

IT'S THE ECONOMY, STUPID!

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The Mercatus Center at George Mason University released yesterday an overview of the Bush spending policies.¹ And as any libertarian can tell you, those eight years were not pretty.

According to the data (Table 1), spending under Bush increased each and every year. The smallest budget increase, from '06–'07, was one of \$75 billion, while the largest budget increase, from '08–'09, was \$955 billion. Overall, the budget increased from 2002 to 2009 from \$2,011 billion to \$3,938 billion. That's a total increase of \$1.93 trillion.

Entitlement spending and discretionary spending both also increased each and every year Mr. Bush was president. Net interest and deficit spending fluctuated over this same period, but deficit spending took place each of Bush's eight years, between \$158 billion in 2002 and \$1.75 trillion in 2009.

The data also tell us that government spending increased under the Bush regime more than under any of the previous six presidents, including the Johnson regime (Table 2). It is estimated that in Bush's second term, real total outlays increased by 48.6%, exceeding that of Johnson's 35.8%. Bush's first term saw an increase of 18.9%, the biggest

¹ Veronique de Rugy, "Spending Under President George W. Bush," March 16, 2009, Mercatus Center at George Mason University, <http://www.mercatus.org/PublicationDetails.aspx?id=26426> (accessed January 19, 2009). All in-text citations refer to this release.

increase since Johnson, beating Carter's 17.2%.

I recognise that not everybody is going to be familiar with the term *outlays*; it's not a term used often. The website of the U.S. Senate describes outlays as follows: "Outlays are payments made (generally through the issuance of checks or disbursement of cash) to liquidate obligations. Outlays during a fiscal year may be for payment of obligations incurred in prior years or in the same year."² Wikipedia probably gives a better definition for layman use. According to Wikipedia, the term "outlays" is usually synonymous with "expenditure" or "spending."³

Total outlays can be divided into two general camps: (1) entitlements and net interest payments and (2) discretionary spending.

Entitlement spending is any spending the government thinks it has to make, and includes such things as Social Security, Medicare, and the like. The idea is that the government has already established these programmes and informed citizens that they are supposedly entitled to this money; thus, the government says, it *must* spend its money on these things in accordance with the already-established policies of the programmes. To eliminate or alter this spending, the government would not merely need to alter the budget, but would also have to alter the programmes themselves, say for example by raising the age necessary to receive the Retirement Insurance Benefits of Social Security from 62 to 64.

Discretionary spending is all other spending, from military ex-

² "Outlays," Glossary of the United States Senate, http://www.senate.gov/reference/glossary_term/outlays.htm (accessed January 19, 2009).

³ "United States federal budget," Wikipedia.org, http://en.wikipedia.org/wiki/United_States_federal_budget#Basic_budget_terms_.28based_on_GAO_Glossary.29 (accessed March 17, 2009, 4:36 PM).

penditures to earmarks for wood utilisation research. (And, yes, Bush did approve spending for wood utilisation research.) Thus, discretionary spending is itself divided usually into two camps: (1) defence spending and (2) non-defence discretionary spending.

The data are not in yet for these two types of discretionary spending under Bush's second term, but it is estimated that his total second term discretionary spending entailed an increase of 29%, the highest since Johnson's 33.4% increase (Table 2). And in these past ten terms, who had the third highest increase in discretionary spending, following Johnson's one term and Bush's second term? Why, once again it is Mr. G. W. Bush, with his *first* term (2001–2005), with his increase of 27.7% over Clinton's second term.

Some may find this surprising, but of the past ten terms, it appears the most responsible President (at least as far as spending is concerned) was Bill Clinton, at least in his first term where total outlays only increased by 4.2% and discretionary spending actually decreased by 8%! This isn't to say that Clinton was an ideal president, but if I had to choose between Bush and Clinton in the realm of spending, I'd choose Clinton in a heart-beat. (Figure 1 makes a direct comparison between Mr. Clinton and Mr. Bush, showing the actual spending in millions of dollars between the two men. According to the source, "Adjusted for inflation, in eight years, President Clinton increased the federal budget by 11 percent. In eight years, President Bush increased it by a whopping 104 percent.")

Although the specific numbers are not yet available for Bush's second term, we can still analyse his first term discretionary spending. In doing so, we find that his defence spending increase at the dramatic rate of 36.0%, more than any president in the past ten terms, even beating out Johnson's 33.1% and Reagan's 26.1% (Table 2). We

can also see that his first term non-defence discretionary spending increased by 20.7%, the highest increase since Nixon's 25.5% increase, beating Clinton's second-term 14.4% and his own father's 13.9%.

Figure 3 compares the cumulative real discretionary spending of Bush, Clinton, and Reagan over each of their eight years. What I find most remarkable about this is the paragraph that follows:

President Bush outspent both Reagan and Clinton. President Reagan boosted defense outlays by 41 percent during his terms, but he also cut real nondefense outlays by 10 percent. Overall, total discretionary spending increased by 15.8 percent during Reagan's terms. During Clinton's first term, real discretionary spending actually decreased by 8 percent. During his second term, with the Republicans in control of Congress, it increased by 8.8 percent. Over Clinton's eight years then, real discretionary spending increased by 0.1 percent. During his two terms in office, however, President Bush increased real discretionary spending by 44 percent.

Figure 9 is also quite interesting. It depicts Congressional pork from 1994 to 2009. 1994 is the last year that the Democrats held control of Congress before the Republican Revolution of '94. After that point, we see the number and cost of earmarks skyrocket, especially in the years Bush was president, culminating in \$29 billion dollars worth of pork in 2006, the last year Republicans held control over Congress. Following the Democratic Revolution of '06, the Democrats seem to have briefly attempted to abide by their libertarian mandate (remember, it was libertarian-leaning Republicans voting for Democratic candidates to protest the high spending and unnecessary wars of the GOP that enabled Democrats to win all those new seats) by reducing pork to \$13.2 billion, the lowest it had been since 1999. But the Democratic reforms did not last, and Democrats have since fallen into

the same nasty habit as their Republican allies, increasing pork expenditures back up to \$17.2 billion the following year.

The publication concludes with the following remarks:

Republicans often claim to be the party of smaller government. Many Republicans would express support for Ronald Reagan's observation: "Growth, prosperity and ultimately human fulfillment, are created from the bottom up, not the government down." Unfortunately, once Republicans are elected to political office, they tend to fall into the Washington trap of assuming that more federal spending will solve the nation's problems. Certainly, President Bush appears to have fallen into this trap. So did the Republicans in Congress.

Harvard economist Jeffrey Frankel argues that we should not be surprised by the discrepancy between the rhetoric and the actual policies of Republicans. Frankel even argues that "the Republicans have become the party of fiscal irresponsibility, trade restriction, big government, and bad microeconomics." Frankel is incorrect about the microeconomics—Republicans generally pursue sounder tax policies than Democrats, for example—but when it comes to big government spending, the Bush Administration seems to have gone out of its way to confirm Frankel's point.

Perhaps there's an easy way to summarise the approaches to government of the two major parties: Democrats want big government, while Republicans want to supersize government. This isn't true across the board, of course; the GOP does have a few noble, small-government friends, such as Dr. Ron Paul and Mr. Walter Jones, but they seem unfortunately few in number.

This is not to be taken, of course, as a ringing endorsement of the Democratic Party or the current president. I have maintained in the past, and continue to maintain, that Mr. Obama is just as bad as Mr.

Bush. Ultimately, time will tell.

Nor is this to be taken as a justification for the Clinton years. Clinton's willingness to starve innocent Iraqis through embargo, and his administration's authoritarian mishandling of the Waco Massacre, go to show that Mr. Clinton was by no means a man of honour.

Rather, I believe this serves another purpose: it serves as a warning about trusting Republican politicians and their talking-head partisans. Republicans talk a good game regarding smaller government, but they never seem to deliver (with the rare exceptions mentioned above). Thus, I recommend always taking what politicians say with a grain of salt.