

NATIONAL REVIEW

Congress and the Budget: Danger Ahead

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Budget fights seldom end well for Republicans.

While most of us have been consumed with the three-ring circus that has been the presidential election campaign, the regular business of government has been slowly grinding on. Unfortunately, several budgetary items facing Congress this fall threaten another government shutdown, with all the political theater and economic uncertainty that accompany such events. And, crucially, all the budgetary items on the agenda hold the potential for tearing the congressional GOP apart while angering both the Republican base and moderate voters.

First up will be appropriations. By law, Congress is supposed to pass all twelve appropriations bills to fund the federal government by October 1, when the new fiscal year begins. As has been the case since 1994, it is unlikely to do so. So far, the House has passed just six, although the remaining six have made it through committee and are ready for action on the floor.

But the bigger problem, as usual, will be in the Senate, where Democrats are threatening to filibuster, effectively shutting down the government, unless the Republicans agree to lift the sequester caps on domestic spending. In fact, the Democrats have already prevented the Senate from taking up the defense appropriations bill. That bill would increase defense spending, under the guise of funding for overseas contingency operations, by \$39 billion above the level called for by sequestration. The Democratic leadership is demanding that the defense increase be matched at least dollar for dollar by increases in domestic spending. But other Democrats are reportedly seeking even bigger spending increases, as well as tax hikes.

At the same time, some Republicans are insisting on the inclusion of language that would provoke a presidential veto, such as Ted Cruz's vow to force the defunding of Planned Parenthood. Democrats vow to filibuster if Cruz is successful in getting a defunding amendment included.

Assuming Congress eventually cobbles together some form of continuing resolution or omnibus spending bill, there will almost certainly be another fight over the debt ceiling. The latest estimates suggest that the Treasury Department will exhaust the extraordinary measures it has employed to avoid exceeding the debt limit by sometime in late November or early December. President Obama and Senate Democrats are already insisting on a clean bill to raise the debt ceiling without any conditions. Republican deficit hawks will almost certainly demand some

reforms in exchange for their support. (Senator Rand Paul has already said that he will vote against a debt-ceiling increase.) Others will see the debt-ceiling bill as a vehicle for their pet cause.

Next, Congress will have to decide whether to reauthorize the so-called tax extenders, a hodgepodge of some 52 special-interest tax provisions ranging from lower taxes on Puerto Rican rum to inflation indexing for teacher expenses. In July, the Senate Finance Committee approved a package that would continue these provisions until the end of 2016 and apply them retroactively for 2015, but it has yet to reach a full vote on the floor. The debate will pit an unusual coalition of free-market Republicans and higher-tax Democrats against business-oriented congressmen from both parties.

All of this will be taking place against the backdrop of the latest Congressional Budget Office report showing that budget deficits are expected to begin rising again in 2017, and to be running at nearly \$1 trillion annually by 2025. That year, the federal debt will approach \$27 trillion. And, in the years beyond that, the debt will grow steadily worse as the full weight of entitlements comes due. If Congress caves on increased spending, those projections will only grow worse. When inevitably the Republicans are forced to concede on at least some issues, the base will once again feel betrayed.

These budget fights seldom end well for Republicans. When inevitably the Republicans are forced to concede on at least some issues, the base will once again feel betrayed. After all, what is the point of having majorities in both houses of Congress if you can't even hold the line on spending? At the same time, a prolonged government shutdown or a debt-limit fight that disrupts the markets is unlikely to go down well with general-election voters, especially if it is perceived to be over fringe issues. Dysfunction might not actually be bad policy, but it is terrible politics.

Walking that tightrope will be a difficult test for the Republican leadership, one that, so far, they have shown little aptitude for. Time is running short. They had better figure something out soon.

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