

The Washington Post

In Trump's blueprint to reorder the federal government, echoes of Reagan '81

Dan Balz

March 16, 2017

President Trump's governing blueprint represents the most ambitious effort to cut domestic spending and pare back the federal government since former president Ronald Reagan came to Washington in 1981. Whether it will come close to accomplishing the president's ambitions is a far different question.

Trump's new budget proposes to raise discretionary defense spending by \$54 billion in the next fiscal year and cut domestic discretionary spending by an equivalent amount, a sizable shift in priorities. To pay for his defense buildup, he would take huge chunks out of the budgets at the State Department, the Environmental Protection Agency and other agencies. The list of programs identified for elimination is lengthy, with targets both familiar and obscure.

The president's ambitions go beyond the numbers in his new budget, however. Earlier this week, Trump signed an executive order designed to reorganize the executive branch. Unlike President Bill Clinton's initiative to reinvent government, Trump's order appears to be far more expansive, with a stated goal of finding programs and perhaps whole agencies that could be eliminated.

"Presidents create their own eras," said John Samples of the Cato Institute. "If he did this — whatever he said in the campaign — you might see a different cycle going forward with more restraint and a reduction in the size of government. This could be the beginning of a new cycle, but he's got to get from here to there."

That caveat — "whatever he said in the campaign" — is not insignificant. Trump has emerged in his early weeks in office as a president with an agenda to tear down parts of the federal government that he sees as superfluous or hostile to his views. Stephen K. Bannon, White House senior counselor and chief strategist, has talked about the "deconstruction of the administrative state."

As a candidate, Trump espoused some of the goals he is following now — cutting regulations, for example — but also promised to hold harmless programs such as Social Security and Medicare and pledged a health-care program that would provide coverage to everyone while also promising major tax cuts. If he sticks to those pledges, the impact on the deficit could be significant.

All this leaves open the question of what Trump's true priorities are. Are they mainly to raise defense spending, thereby being forced to find offsetting savings from domestic spending? Are they to reduce the deficit significantly, in which case what he is proposing will not go very far? Are they to take an ax to the executive branch, both through regulatory changes and the elimination of programs, in an effort to fight a bureaucracy that he appears to see as hostile to his presidency?

"In terms of the overall change in direction, this is basically following the Reagan blueprint to reorder priorities in discretionary spending," said former senator Phil Gramm (R-Tex.), who as a House member and "blue dog" Democrat played a key role in Reagan's first budget battle. "It would be modest in any private entity, but in government, it's significant."

The domestic cuts proposed in Trump's new budget will produce pain and are likely to spark the same kind of backlash that has greeted past efforts. Trump enjoys the advantage of having a Congress in Republican hands, and one that includes many members who came to Washington determined to cut government's size and scope. But the built-in resistance to cuts in specific programs will test Trump's ability to shift priorities and truly shrink Washington's reach.

"There aren't a lot of examples of presidents coming in and saying, 'I'm going to eliminate this program and that program and cut a whole bunch of programs back anywhere from 10 to 30 percent,' " said Robert Reischauer, a former director of the Congressional Budget Office. "This is quite unusual."

Reagan came to Washington determined to scale back the federal government. His 1981 budget and tax program did just that, cutting taxes dramatically and cutting overall projected government spending by about 5 percent and domestic discretionary spending by about 14 percent, according to Samples. When he left office after eight years, most of those programs he had cut had gotten bigger again, and those he tried to eliminate were still in existence.

The reason, said Leon E. Panetta, who was director of the Office of Management and Budget during Clinton's administration, was the built-in obstacles that confront any president seeking to cut rather than spend.

"Deep down, despite a lot of rhetoric about cutting, members of Congress, both Republican and Democrat, are committed to areas of domestic spending, particularly those that affect their districts," he said. "What it means is that defense will go up, but then there will be a real game of smoke and mirrors to find a way to somehow cover those costs."

Panetta pointed out that successful efforts to attack the deficit combined cuts in defense and domestic spending, higher taxes and changes in entitlement programs. He cited the 1990 agreement between President George H.W. Bush's White House and a Democratic Congress and the deal reached by Clinton's White House and a Republican-controlled House that produced a balanced budget in the late 1990s.

But deficit reduction is not necessarily Trump's top priority. His overall fiscal plan remains a work in progress. What is being released this week does not include his proposals to overhaul the tax code. But his campaign promises included cutting the corporation tax and reducing tax rates,

including on wealthy individuals. The only way to increase defense spending, therefore, is to go hard after domestic spending.

Ohio Gov. John Kasich, who was chairman of the House Budget Committee at the time of the balanced budget deal, offered this cautionary note. “Slashing is the easiest thing to do,” he said. “Reforming is the hardest, but it pays the most dividends.”

Trump’s proposed domestic cuts come after a period in which those programs have been steadily squeezed as a result of the budget sequester that went into force during President Barack Obama’s administration.

Alice Rivlin of the Brookings Institution, a former director of the Office of Management and Budget and of the Congressional Budget Office, said domestic spending should be rethought rather than simply cut more. “We’re spending at record lows in comparison to the size of the economy and the population for all the domestic programs we need,” she said.

Trump’s order on reorganizing the executive branch could prove significant, if Mick Mulvaney, the new Office of Management and Budget director, fully picks up on the mandate in the directive. “It is a wide-open invitation for the OMB director to think big and to go after programs and to propose eliminations,” said Chris Edwards of the Cato Institute. “I expect it to be a very bold study.”

Elaine Kamarck of the Brookings Institution oversaw the government reinvention initiative during the Clinton administration, which was under the direction of Vice President Al Gore. “You have to tell big pieces of the government to stop doing stuff, and the only way to do that is to overturn statutes,” she said. “That’s why almost every effort has come far, far short. Despite many Republican administrations and Republican Congresses, the government is bigger than it ever was.”

She also said that finding substantial savings will be more difficult for the Trump administration than it was for Clinton and Gore. Many of the savings and efficiencies resulted from taking advantage of emerging technology, particularly the Internet. “We took most of those savings,” she said.

One priority of the new administration appears to be to change the relationship between Washington and the states and cities by devolving power away from the federal government. That was one of Reagan’s goals.

Many governors are anxiously watching the early moves of the Trump administration, wondering whether changes in programs, whether big-ticket ones like Medicaid or smaller programs targeted for elimination, will put greater burdens on the states unless there is significantly more flexibility built in.

“It’s very much a zero-sum game at the state level,” said Scott Pattison, executive director of the National Governors Association. “It’s not like there are pots of money sitting around that can move in. If grants are cut to state and local governments, something has to give.”

Finally, the priorities of many Republican congressional leaders and Trump's more populist supporters may not always intersect. That, too, will be one of the balancing acts the president must manage. Gramm said successful administrations are the ones that follow the process diligently through to the end. Trump is only at the beginning.