald Rumsfeld and Caspar Weinberger refused to be steamrolled by some lawmakers, Washington special interests, and the media into approving a hefty tax increase. Instead, they shifted the Commission agenda to the central issues of budget reform and spending restraint.

Returning the Task to Congress. The last sentence in the NEC report notes that “in the future the Commission stands ready to assist individually or collectively” in resolving the deficit problem. Bush politely should decline this invitation and let the NEC rest in peace. Other than demonstrating that there is no bipartisan consensus for a tax increase, the Commission has made one other major contribution: it demonstrates that responsibility for crafting a credible deficit reduction plan lies with the Congress and that it never should have been delegated to an appointed commission. Only elected representatives can solve the deficit problem, and they should set about doing so.

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