

## **THE DEFICIT CONTROL ACT: A FIRST VICTORY IN THE WAR ON THE DEFICIT**

Until the Senate overwhelmingly adopted the landmark Deficit Control Act last Wednesday, it seemed that the only bipartisan consensus Congress could reach on the deficit was that the fault lay with the other party. Senate passage of the amendment is the first solid sign in five years that Congress is willing to take decisive deficit-control action. More important, in approving this measure, the Senate has tacitly acknowledged that procedural changes are needed to force Congressmen to make tough choices on spending.

The Deficit Control Act or Gramm-Rudman Act would, barring war or recession, lock Congress into a deficit reduction schedule that would eliminate the deficit by 1991. This schedule requires Congress to slash \$36 billion from the deficit in each of the next five years. Should Congress fall short of the target in any year, the President would invoke automatic across-the-board spending cuts from virtually all domestic spending programs and defense. As the Act is currently drafted, Social Security would be exempt from these automatic, last-resort cuts. The Mack-Cheney bill pending in the House contains similar provisions.

The Gramm-Rudman Act recognizes that it is not merely a lack of political will which hinders serious deficit reduction activity in Congress--though that is certainly part of the problem. It is also that the current budget process provides no incentives for fiscal restraint. When Congress enacts a new program under the 1974 Budget Act, no mechanism exists to force tradeoffs between new spending and competing programs. Not surprisingly, by the time an appropriations bill reaches the President's desk it is usually packed with Congressmen's pet projects.

The Gramm-Rudman Act takes an important step toward correcting this defect of the budget process by placing effective ceilings on total spending. It forces lawmakers to choose between programs. New spending in one area would have to be offset by a reduction in outlays or increase in revenue of equal magnitude elsewhere in the budget. Traditional congressional logrolling, where members make "my program for your program" deals, would be replaced with a more cost-conscious "my program versus your program" environment. The result: the Deficit Control Act would inject a healthy dose of long-absent discipline into the budget process.

A number of skeptics complain that the Gramm-Rudman deficit targets are impossible to attain. Senator Bill Bradley (D-NJ), for instance, charges that the initiative would "dismantle the nondefense portion of the budget and wreak havoc with America's poor." He assumes, apparently, that Congress has already sliced domestic spending to the bone. The truth is that total nondefense spending in real dollars (adjusted for inflation) is actually up by \$50 billion since 1980. Meanwhile, the public is growing increasingly suspicious of Congressmen who preach about the evils of the deficit in one breath, and vote for \$600 million in Amtrak subsidies for the middle classes the next.

If Congress wonders where it will find \$36 billion to cut from the budget each year it can reexamine the Reagan 1986 budget proposal. This document identifies savings of more than twice what the deficit reduction plan requires of Congress. Those cuts would be painful--but for Congress, not the taxpayer.

One valid concern that has been raised is that to reach the deficit reduction targets, Congress would be tempted irresistably to hike taxes. This is unlikely. Should it happen, however, Ronald Reagan can veto it. Given the mood of the nation, there can be little doubt that such a veto would be sustained.

Gramm-Rudman's impact on defense is less clear. The main worry is that if Congress fails to reach the targets and the automatic across-the-board spending cuts are invoked, defense spending would bear about half the weight of the automatic reductions. But even if the automatic cuts were triggered, the Act still allows the President to send to Congress an alternative deficit reduction scheme if he feels that national defense would be compromised by an across-the-board spending cut. The Act itself, moreover, is entirely neutral as to where the spending reductions must come from to meet the schedule of deficit reductions. Defense will be cut only if the President and Congress cannot find more acceptable cuts.

The Gramm-Rudman Act falls short of the sweeping budget reforms that Congress must eventually enact if it is to get a better handle on spending. Congress must give back to the President his traditional budget powers lost under the Budget Act of 1974. The power to impound funds, for instance, should be restored to the White House. But for now, the Deficit Control Act is a welcome first victory in the war against the towering deficit.

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For further information:

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