



Spending: A Bipartisan Love Story

The truth about Republicans, Democrats, and growing government

By: Veronique de Rugy – June 1, 2013

As Nobel Prize winner and freedom fighter Milton Friedman often reminded us, the true size of the government is measured by how much it spends rather than by how much we pay in taxes. As we enter Barack Obama's second term, a look at government spending patterns during the last few decades offers some relevant—and surprising—insights.

With the one clear exception of President Dwight Eisenhower, all Republican and Democratic administrations between 1945 and 2013 have increased spending from their predecessor's final fiscal year in office. (Fiscal years run from October 1 to the end of the following September, making presidential ownership tricky during transition years, though generally the federal government operates under the departing executive's budget.) What's more, during the last 30 years, Republican administrations have spent taxpayer money at a much faster rate than Democratic administrations. Even Obama has kept spending relatively flat compared to the likes of Ronald Reagan and George W. Bush.

During his two terms in office the second President Bush increased total spending by 53 percent in real terms, compared to 12.5 percent under Bill Clinton and a 2 percent reduction so far under Obama (when giving his predecessor full credit for FY2009, as we do for all departing presidents in this exercise). Some say Bush had no choice but to expand military spending to combat terrorism at home and abroad. But he also increased nondefense spending and presided over the biggest expansion of Medicare since its creation under LBJ.

And it's Republicans, not Democrats, who were almost entirely to blame for these 21st-century expansions, because during the first half of 2001 and all of the 2003–07 period the GOP maintained full control of both the White House and Congress. With Washington unified, the purported party of limited government increased total spending by more than 20 percent in real terms, an average of 5 percent a year.

The record of Ronald Reagan, that eloquent spokesman for limited government, doesn't look too great either. During his first term, the man who had said "it is my intention to curb the size and influence of the federal establishment" fattened the budget by 22 percent in real terms, including a 41 percent increase in defense.

In March the turncoat Republican economist Bruce Bartlett tweeted that "history books will say Obama was the 2nd most fiscally conservative president since Eisenhower (after Clinton)." He has an argument: Spending under Obama has not increased as fast as it did

under the previous administration and has even dropped a bit from a high in FY2009 (even though some of that spending was due to Obama's policies). This flat-lining is due in part to the lack of an actual budget for the last four years and the expiration of some stimulus provisions. If the sequestration cuts that just went into effect are not reversed, Obama's numbers will look even better, despite the fact that he opposed those cuts.

Obama is nobody's fiscal conservative. His signature legislative achievement, ObamaCare, will trigger major new spending, most of which will kick in after his presidency is over—meaning that his fiscal irresponsibility will show up in someone else's numbers. Yet there is no doubt that spending so far has flattened under Obama in a way most of us did not anticipate.

Why does the federal government grow at some times and not others? It could be that spending slows down when Washington is divided. Under both Clinton and Obama, Republicans regained control of Congress during the first midterm election and may have restrained the president from indulging his desire to spend more.

Republicans Nixon and Eisenhower both faced Congresses controlled by Democrats. Although Nixon presided over large expansions of government power, real total spending rose by only 5 percent during his time in office. Under Eisenhower it shrank by 4 percent.

In a 2004 paper presented at the annual meeting of the Public Choice Society, Cato Institute economists Bill Niskanen and Peter VanDoren wrote that “the rate of growth of real federal spending in the years since World War II was lower during administrations in which at least one house of Congress was controlled by the other party.” In November 2010, my Mercatus Center colleague Matthew Mitchell produced a chart showing that during the post World War II era inflation-adjusted per capita spending grew almost twice as fast under united governments than under divided governments. While there isn't enough data to declare the matter settled, it does illustrate an interesting trend.

President Clinton is an exception to this rule. In the first two years of his first term, he and his Democratic Congress increased spending at a lower rate than during the following six years when Republicans controlled Congress.

Wars also impact spending dramatically. Government was cut dramatically after the end of World War II under Harry Truman and the Korean War under Eisenhower. Nixon's budgetary restraint can be traced to the end of the Vietnam War, which resulted in a 30 percent reduction in defense spending. Both George H.W. Bush and Clinton oversaw large defense cuts at the end of the Cold War.

Republicans constantly remind us of their devotion to expanding the defense budget and their commitment to cutting nondefense spending, but the historical data show that the only thing they are actually willing to cut is military spending. They are as eager to increase nondefense spending as their friends on the other side of the aisle. (An exception to that rule is Reagan, who managed to cut nonmilitary spending by 10 percent during his time in office.)

When trying to understand the differences in spending between administrations, the president's ideology or party is a very poor predictor of how much the government will

grow. Obama ran for re-election as a big-government Democrat, but his spending pattern (until now) did not quite fit his ideology. By contrast, Reagan ran as a fiscally conservative candidate and George W. Bush claimed to believe in small government, but both oversaw large spending increases.

Out-of-control spending is a bipartisan problem. With a few exceptions, no matter who occupies the White House, the government tends to become larger and more expensive. But in recent years history suggests that it's likely to grow faster with a Republican president. Ideology predicts very little when it comes to spending. For this reason, libertarians need to continue fighting on both sides of the aisle. We must not be fooled by Republicans' small-government rhetoric.