The Washington Post

October 3, 1993

The Veto Option: Will Bill Get Bushwhacked on the Budget?

By DOUGLAS J. BESHAROV

President Clinton has had a good month. The photo-friendly opportunity to preside over an historic Israeli-PLO rapprochement, the applause from elite audiences for his finally strong endorsement of the North American Free Trade Agreement and the broadly positive reaction to health care reform have all strengthened his standing in the polls. They have also served to distract attention from the unfinished business of the budget agreement that squeaked through Congress in August, leaving behind more doubts than approbation.

Much of the argument during the budget battle was over whether the cuts were real, or only a slowing down of future spending increases. Either way, it is clear that the five-year agreement contains little or no funding for some of Clinton's most important priorities. His school-to-work program, for example, had to be shoe-horned in at $ 67 million (instead of his initial goal of $ 270 million). Welfare reform, a central pledge of his campaign, is not even mentioned. It will cost billions. Full funding for Head Start is another question mark. And the big cuts in Medicare provider payments used to narrow the deficit will make it still harder to achieve the larger Medicare and Medicaid savings now proposed to finance health care reform.

Other than more tax increases, the strategy Clinton must adopt is clear: If his programs are to be funded, others must be cut. Already, the Office of Management and Budget has sent a letter to all executive agencies warning of 10 percent cuts in programs outside the president's designated priorities.

But achieving such cuts will require members of Congress to prune their pet programs in favor of Clinton's. That's not very likely from a legislative body that could not bring itself to end the bee-keeper's subsidy—unless Clinton can bend Congress toward his priorities.

But how? Clinton gave out most of the goodies at his disposal to get the budget bill passed—and he will probably have to use what is left in the battle over NAFTA. If Clinton hopes to fund his domestic agenda through cuts in existing programs, he will have to tame Congress, not buy it off. To understand what he needs to do, we need to go back to the Bush presidency.

Most of us have forgotten that by the time George Bush entered office, the deficit, as a percentage of GDP, had been shrinking for six years. Between 1983 and 1989, a combination of tax increases, reductions in defense spending, limited growth in social spending and, of course, a growing economy halved the deficit (from 6.3 percent to 3 percent of GDP).

Under Bush, however, the deficit began to grow again—to 4 percent of GDP in 1990, 4.8 percent in 1991, 4.9 percent in 1992, and a projected 5 percent in 1993. What happened?

Bush presided over a veritable explosion of spending. In Reagan's last five budgets, total federal outlays declined from 23.8 percent of GDP to 22.1 percent. Under Bush, outlays recovered all of this ground and then some. The growth in spending came not from defense, but from across-the-board increases in domestic spending. By the time Bush left office, annual spending for both mandatory and discretionary domestic programs had increased $ 210 billion. Part of the increase, of course, was due to the savings and loan bailout, which cost an average of $ 38 billion annually between 1989 and 1992. But social spending was a far more important factor.

Despite all the talk about a social deficit of unmet human needs, spending on the "human resource" budget category rose $ 184 billion under Bush, from 11 percent of GDP in 1989 to 13.6 percent in 1993. Social Security grew 15 percent, to $ 298 billion; health programs (95 percent of which is Medicaid) grew an astounding 89 percent, to $ 102 billion; Medicare grew 36 percent, to $ 129 billion; and income security programs grew 34 percent, to $ 204 billion. Discretionary spending was also up: Employment and training programs grew 27 percent to $ 52 billion.

In fact, even after accounting for inflation, the average annual rate of increase for social welfare spending under Bush was four times what it was under Ronald Reagan, almost twice what it was under Jimmy Carter, and only a third lower than under Lyndon Johnson and Richard Nixon—all the more remarkable because base program levels were already so much larger in the Bush years.

Many of these increases were beyond anyone's control: A weak economy pushed up spending for unemployment insurance, welfare, Medicaid and food stamps; the growth of the elderly population caused some of the increases in Medicare and Medicaid; and rising out-of-wedlock birth rates created greater dependency on income security programs in general. But spending started to rise before the 1990-91 recession, and these factors mask the real story: The plain fact is that the Bush administration lost control over domestic spending.

Acts of Congress, not acts of God, added tens of billions of dollars to the deficit. Some of this new spending went to fund programs first advocated by Bush but subsequently expanded by Congress far beyond his original proposal. For example, in 1989, the president proposed a child care tax credit similar to the Earned Income Tax Credit, the five-year cost of which would have been less than $ 15 billion. By the time Congress finished with Bush's proposal, it had created both an expanded credit whose five-year price tag was over $ 40 billion and two new child care credit programs that cost $ 4.6 billion.

Other spending increases were initiated by Congress, often as seemingly inexpensive riders to a larger bill. For example, the mandate that states expand Medicaid coverage for low-income pregnant women, their young children, the elderly and mentally retarded was added to the massive 1990 Omnibus Budget Reconciliation Act. The cost? $ 4.15 billion over five years. Urban Institute researchers estimate that as much as a third of the 30 percent increase in Medicaid spending between 1990 and 1991 was due to a combination of these legislated expansions of program eligibility or benefits and to state abuses of reimbursement rules through loopholes that Congress has been unable or unwilling to close.

The 1990 budget agreement further aggravated the situation. To gain congressional support for later caps on discretionary expenditures, the Bush administration agreed to a frontloaded, 20 percent increase in domestic discretionary spending in its first two years. (August's budget agreement has a similar spend-now, pay-later structure.) It was a high price to pay: $ 115 billion more spending over five years at a time when the deficit was growing.

There are many explanations for why Bush lost control of spending, but one factor stands out: He compromised with Congress without first forcing a political confrontation. In other words, he did not use his ultimate weapon to curb congressional spending: the presidential veto.

Bush was not shy about vetoing legislation he did not like. He vetoed 46 bills and, except for the last one, which reregulated cable TV, none was overridden. Surprisingly, though, he never vetoed a spending bill for the purpose of reducing expenditures. (While he did veto an expensive unemployment compensation bill, the reason he gave was that Congress had not financed it.) Although Congress tended to adhere to the spending caps imposed in 1990, thus making vetoes less necessary, a comparison of Bush's record to that of his five immediate predecessors reveals that he never confronted Congress directly when it came to spending. Reagan averaged 10 spending vetoes per term, even though Republicans controlled the Senate during six of his eight years. Carter vetoed 11 spending bills, Ford 18, and Nixon 11. Even Johnson vetoed four bills because of spending, and two more in part for the same reason.

Former Bush administration officials claim this was a deliberate strategy, that the president did not want to undermine the credibility of a veto threat by vetoing bills when he might be overridden. But this is an overly mechanistic view and ignores the role vetoes pay in defining political leadership and sharpening political issues.

This brings us to Clinton's challenge. Right now, a majority in Congress seems energized to control spending. Judging from history, however, this resolve will soon pass. The pressure to break the budget agreement will grow even stronger as lawmakers understand the implications of what they voted for.

Like the 1990 agreement, this five-year budget plan contains caps on discretionary spending. But these new caps are much tougher than the earlier ones. First, as noted earlier, in 1990, spending was increased 20 percent in the first two years before imposing the caps. Second, the 1990 caps were adjusted for inflation; the new caps will not be. As a result, in 1998, discretionary spending will actually be 13.5 percent lower than it was this year—a five-year cut in spending of $ 100 billion.

Moreover, many of the promised cuts are wishful thinking, at best. For example, the budget contains a four-year, $ 7.9 billion savings for "streamlining government"—separate and apart from the added savings promised in the administration's "Reinventing Government" initiative. Such inflated claims are nothing new, but they will serve to sharpen pressure on Congress to break the agreement.

So, if Clinton is to maintain control over spending, let alone fund his own domestic initiatives, he will have to impose discipline on Congress by being prepared to veto bills, spending and otherwise, sent up to him by his fellow Democrats. That's a tall order for any president, but especially for one with an ambitious agenda and a strong desire to please.

Karen N. Gardiner of AEI provided research assistance in the preparation of this article, a longer version of which appears in the current issue of the American Enterprise.