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The Next Budget Battle

Republicans lost this fiscal debate. Here's a plan to win the next one.

By: Michael Tanner – October 23, 2013

The fight over the government shutdown may have come to an ignominious end, but the reprieve from Washington budgetary politics will be short-lived. The latest continuing resolution will expire on January 15, while we will hit our debt ceiling again on February 7. In the meantime, a budget conference committee, headed by Representative Paul Ryan (R., Wis.) and Senator Patty Murray (D., Wash.), is supposed to reach an agreement by December 13.

While the shutdown fight was so traumatic that many Republicans may prefer that the budget debate simply go away, these negotiations are as crucial as ever.

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Yes, a combination of increased revenue and slower spending (mostly a result of the sequester) means that the budget deficit has fallen to \$642 billion in 2013, compared with a high of \$1.4 trillion in 2009. Of course, that just means that our debt is not growing as fast as it was before; it's still growing.

More important, lower deficits are a temporary phenomenon. According to the Congressional Budget Office, deficits will start increasing again in 2016. By 2023, they will be back up to almost \$900 billion, and our gross federal debt will have risen to \$25.23 trillion.

Republicans may be divided and demoralized right now, but they cannot afford to throw in the budgetary towel. As the debate moves forward, Republicans must hold the line in several key areas.

Save the sequester: The Democrats' reverence for "settled law" evaporates when it comes to the sequester, a law duly passed by bipartisan majorities in both houses of Congress and signed by the president. Repealing the sequester's mandated spending cuts is likely to be the Democrats' No. 1 priority in budget negotiations. Already, Obama has promised to "keep fighting to get rid of" the law, saying it's "hurting our military and our economy."

Moreover, Democrats may find allies in this fight among Republican defense hawks, who object to cuts in military spending. John McCain, for example, has said that "some of us Republicans and Democrats are meeting about" undoing the law, "particularly those who are deeply concerned about the effect on defense."

Some Republicans have other priorities: Even Paul Ryan has suggested that he might be willing to trade sequester changes for promises of future entitlement cuts.

We should be clear: The sequester hasn't actually cut spending. Even if we preserve it, spending in 2023 will still be higher than it is today. But it has reduced spending growth well below previously projected baselines. In fact, without the sequester, discretionary spending will be \$87 billion higher in 2023 than it's projected to be with the law still in effect. The sequester will ultimately save taxpayers some \$1.1 trillion over ten years, through lower discretionary spending and reduced interest payments. By slowing the growth of spending to a rate that's below the growth of the economy and revenues, the sequester is helping to shrink both the deficit and the size of government as a share of GDP.

Across-the-board cuts may not be the most elegant method of budgeting — and some greater interagency budget flexibility may be desirable — but reversing or weakening the sequester will open the floodgates to much more federal spending. Republicans must fight to preserve it.