



The GOP's Omnibus Spending Binge Will Undermine the Next President

Expect even more red ink and massive deficits during our next recession.

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The \$1.1 trillion omnibus spending bill passed by both the House and the Senate earlier today caps off a year of dreadful budgeting by Republicans in Congress.

The bill includes a few reforms, but generally fails to block President Obama's various power grabs. So while the bill lifts the ban on oil exports, it does not block the administration's dangerous effort to extend environmental regulations over small pools of water on private property.

The omnibus comes on the heels of the October budget deal that overspent the sequester caps by \$80 billion over two years. That budget-buster created a precedent for Congress to likely add hundreds of billions more in spending over the coming decade. The new omnibus sticks to the inflated October discretionary amounts, but then adds \$160 billion in new spending over the coming decade by extending various "refundable" tax credits.

The highway bill signed into law a few weeks ago was another spending orgy engineered by Republican leaders. Highway and transit spending has soared 48 percent over the past 10 years, creating a giant gap in the highway trust fund. The GOP solution to the problem: increase spending even more over the next five years, including spending on wasteful transit, and then use budget gimmicks to pretend to pay for it.

All this spending is going to land like a ton of bricks on the desk of the next president. According to the Congressional Budget Office (CBO), federal debt held by the public will be \$14 trillion and growing quickly when the new president enters office in 2017. Deficits of \$500 billion or more his first couple years will be rising toward \$1 trillion by the early 2020s.

Growing entitlement spending and soaring federal interest costs will make the next president's hair turn gray even faster than that usually happens. CBO expects interest costs to more than triple over the next decade as debt balloons and interest rates rise. In writing his first federal budget, the next president will be looking at adding \$10 trillion of red ink over 10 years unless he can force spending cuts through Congress.

But the fiscal situation is even worse than that. CBO projections assume that U.S. economic growth will continue chugging along at more than two percent annually over the next decade. But realistically, we're going to have another recession in coming years, perhaps a major one. Since World War II, U.S. economic expansions have lasted an average of five and a half years. Given that the economy has been growing now since 2009, we are due for a recession at any time.

The last recession blew a \$1 trillion hole in federal revenues, and it prompted politicians to hike spending \$1 trillion on a supposed stimulus. So recessions translate into massive red ink, and that will be an even more serious problem the next time around. We started the last recession with federal debt at 35 percent of gross domestic product, which was high but not crushing on the economy. But we'll be starting the next recession with debt already at a dangerously high 75 percent of GDP or more.

The nation's fiscal outlook is more perilous than ever. Yet the GOP presidential candidates have offered few ideas about how they will confront the coming fiscal crunch. Indeed, most of them are promising to spend more on defense, while also pursuing multi-trillion dollar tax cuts.

I'm all for tax cuts, but they will be hard to achieve and sustain unless the Republicans start controlling spending and cutting deficits. The big 2001 tax cut was possible because the budget was in surplus, and the 1997 tax cut happened because the budget was headed toward surplus. And remember that Ronald Reagan's landmark 1981 tax cut was partly reversed out in later years because of deficit fears.

So big spending is not only dangerous for the economy, it also undermines a central and unifying GOP policy promise of major tax reforms. Unfortunately, with Republican leaders now capitulating on yet another budget bill, Obama will feel even more empowered to expand government his final year in office.

GOP presidential candidates are dreaming of taking the helm in 2017. But whoever wins will have a hell of a fiscal mess to dig out of, and the GOP-controlled Congress is making it harder for them all the time.

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