

WebMemo



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One Cheer for the House Republican Budget Cuts

Brian M. Riedl

After President Obama proposed a budget that would permanently hike annual federal spending from \$25,000 per household to more than \$32,000, he challenged his critics to specify their own budget cuts. House Republicans have responded with a 19-page document entitled “Proposals to Reduce the Deficit and Achieve Savings for American Taxpayers.”¹

House Republicans deserve credit for making the debate about *reducing* federal spending. Unfortunately, their timid proposal specifies only \$14 billion per year (0.4 percent of the budget) in program cuts, though they also call for a spending cap that would grow government by \$317 billion less over five years than President Obama’s budget proposal. Lawmakers should go much further than this document proposes.

Discretionary Spending Caps. The House Republican proposal would cap the growth of non-defense discretionary spending at the inflation rate for the next five years. Despite acknowledging that a freeze would be preferable, House Republicans proposed this slightly looser cap. It is no wonder Tea Party passions are fueling public outrage over spending—the Democratic Congress has increased domestic discretionary spending by 8 percent annually (not even counting the massive “stimulus” bill) since winning the majority in 2007 despite pledges of returning to fiscal responsibility.

Budgets are about setting priorities and making trade-offs, and caps represent a commonsense way for lawmakers to fund high-priority spending by

streamlining the budgets of lower-priority, outdated, and wasteful programs. Discretionary spending caps held down government growth in the 1990s and are even more necessary with today’s trillion-dollar budget deficits.

Other proposed process and rules changes include:

- A government waste commission (modeled after the 1980s Grace Commission) that would propose ways to streamline government;
- A requirement that each bill creating a new federal program also eliminate an outdated program; and
- A mandatory 72-hour period for lawmakers to review bills before voting on them.

Each of these reforms would provide lawmakers with the tools to make government leaner, less costly, and more accountable.

Not Enough Specific Spending Cuts. The discretionary spending caps listed above are vital to controlling the budget, but they are not real cuts—they merely slow down the growth of government. Other procedural reforms, such as the government waste commission, are necessary but still leave unanswered the question of what specific programs should be cut.

This paper, in its entirety, can be found at:
www.heritage.org/Research/Budget/wm2472.cfm

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214 Massachusetts Avenue, NE
Washington, DC 20002-4999
(202) 546-4400 • heritage.org

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House Republicans wisely propose that Troubled Asset Relief Program (TARP) funds that are repaid to the federal government go toward deficit reduction rather than be recycled into new TARP assistance. Given the disappointing record of TARP—with money going to unintended uses such as auto bailouts—this proposal should be embraced by any lawmaker looking to save money and reduce inefficient government spending. It would save \$45 billion.

The remaining 30 specific budget cuts would save just \$24 billion over five years. Proposals such as terminating duplicative education programs and dropping wealthier communities from the Community Development Block Grant program should be part of any reasonable spending cut package.

However, the combined \$69 billion in specific cuts over five years—an average of \$14 billion annually—is simply too timid to make a meaningful impact. By taking on only 0.4 percent of the current \$3.55 trillion federal budget, House Republican lawmakers seemingly endorse the remaining 99.6 percent.

The only remaining disagreement is over how fast to grow the budget from this level. Even counting the House Republicans' (unspecified) reforms needed to comply with domestic discretionary spending caps moving forward, they would still spend 97 percent as much as President Obama over the next five years.

A Choice, Not an Echo. Voters should not be limited to choosing between a President proposing the largest spending-and-debt spree in American history and a congressional opposition that would spend 97 percent of that same amount. The real choice should be between raising taxes on all Americans in order to concentrate more power in Washington and empowering individuals, families,

entrepreneurs, and state and local governments to make their own decisions and keep more of their own money.

The President's budget would hike federal spending from \$25,000 per household before the recession to a staggering \$32,000 per household.² If spending increases by \$7,000 per household, taxes will also rise by that amount. Lawmakers must protect the family budget from the federal budget.

Congress should first enact commonsense spending caps that cover *all* federal spending, not just domestic discretionary programs. Then, moving onto specific programs, they can begin with the lowest-hanging fruit:

- At least \$55 billion in annual program overpayments;
- \$25 billion in unused federal property;
- \$17 billion in annual earmarks;
- \$123 billion for programs for which government auditors can find no evidence of success;
- \$140 billion in potential budget savings identified in the Congressional Budget Office's "Budget Options" books; and
- Massive program duplication, such as the 342 economic development programs, 130 programs serving the disabled, and 130 programs serving at-risk youth.

They should then move onto large reforms, including:

- Reducing farm subsidies for large and profitable agribusinesses, which actually worsen the farm economy.³
- Eliminating the \$60 billion spent annually on corporate welfare programs.
- Devolving functions like highways, economic development, education, housing, and anti-poverty programs to state and local governments

1. Republican Leader John Boehner and Republican Whip Eric Cantor, "Proposals to Reduce the Deficit and Achieve Savings for American Taxpayers," June 4, 2009, at http://republicanleader.house.gov/UploadedFiles/06-04-09_Savings_Proposals_For_President.pdf (June 8, 2009).
2. Brian M. Riedl, "The Obama Budget: Spending, Taxes, and Doubling the National Debt," Heritage Foundation *Backgrounder* No. 2249, March 16, 2009, at <http://www.heritage.org/Research/Budget/bg2249.cfm>.
3. Brian M. Riedl, "How Farm Subsidies Harm Taxpayers, Consumers, and Farmers, Too," Heritage Foundation *Backgrounder* No. 2043, June 20, 2007, at <http://www.heritage.org/Research/Agriculture/bg2043.cfm>.

that are closest to the people. This would eliminate the expensive Washington middleman. State and local governments could save tax dollars and make government more efficient by tailoring these programs to local needs—and eliminating those that are not working at all.

- Most importantly, addressing Social Security and Medicare, which would otherwise require a doubling of all current tax rates. A logical place to start would be a progressive indexing of Social Security benefits for upper-income seniors and also stopping over-subsidizing the Medicare B and D premiums for upper-income seniors.

Difficult but Necessary. None of this will be easy. But the only alternative is maintaining current

spending trends and then raising taxes by a devastating \$7,000 per household.

The United States finds itself at a crossroads. Lawmakers can push spending—and taxes—to \$32,000 per household, thereby burying families, businesses, and the economy in a painful European-style economic hole, or they can make the difficult but necessary decisions to return the size of government to its 1980s and 1990s level. The House Republicans get credit for beginning a necessary and overdue conversation about spending restraint. They should go further to offer meaningful cuts.

—Brian M. Riedl is Grover M. Hermann Fellow in Federal Budgetary Affairs in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.