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BUDGET BATTLES

The Worst Budget Year Ever

By [Stan Collender](#)

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The conclusion is as inescapable as it is unassailable: 2003 will go down as one of the absolute worst years for the federal budget in U.S. history.

With so many misstatements, misleading arguments and outright misdirections, it became harder than ever to separate fact from fiction.

The budget decisions made this year have been so monumentally and uniformly bad that in the years ahead, 2003 is likely to be seen as the demarcation point that led to tough fiscal times for the nation. Even if "the budget" is not a campaign issue in 2004, the seeds definitely were planted in 2003 for it to become a big issue at some point in the near future.

There are four reasons why 2003 should be considered the slum of federal budget years.

First, every part of the budget went in the wrong direction as far as the deficit was concerned. Can you think of another year that saw a tax cut, a significant increase in appropriations, a major new entitlement program, and a substantial appropriation for waging a war and rebuilding the country we fought -- all at the same time?

Moreover, all of this happened in the face of a record-high deficit that was projected to keep getting larger. Any one of these things by themselves would have resulted in a major change in the budget outlook, but all of them occurring at the same time overwhelmed the bottom line.

Even if one fervently agrees with the policies such increased spending and decreased revenues were designed to achieve, that still doesn't mean that the budget impact had to be ignored, that the policies should have been pushed at the same time, or that there was not an obligation to identify at least partially offsetting spending cuts or revenue increases.

Yet none of these things were put in place with offsets. In most cases, there wasn't anyone in authority even talking about mitigating some of the budget impact. That kind of budget free-for-all didn't even occur when a budget surplus was burning a hole in many Washington pockets.

Second, 2003 will go down in the history books as the year when the budget debate approached rock bottom. With so many misstatements, misleading arguments and outright misdirections by those who were budget-be-damned adamant about doing what they wanted to do, it became harder than ever to separate fact from fiction.

For example:

- Many defended the record deficit by saying it was needed to spur economic growth. But the

complaints were about the long-term deficits, when the economy was supposed to be growing and no longer in need of a fiscal stimulus.

- Many said the deficit was overstated and would be lower than projected because of higher economic growth. That growth, however, was already built in to the forecasts. So unless the growth was going to surpass the official estimates, the deficit would not be lower. Equally important, if the White House was saying growth would be faster than expected, why didn't it change its estimates to reflect that?
- The president kept saying his policies would cut the deficit in half by the end of 2008, even though that calculation was based on spending and revenue assumptions that were not being followed when the statements were made. For example, appropriations grew from fiscal 2002 to 2003 by more than 12 percent -- three times faster than the 4 percent limit the president said he would insist on and the one included in the deficit-in-half-by-2008 promise. Revenues were based on the assumption that expiring provisions would be allowed to expire, even though the White House was saying it did not want that to happen and would propose they be extended.
- Taking credit for cutting the deficit in half to about \$250 billion by the end of fiscal 2008 indicates that it will be \$500 billion before then. That is 33 percent above the new record of \$374 billion set in 2003. Even if it is achieved, a \$250 billion deficit is nothing to be proud of, especially because there was a surplus when this administration and Congress began.
- The \$374 billion deficit in 2003 was defended because it was not as high as a percentage of GDP as the record deficits from the 1980s. Not only does that ignore the question of whether that deficit was appropriate to begin with, but it also assumes that we have to wait until we reach the old record to be concerned about it.
- The argument that the 2003 deficit is not as large as the 1983 deficit is incorrect in any case because it uses two numbers that should not be compared with each other. There was virtually no Social Security surplus in 1983 so that year's \$208 billion deficit represented only the operating costs of the federal government. In 2003, however, there was a substantial Social Security surplus that masked the size of the operating deficit. Remove it from the calculation and the deficit was about 5 percent of GDP. In other words, the 2003 deficit that should have been used for comparison purposes was on a par with the record deficit from 1983 that was used to defend what was done this year.

Third, there was no budget discipline of any kind in 2003. The budget process did not include caps on appropriations or pay-as-you-go rules for taxes and entitlements, so no one was prevented from doing anything they wanted to do. In addition, no consideration was given to reimposing any of the restrictions. This time around, Congress didn't even need to adopt waivers of the rules or concoct exotic strategies to get around them.

There was also little or no effort made by either the White House or Hill leaders to include offsetting spending cuts or revenue increases when the budget-busters were considered. Many representatives and senators who wanted to vote against them for budget reasons faced significant pressure not to do so. Some were even threatened with political retaliation.

Fourth, 2003 will go down in the budget history books because of the long-term fiscal damage that was done. Almost all the policies that were put in place are permanent tax and spending changes that will have an impact for years to come. Even the appropriations increases, which technically are only for one

year, substantially increase the baseline and, therefore, will have a negative effect on the bottom line of every year in the future.

Is there any thing good that can be said about 2003?

Yes -- it's almost over.

Question Of The Week

Last Week's Question. In keeping with the holiday spirit, this week there are three winners of an "I Won A 2003 Budget Battle" mouse pad. What's the ideal gift this year for the director of the Office of Management and Budget? **Carol Turner** wins for her suggestion: "As we evolve into the 'Pay based upon Performance,' the ideal gift for the director of OMB this year would 'depend' on his performance."

Tom Brockmeier wins for his suggestion of a Ouija board, which, in his words, "would certainly help to improve his deficit projections." And **Gerald Juarez** wins for suggesting "a lump of coal."

Honorable mention (but no mouse pad) goes to **Wayne Morris** for recommending a copy of the book "The Seven Habits of Highly Effective People."

This Week's Question. This is it -- the final question of the week for 2003. If you haven't won all year, thought this was like filing your taxes and waited for the last possible moment to enter, or didn't realize you wanted/needed a mouse pad until now, there's no tomorrow. Either you win this week or your chance to win an "I Won A 2003 Budget Battle" mouse pad will be gone forever. And next year's winners will get something other than a mouse pad, so think of this as the last chance of a lifetime.

The question: What are the exact dates of the one-month window **President Bush** has to submit his fiscal 2005 budget to Congress?

[Click here](#) to send in your response, which must be received by 5 p.m. PST on Saturday, Dec. 6, 2003. You must include a mailing address so we can send you the mouse pad if you win. Note to government employees: Because of security procedures at many offices and facilities, your home address will be the best way to make sure the mouse pad actually gets to you.

"FY05 Federal Budget Game Show" Briefing Set For Jan. 27

National Journal and *Government Executive* will team up next year just as the fiscal 2005 budget debate is about to begin to present the latest in their annual series of half-day executive briefings on what you should expect. This briefing -- **The FY05 Federal Budget Game Show** -- will be conducted by "Budget Battles" columnist **Stan Collender** in his usual informative and highly entertaining style, and will be held in Washington the week before the Bush fiscal 2005 budget is released.

Will the budget debate look like an episode of "The Gong Show"? Will the tax and spending decisions put the economy in "Jeopardy"? Will the Republican leadership look like they're playing "Let's Make A Deal" as they search for votes on key issues? And will Congress and the White House be able to "Beat The Clock" and get all of the appropriations enacted by the start of the fiscal year?

Tune in... or rather... attend the briefing on Jan. 27 and find out for yourself. You might even go home with some nice parting gifts.

Substantial discounts are available for registrations received by Jan. 15, 2004, and for groups of more than four. For the full agenda and registration information go to nationaljournal.com/budgetconference/.

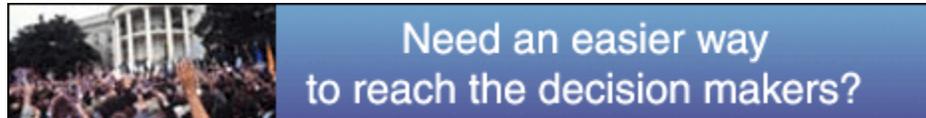
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