THE BUSH BUDGET: AUDIT #1
REAL INCREASES, PHANTOM CUTS

Despite their pro forma criticism of the Bush Administration's fiscal 1993 budget, leading Democrats in Congress have not immediately declared it "dead on arrival," as they have previous budgets. One reason: despite talk of cuts by the White House, domestic spending is on track to increase more during four years of George Bush than during twelve years of Jimmy Carter and Ronald Reagan. This means that there are more taxpayer dollars than expected to fund Congress's pet projects. But skillful White House accounting tricks cover up this fact.

The Administration claims that it is keeping spending growth in line. Although total federal spending tops $1.5 trillion, says Office of Management and Budget (OMB) Director Richard Darman, this is only 2.8 percent (or $41.6 billion) higher than the fiscal 1992 budget.

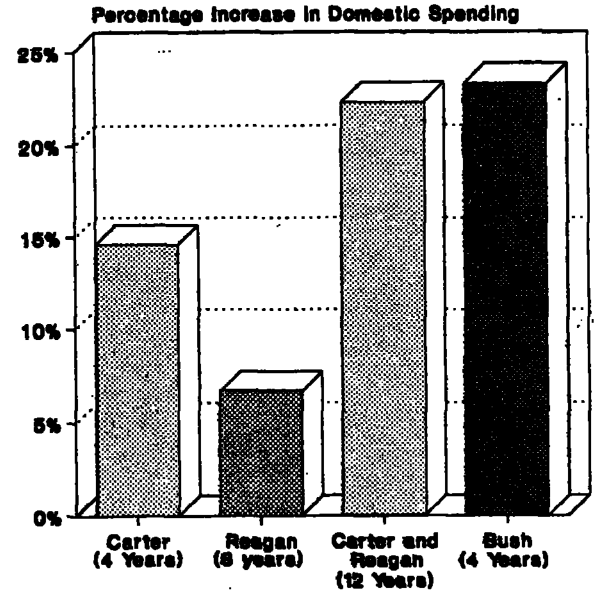
This claim is deceptive. For one thing, the Administration makes use of actual reductions in defense spending and the costs of bailing out failed Savings and Loans (S&Ls) to mask huge increases in domestic spending. When the mask is removed, however, total domestic spending in fiscal 1993 (excluding the S&L bailout costs and net interest costs on the federal debt) climbs to $907 billion, up nearly $52 billion—or 6.0 percent—over fiscal 1992.

Worse still, even after adjusting for inflation this record level of domestic spending is more than 23 percent higher than domestic spending in Ronald Reagan's last budget in fiscal 1989 (again, excluding S&L bailout and net interest costs). By comparison, total domestic spending grew by only 22 percent in real terms between 1977 and 1989.

Spending Binge. If his 1993 budget becomes law, Bush will have increased domestic spending by an average of nearly $37 billion per year, after adjusting for inflation. This is not only seven times the average under Reagan, but also is double the annual average of $19 billion under Jimmy Carter.

Maintaining the official pretense that spending is being cut, Bush declared in his State of the Union message that "we must get the federal deficit under control." And Administration officials point out that the budget eliminates 246 "unjustified programs" and reduces spending on 84 others. What these officials omit telling taxpayers is that these savings go to finance higher spending in 177 other programs.

The Bush Binge: Domestic Spending Has Grown More Than Under Carter, Reagan Combined



Note: Increase represents overall increase in domestic spending over full term of presidency, in constant 1989 dollars.

Source: *Budget of the U.S. Government, FY 1993.* Heritage DataChart

To pull off this slight-of-hand, Bush budget officials are taking advantage of taxpayers' ignorance of two arcane budget terms: budget authority and budget outlays.

Budget authority is like the line of credit a bank or a credit card company might give a customer. Just as the customer can make purchase commitments under a line of credit, so budget authority allows federal agencies to commit themselves to new spending. Outlays, by contrast, are the annual disbursements. These are the same as checks written by a family.

Increasing Outlays. What the Bush budget does is freeze budget authority for domestic discretionary programs at the same level as fiscal 1992, roughly $203 billion. But at the same time, it allows domestic discretionary outlays to grow by $8.5 billion in fiscal 1993 or about 4 percent.

Thus in fiscal 1993 the savings achieved by eliminating or reducing spending for 330 programs totals $13.1 billion in budget authority—but only $1.5 billion in outlays. Meanwhile, 177 programs receive increased funding. Although this costs the government roughly $13 billion in budget authority—equal to that "saved" from the eliminations—outlays will increase by $9.7 billion. So although the line of credit stays the same, the net amount of checks written goes up $8.2 billion.[1]

Bush Cuts Budget Authority, But Outlays Grow

Fiscal Year 1993 Program Action	Number of Programs	Budget Authority	Outlays
Terminate Program	246	-$5.0	-$1.0
Reduce Funding	84	-$8.1	-$0.5
Total	330	-$13.1	-$1.5
Increase Funding	177	+$13.0	+$9.7
Net Budget Change	—	-$0.1	+$8.2

Note: All figures in billions of current dollars.
Source: *Budget of the U.S. Government, FY 1993.*

The increases in program funding are defended as part of the President's economic growth package, intended to jump-start the economy. But while certain types of government spending may contribute somewhat to the economy's performance, the cost to the economy in taxes on borrowing usually offsets any benefit. For example, more money for the Superconducting Supercollider certainly will give a boost to the local economy in Texas, where the project is located, but the money taken away from taxpayers in New England to pay for it will mean fewer jobs and less growth in that region. Thus the Bush Administration's attempt to spend America back to prosperity amounts to little more than shuffling the deck chairs on an economic Titanic.

Real Spending Cuts Needed. There are many "economic recovery" plans currently swirling around the halls of Congress. Some plans would pay for cutting taxes on some income groups by raising the taxes on another income group. Other plans, like the President's, would help in some ways but largely use accounting maneuvers to suggest to taxpayers that something is being done. Each of these approaches is flawed because each ignores the core economic problem facing America: runaway federal spending is draining the lifeblood out of the private sector. A sound economic recovery plan must do one simple thing: cut the growth in federal spending and return the money in tax relief to ordinary Americans.

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For further information:
Scott A. Hodge, ed., *A Prosperity Plan for America - Fiscal 1993* (Washington, D.C.: The Heritage Foundation, 1992)

1 The budget increases other discretionary programs by $300 million. This unspecified spending, when combined with the $8.2 billion net increase totals $8.5 billion, equal to the overall increase in domestic discretionary spending