

The Thomas A. Roe Institute for Economic Policy Studies

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THE FOUR PERCENT SOLUTION TO RUNAWAY FEDERAL SPENDING

INTRODUCTION

For most American taxpayers, April 15 usually is painful enough as they rush to file their taxes. This year it is doubly painful as Americans will be reminded of last year's record five-year \$165.5 billion tax increase. What few Americans realize is that there is to be no gain for their pain. The tax hike was prescribed for Americans by the Bush White House as bitter but needed medicine to reduce the federal budget deficit. It has not. Instead, the tax hike has spurred a huge spending spree on domestic programs that is driving up the deficit from the \$230 billion promised for fiscal 1991 to more than \$318 billion. For every new dollar that taxpayers turn over to the federal treasury as a result of last year's budget deal, Congress and the Bush Administration will spend an additional \$1.83 on domestic programs, making this the largest build-up in domestic spending in three decades.

This year, Washington will collect 19.4 percent of gross national product (GNP) in tax revenues, the highest level in ten years. In only four other years since 1945 have taxes taken a greater share of the economy. What is worse, the spending increases in last year's budget agreement give the federal government over 25 percent of GNP, the highest level since 1946 and up from 22.3 percent in fiscal 1989.

From this it is clear as it has been for years: The cause of the towering federal budget deficit is profligate federal spending, not a shortfall of tax revenues.

Hiding the Spending Binge. The Bush Administration apparently does not yet understand what its budgets are doing to the deficit. The White House claims to hold the growth of federal spending in the budget it proposes for fiscal 1992 to 2.6 percent, well below the rate of inflation. The real rate of total federal spending growth is double this figure, and domestic spending growth is more than three times this figure. What permits the perhaps inadvertent deception about the true increase in spending is how the White House handles the costs of the Savings and Loan (S&L) bailout. It uses what are the one-time costs and later the revenues of the bailout to hide the spending binge and allow claims of fiscal responsibility.

When the effects of the S&L bailout are removed from the current budget figures, aggregate spending rises at a 5.4 percent rate, 1.1 percentage points (or 20 percent) above inflation.¹ This follows on the heels of an 8 percent increase in total spending in fiscal 1991, nearly 3 percentage points above inflation.

What is more telling, Bush proposes to boost domestic spending² by nearly \$64 billion in fiscal 1992, an increase of 8.2 percent, or 3.9 points above inflation. When this hike is combined with last year's increase of \$82 billion, or 12 percent, the two-year total jump in domestic spending is \$146 billion, a staggering 20 percent. This is over \$12 billion more than the combined increase in tax revenues during the two-year period. Taxpayers should not be surprised that the deficit continues to rise.

Unrealistic Limits. Bush Administration officials claim that the worst is now behind them and that future expenditures are limited by caps that last year's budget agreement imposes rigorously on discretionary spending.³ To be sure, such limits are good in theory. They never have worked in practice. For one thing, the caps have been set so high for the first years of the five-year budget agreement that spending is assured of soaring. For another thing, current entitlement programs generally are exempt from spending limits.⁴ The current spending binge is the result. And to make matters worse, nothing prevents Congress from removing or revising the caps in the future, just as it in effect abolished the limits imposed by the once-famous Gramm-Rudman-Hollings deficit reduction measure when they begin to pinch.

Bush's 1992 budget proposal continues to heap a particularly crippling burden on American taxpayers with families. Compared to the average family tax burden of four decades ago, the average American family today has lost \$8,200 in take-home pay due to a steadily increasing tax burden.⁵

To control spending, reduce the budget deficit, and make tax relief possible for all Americans, the Administration and Congress could adopt a policy that balances the budget by fiscal 1995, and would do so with no new taxes. Beginning in fis-

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- 1 Except where noted, spending rates reported here for fiscal 1992 through fiscal 1995 are the baseline growth rates. The Administration has recommended reducing the growth of entitlements by some \$35 billion over the four-year period. If Congress enacts these changes in fiscal 1992, the growth rate of aggregate federal spending will be lowered to 4.9 percent and the growth rate of domestic spending will be lowered to 7.4 percent.
 - 2 Domestic spending here and below denotes all non-defense spending excluding net interest on the national debt and the costs of the S&L bailout.
 - 3 Discretionary programs generally are defined as programs whose funds must be approved by Congress through the annual appropriations process.
 - 4 Entitlement programs are programs created in such a manner that the government is obligated to make payments to qualified individuals or groups. Here, entitlement spending, also known as "mandatory" or "direct" spending, does not include net interest on the federal debt or the costs and receipts of the S&L bailout.
 - 5 See Robert Rector, "Reducing the Tax Burden on the Embattled American Family," Heritage Foundation *Backgrounders*, forthcoming.

cal 1992, the annual growth rate of all domestic spending should be limited under a unified cap to four percent, the approximate level of inflation. Such a Four Percent Solution, enforced by automatic spending cuts if Congress exceeded the spending targets, still would provide an additional, and predictable, \$32 billion for domestic programs each year above the previous year's level. More important, the Four Percent Solution would save taxpayers \$255 billion through 1995. This quarter-trillion dollars in savings could be used in three ways: exclusively for deficit reduction, exclusively for tax relief (which is a "deficit neutral" option), or a combination of deficit reduction and tax relief.

Using the savings exclusively for deficit reduction, would produce a \$36 billion surplus in fiscal 1995.

Using the savings exclusively for deficit-neutral tax relief could:

- ◆ Fund a "Family Tax Freedom Plan," which would provide by 1996 a tax credit of \$1,800 for each child under age five, \$1,200 for each child aged six to eighteen, and an expanded Earned Income Tax Credit (EITC) for low income working families.⁶
- ◆ Reduce substantially the tax code's bias against business investment. For example: Allow businesses, after a phase-in period, to subtract from their gross revenues the money they spend on new machinery, factories, and other investments, just as they do the money spent on salaries, office supplies, and advertising. The business' taxable profits thus would be determined by subtracting all expenses from revenues. Known as "full expensing," this would promote vastly increased investment and would lower the cost of capital for American companies.⁷

Using the savings for both deficit reduction and tax relief could:

- ◆ Fund a "Family Tax Freedom Plan."
- ◆ Balance the budget by fiscal 1996.

NEW TAXES AND PORK BARREL SPENDING

Last year budget summitters toiled for six months to find ways to head off an expected over-\$150 billion budget deficit. They need not have done so because there was an automatic way to deal with the problem. Congress and the Administration could have allowed budget cuts mandated by the Gramm-Rudman-Hollings Deficit Reduction Act of 1985 automatically to bring the deficit to \$64

6 For a full description of the Family Tax Freedom Plan see *ibid.*

7 Dan Mitchell, "A Proven Formula to Restore Economic Growth," Heritage Foundation *Executive Memorandum* No. 295, February 13, 1991.

billion. But claiming that federal spending already had been reduced to bare bones, and that the Gramm-Rudman-Hollings cuts thus would gut essential services, the White House and Congress chose to “solve” the deficit crisis by raising taxes. So doing they ignored hundreds of pork barrel projects which bloat what is claimed to be a “bare bones” 1991 budget. These projects include:

- ◆ \$400,000 for sweet potato research
- ◆ \$200,000 for locoweed research
- ◆ \$1.7 million for a bee laboratory in Texas
- ◆ \$3.8 million for the Arkansas “Poultry Center of Excellence”
- ◆ \$2.2 million for the Tailored Clothing Technology Corporation in Ames, Iowa
- ◆ \$2.7 million for a fish farm in Stuttgart, Arkansas
- ◆ \$3.3 million for zebra mussel research
- ◆ \$2 million for the National Writing Project
- ◆ \$50,000 for a recreational boating census
- ◆ \$1 million for the National Bicycling and Walking Study
- ◆ \$64 million for the Washington, D.C., subway system
- ◆ \$14.5 million for railroad-highway crossing demonstration projects
- ◆ \$3.4 million for improvements on Fifth/Sixth streets in Waterloo, Iowa
- ◆ \$28 million for the Veterans Administration’s “parking garage revolving fund”
- ◆ \$995,000 for a performing arts center in North Miami, Florida

These and scores of similar expenditures funded by the fiscal 1991 budget suggest that policy makers left most of the fat in the budget and made little attempt to trim programs of lesser value to fund those of high priority.

HIGHER SPENDING AND HIGHER DEFICITS

In the two years since Ronald Reagan’s final fiscal year budget, 1989, the deficit has soared from \$131.4 billion to \$198.6 billion, excluding the S&L bailout costs and the costs of Operations Desert Shield and Desert Storm. This dramatic 51 percent increase is not due to falling tax revenues, but to a huge growth in spending — especially for domestic programs.

The deficit declined steadily during Reagan’s second term because the annual growth in new revenues exceeded the annual growth in new spending by slightly over \$20 billion per year. This trend was reversed in Bush’s first two budgets, those for fiscal 1990 and 1991. New tax revenues grew by \$40.6 billion in 1990 and

\$60.1 billion in 1991, an average of about 5 percent per year, just over the inflation rate. Total federal spending, however, grew on average by 7.2 percent during those two years, exceeding revenues each year by almost \$34 billion.

Had the growth of total federal spending, excluding S&L costs, been held to the inflation rate in 1990 and 1991, the deficit would currently be \$140 billion rather than \$198.6 billion. And if the growth of total spending continued at the inflation rate through 1995, the budget would boast a \$31 billion surplus in that year rather than the \$54 billion deficit now projected.

As Table 1 shows, the cumulative effect of allowing total federal spending to grow faster than the inflation rate over the six years from fiscal 1990 through fiscal 1995 is \$415 billion more in deficits. This amounts to an extra \$2.50 in deficit spending for every new dollar raised in last year's budget deal.

HUGE DOMESTIC SPENDING INCREASES

Domestic spending growth is the principal cause of the rapid deficit growth. Domestic spending is rising at a far faster rate than the growth rate of total federal spending. Domestic spending jumped \$142 billion between 1989 and 1991, and accounts for 85 percent of the overall growth in spending. And through 1995, domestic spending will grow 7.6 percent annually, an average of 3.4 points above the inflation rate. This domestic spending growth is masked in part by the

Table 1
Alternative Federal Spending Scenarios

(Billions of Current Dollars)

Fiscal Year	Deficit Had Spending Been Held to Inflation Rate	Actual Deficit	Excess Spending
1989	—	\$131.4	—
1990	\$137.4	\$162.5	\$25.1
1991	\$140.0	\$198.6	\$58.6
1992	\$119.5	\$195.0	\$75.5
1993	\$82.7	\$166.4	\$83.5
1994	\$19.5	\$106.1	\$86.6
1995	+ \$31.2 surplus	\$54.3	\$85.4
Total Excess Spending:			\$414.7

All deficit figures exclude Savings and Loan bailout costs and the eventual profits from S&L asset sales.
Source: Budget of the United States Government 1992.

Table 2
Alternative Domestic Spending Scenarios

(Billions of Current Dollars)

Fiscal Year	Deficit Had Domestic Spending Been Held to Inflation Rate	Actual Deficit	Excess Spending
1989	—	\$131.4	—
1990	\$128.3	\$162.5	\$34.2
1991	\$117.8	\$198.6	\$80.8
1992	\$80.6	\$195.0	\$115.0
1993	\$24.7	\$166.4	\$141.7
1994	+ \$60.8 surplus	\$106.1	\$166.9
1995	+ \$133.3 surplus	\$54.3	\$187.6
Total Excess Spending:			\$726.2

All deficit figures exclude Savings & Loan bailout costs and the eventual profits from S&L asset sales.
Source: Budget of the United States Government 1992.

reduction, in nominal terms, of defense spending by roughly 3 percent per year through 1995. These reductions are enough to slow the growth rate of aggregate spending. This creates an appearance of fiscal restraint and hides what in fact is fiscal profligacy.

Had this explosion in domestic spending been checked in the fiscal 1990 budget, the budget deficit picture today would be very different. The deficit would be \$118 billion, \$80 billion less than the current figure, if beginning in 1990 domestic spending growth had been simply held to the inflation rate. Were this restraint continued through 1995, the budget would show a surplus of \$133 billion that year rather than a projected deficit of \$54 billion.

As Table 2 shows, the cumulative six-year deficit impact of this domestic spending spree is almost \$726 billion. This amounts to an extra \$4.40 in deficit spending for every dollar of taxes raised by last year's budget deal.

FEW LIMITS ON DOMESTIC SPENDING GROWTH

White House and congressional supporters of last year's budget agreement claim that they have established tough new budget procedures to prevent spending from getting out of control. They point to separate spending "caps" that have been placed on domestic, international, and defense spending. The agencies within each of these categories, say the budget accord champions, are restrained in the efforts to fund new programs because they must compete with other agencies for resources.

Another tough procedure pointed to by budget accord boosters is the pay-as-you-go (Pay-Go) provisions on entitlement spending. While entitlements still can grow at the rate dictated by current law, so-called Pay-Go provisions require that

Table 3
Domestic Discretionary Spending

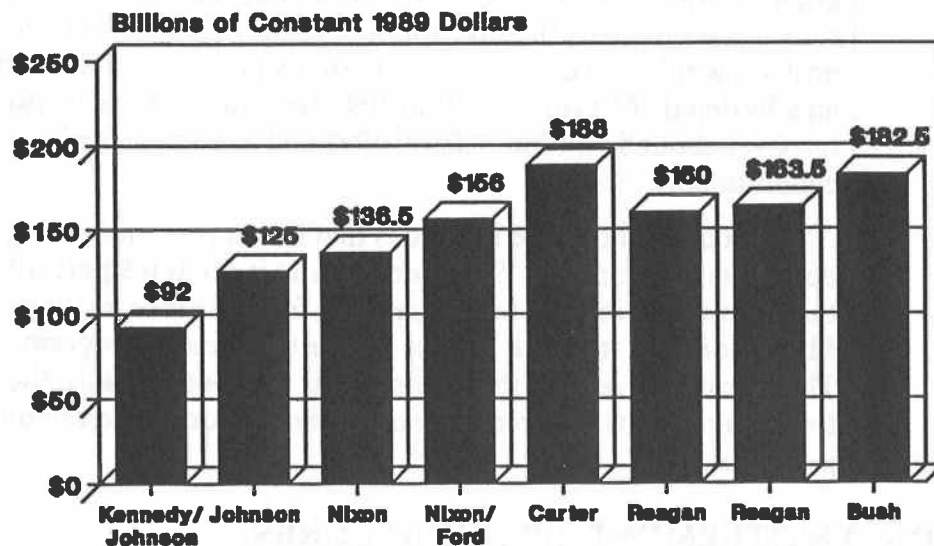
Fiscal Year	1989	1990	1991	1992	1993	1994	1995
Total (billions of current \$)	\$169.00	\$182.50	\$199.80	\$212.00	\$223.20	\$228.90	\$231.70
Annual Change	—	7.99%	9.48%	6.11%	5.28%	2.55%	1.22%
Projected Inflation Rate*	—	4.15%	5.37%	4.31%	3.96%	3.70%	3.71%
Percentage Point Change Above Inflation	—	3.19	3.78	2.01	1.48	-.95	-2.28

Note: The Budget Summit set spending caps for the Domestic Discretionary category only for fiscal years 1991 to 1993. Fiscal years 1994 and 1995 have been estimated by OMB
Source: Budget of the United States Government 1992.

* Based upon the Composite Deflator.

Chart 1

Average Annual Domestic Discretionary Spending*



*By Presidential Administration

Heritage DataChart

any cost hikes brought on by changes in entitlement laws must be “deficit neutral.” Thus, if Congress adds new expenditures to current programs or increases spending by creating new programs, these costs must be “paid for” by a tax increase or a spending reduction in other entitlement programs.

In theory, of course, placing caps on the various categories of discretionary spending is a good way to get control of the budget process. The problem is that the spending levels for domestic discretionary programs permitted by last year’s budget accord are extremely high. In practice, therefore, they check spending growth no more than a rigorously enforced 100 mph speed limit would check fast driving. The budget agreement’s huge spending increases in the first years of the agreement are padding most programs with enough fat to carry them through any spending moderation in future years. Example: the spending caps that have been placed on domestic discretionary spending were set at 9.5 percent growth in fiscal 1991; 6.1 percent above that in 1992; and an additional 5.3 percent in fiscal 1993. (See Table 3).

Domestic discretionary spending in 1993 will be 22 percent, or \$40 billion, higher than Bush’s first budget in 1990, and 33 percent, or \$54 billion, larger than Reagan’s last budget in 1989. This massive boost will send domestic discretionary spending to its highest annual constant dollar level since Jimmy Carter’s last budget, after adjusting for inflation. Over the past three decades, in fact, only the

Carter Administration consistently spent as much in real terms on domestic discretionary programs as is now being spent by Bush. Chart 1 compares the average four-year inflation-adjusted spending levels of the past five presidents.

Misleading Caps. The high levels of the budget summit's caps make a mockery of instituting caps at all. These high ceilings will require little reordering of program priorities and little trade-off of funding. The Bush Administration, for instance, tries to boast that its proposed fiscal 1992 budget would terminate 3,591 projects within 238 domestic discretionary programs and would trim spending for an additional 261 projects within 109 programs. These cuts ostensibly will save the taxpayer about \$2 billion in fiscal 1992 and about \$13 billion in future spending commitments.

This sounds good. The trouble is that it is at best misleading and possibly even deceptive. Because the 1992 spending cap is set at 6.1 percent above the 1991 cap, the Administration can boost spending for 250 other major programs by nearly \$11 billion, and raise the budget authority for those programs by \$17.8 billion. Thus, taxpayers end up the losers in this trade-off because the high cap levels force no real cuts or force no genuine evaluation of the relative merits of these programs.

TESTING ENTITLEMENT SPENDING CURBS

The rules from last year's budget agreement governing spending for entitlement programs, like Medicare, food stamps and aid for women with dependent children, have yet to be fully tested. Under the rules, any entitlement cost increases that result from changes in legislation must be "deficit neutral." Thus en-

Table 4
Entitlement Spending

Fiscal Year	1989	1990	1991	1992	1993	1993	1995
Total (billions of current \$)	\$459.3	\$510.3	\$574.8	\$626.3	\$671.0	\$718.3	\$765.1
Annual Change	—	11.1%	12.66%	8.96%	7.14%	7.05%	6.52%
Projected Inflation Rate *	—	4.15%	5.37%	4.31%	3.96%	3.70%	3.71%
Percentage Point Change Above Inflation	—	6.95	7.3	4.65	3.18	3.35	2.81

Note: Totals exclude net interest on the national debt and S&L bailout costs.
Source: Budget of the United States Government 1992.
* Based upon the Composit Deflator.t

entitlements are allowed to grow according to the rates Congress has already established in current law, but any spending increases Congress adds through new laws must be "paid for" by a tax increase or an equal spending reduction in other entitlement programs.

As with other parts of the budget accords, the rules governing entitlement appear good in theory but are sure to stumble in practice. The "zero-sum" enforcement procedures, for example, are in many respects moot because spending on entitlement programs under current law is now projected to grow by over 8.5 percent per year through 1995. Since last year's summit, the costs of entitlements have been revised and reestimated to reflect changing economic conditions, such as higher inflation and greater demands placed on such programs owing to rising unemployment and other effects of the recession. The resulting new figures now exceed the levels agreed to by the summiters by a cumulative \$183 billion by fiscal 1995. This spending jump is nearly \$20 billion higher than the five-year increase in new taxes.

The Bush Administration acknowledged this trend in entitlement spending in its 1992 budget and recommended trimming roughly \$35 billion from this growth by 1995. If these changes are adopted by Congress, they will slow entitlement growth only modestly from the 8.5 percent average to an 8.2 percent average per year.

A FOUR PERCENT SOLUTION

Since the caps on discretionary expenditures and the Pay-Go rules for entitlements have allowed spending to increase to record levels, the most effective method for controlling spending is a unified cap on total domestic spending, excluding net interest on the federal debt and the S&L costs. This unified cap should be fixed at four percent above the previous year's level, roughly the rate of inflation. Such a Four Percent Solution initiated in fiscal 1992, and enforced by automatic spending cuts if Congress exceeded the established spending limits, would save taxpayers \$255 billion by 1995.

This quarter-trillion dollars in savings could be used for deficit reduction, tax relief, or both. If the entire savings is used exclusively to reduce the budget deficit, the budget would be running a happy \$36 billion surplus in 1995. If the entire amount is used exclusively to reward Americans with tax relief, a plan which does not lower or increase the deficit, around \$1,400 per child in tax relief could be given to every family each year, and the tax bias against business investment could be reduced substantially, if not eliminated. American families in particular have been the biggest losers during Washington's latest spending binge. A third

option would apply roughly two-thirds of the savings toward family tax relief and the remaining savings toward deficit reduction, in which case the deficit would be balance by 1996.⁸

Long-Term Contract. The Four Percent Solution is much like a long-term union contract on which the worker can count for a specific percentage pay increase every year of the contract. In this way the worker can plan how his or her family will allocate the new money within the family budget.

Beginning in fiscal 1992, the Four Percent Solution would provide policy makers each year with an additional \$32 billion above the previous year's base level for new spending within the pool of domestic programs. This new money can be allocated throughout domestic programs as policy makers see fit. If this new money is not enough to fund all of the priorities set by the White House and Congress, then other less valuable programs must be reduced or eliminated to make up the additional needs.

Last year's budget accord has ruled out a Four Percent Solution. The budget summit erects "firewalls" between three categories of discretionary spending — domestic, international, and defense — and another firewall between these categories and entitlement programs. The firewall between domestic discretionary spending and defense spending wisely prevents Congress from cutting defense spending to increase domestic spending. Unwise, however, is the firewall between domestic entitlement programs and discretionary programs. Just as all of the programs that comprise the nation's defense needs should compete equally for the funds dedicated to that purpose, so too should all of the programs that comprise the nation's domestic interests compete equally for the available domestic resources.

Erroneous Perception. The enforcement mechanisms also have made tax relief very difficult. The rules governing tax cuts, such as those imposed on entitlement increases, require any changes to be "deficit neutral." Therefore, tax cuts must be "paid for" by raising other taxes or cutting entitlement programs just as increases in entitlement spending must be "paid for" by tax increases or equal entitlement cuts elsewhere. The unhappy result of these rules, however, is that they create the erroneous perception that reducing the tax burden for American workers can only be achieved by reducing entitlement benefits for the poor.

This aspect of the Pay-Go rules would be eliminated under a Four Percent Solution policy. Reducing benefits for the poor should not have to be a trade-off for cutting taxes for all workers. The rule requiring a hike in taxes to cover an increase in spending also would be eliminated under the Four Percent Solution. Congress repeatedly has lured taxpayers into tax increases to pay for new entitlement programs even when new programs duplicate or contradict existing programs. In time the cost of these programs mushrooms and so too does the bill to the taxpayer. The budget rules thus should force Congress to reevaluate old

8 See Rector, *op. cit.*

programs before it initiates any new ones. This means keeping the Pay-Go requirement that any spending increase be met by a spending reduction elsewhere in the budget. This would be an effective method of preventing the expansion of entitlement programs.

Eliminating the firewall between domestic discretionary spending and entitlements also would benefit the taxpayer. The firewall has insured that tax cuts cannot be traded for cuts in pork barrel programs or other unnecessary discretionary programs. Creating a unified cap on domestic spending and allowing the exchange of tax cuts for spending cuts in any domestic spending area would add a new dynamic to budgeting. With such a change, programs not only would have to compete with other programs for available resources, but they would also have to compete with taxpayers' demands for tax relief.

Keeping the "Mini-Sequester." Lastly, a Four Percent Solution budget plan would keep the "mini-sequester" rule now in place for discretionary spending. The "mini-sequester" requires across-the-board spending cuts within the discretionary category if Congress breaches the spending caps at any time during the fiscal year. A unified Four Percent Solution cap would simply distribute the "pain" of a mini-sequester across a larger number of programs. In effect, this is the same sequester format used in the original Gramm-Rudman-Hollings law. The new format, however, applies the rule on an on-going basis rather than at the end of the fiscal year, as was the case under the old Gramm-Rudman law.

Members of Congress may be uncomfortable with the limitations imposed by the Four Percent Solution. They may say that a four percent, or \$32 billion, increase in domestic spending above last year's base is not sufficient to meet the urgent needs of the country. What they are really saying is that \$32 billion in new spending every year plus the \$1.3 trillion in "base" spending are not enough to maintain essential programs and to fund pork barrel and special interest programs. Yet, the Four Percent Solution offers even these lawmakers something that they should value: the ability to cut their constituents' taxes.⁹

CONCLUSION

As taxpayers dutifully send in their tax returns to meet the April 15 deadline, they are justified if they feel betrayed by how Washington has handled the federal budget in the past two years. Policies that for eight years had slowed the growth of spending and, in turn, slowly reduced the deficit, were abruptly shelved by the Bush White House and Congress and replaced by record tax hikes, soaring domestic spending, and, consequently, towering deficits.

⁹ Some lawmakers, who may otherwise support the basic concept of the Four Percent Solution, might want to allow a higher growth rate of domestic spending. A Five Percent Solution, for instance, would save taxpayers \$170 billion by 1995. Were these savings applied directly toward deficit reduction, the budget would be balanced by 1995. The appendix displays a comparison of five alternative spending cap plans.

Washington now taxes nearly 20 cents of every dollar produced by the American economy and now consumes 25 cents of every dollar, when taxes are combined with the borrowing to finance the national debt and the S&L crisis. Both of these levels are at historic proportions and show no signs of falling soon. Washington's big spenders — in the White House and on Capitol Hill — have betrayed taxpayers by attempting to hide their record spending spree with a series of budget gimmicks, such as using the fluctuating one-time costs of the S&L bailout to mask huge increases in permanent domestic programs.

Honest Attempt. The Four Percent Solution would be an honest attempt to control the federal budget. It would avoid the need for future tax hikes and even allow for substantial tax relief. The only pain inflicted by this policy is on the big spenders in Washington and the special interest groups who repeatedly win backing for their special and costly programs. By limiting the growth of total domestic spending to just four percent per year, the average American family each year could receive \$1,400 in tax relief for every dependent child.

The Washington establishment has abused the sound concept of spending caps to fool taxpayers into the notion that spending growth has been slowed. Like a bear that fattens itself before a winter's hibernation, the big spenders have stuffed the budget full of higher spending that most programs will live off if the spending growth rate slows down. Come spring, the cycle will begin again and the big spenders will be hungry for more new spending. A unified four percent spending cap will curb their hunger.

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APPENDIX

The proposed policy calls for limiting the growth of domestic discretionary and domestic mandatory spending under a single unified spending cap. The figures below show the effects of a unified cap limiting the growth of total domestic spending at various rates. All figures exclude S&L bailout costs and revenues and net interest in the federal debt which would be exempt from the growth cap.

Savings From Alternative Plans Capping the Growth Of Domestic Spending						
(Billions of Current Dollars)						
Fiscal Year	1991	1992	1993	1994	1995	Four- Year Total Savings
4% Cap on Growth of Domestic Spending						
Current Baseline Level	774.70	838.30	894.20	947.20	996.80	
New 4% Cap Levels	774.70	805.69	837.92	871.43	906.29	
Savings From Baseline Levels	—	32.61	56.28	75.77	90.51	255.17
4.5% Cap on Growth of Domestic Spending						
Current Baseline Level	774.70	838.30	894.20	947.20	996.80	
New 4.5% Cap Levels	774.70	809.56	845.99	884.06	923.84	
Savings from Baseline Levels	—	28.74	48.21	63.14	72.96	213.04
5% Cap on Growth of Domestic Spending						
Current Baseline Level	774.70	838.30	894.20	947.20	996.80	
New 5% Cap Levels	774.70	813.44	854.11	896.81	941.65	
Savings from Baseline Levels	—	24.86	40.09	50.39	55.15	170.49
5.5% Cap on Growth of Domestic Spending						
Current Baseline Level	774.70	838.30	894.20	947.20	996.80	
New 5.5% Cap Levels	774.70	817.31	862.26	909.68	959.72	
Savings from Baseline Levels	—	20.99	31.94	37.52	37.08	127.53
6% Cap on Growth of Domestic Spending						
Current Baseline Level	774.70	838.30	894.20	947.20	996.80	
New 6% Cap Levels	774.70	821.18	870.45	922.68	978.04	
Savings from Baseline Levels	—	17.12	23.75	24.52	18.76	84.14

