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Opinions

Confused about the budget? Here's a quick rundown.



By **Robert J. Samuelson** October 22

It's that time of year again when Congress debates the federal budget. For most Americans, it's a turnoff. The dollar amounts are monstrous — trillions, not billions. The vocabulary of government finances (budget-speak) is baffling. Little wonder people tune out.

For the weary and confused, I offer a brief budget primer below. Here's what I think is important and why.

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(1) Over recent decades, there has been a vast reordering of national priorities, away from defense and toward the welfare state.

From the 1950s through the late 1960s, defense spending often constituted nearly or more than half the government's budget. No more. For fiscal 2017, defense represented about 16 percent of the \$4 trillion budget, a share that continues to fall. In its place are payments for the elderly and health care. In fiscal 2017, spending on Social Security, Medicare and Medicaid — the three largest programs aiding the elderly — totaled about \$2 trillion, or half the budget.

(2) There is a huge gap between what Americans want from government and what (so far) they've been willing to pay in taxes — the gap being persistent annual deficits.

Over the next decade (that is, from 2018 to 2027), the government will spend \$53 trillion and collect \$43 trillion in taxes and revenue, according to the latest projections by the Congressional Budget Office (CBO). At times, budget deficits can be blamed on economic recessions, which diminish tax revenue. But that's not the case now or usually. Unemployment is 4.2 percent, and the CBO's projections don't assume a future recession.

(3) When the economy is not in recession or the early stages of recovery, the government should balance its budget.

The main reason is political. Americans should balance the pain of taxes with gains from government. If people want big government, they should pay for it. If they dislike higher taxes, they should cut government. This was the tradition until the Kennedy-Johnson years in the 1960s, when deficit spending became popular. Since 1961, we've had deficits in all but five years. Spending discipline has eroded. Government is an open-ended agency for good works and special interests.

(4) Given the magnitude of existing and projected deficits, there is no plausible rate of economic growth that, if attained, would balance the budget.

This means we cannot afford the Trump tax cut if it loses any revenue; the idea that it will "pay for itself" looks like wishful thinking — nice if it happens, but the odds are against it. Nor can we afford the Democratic-liberal equivalent: Hands off Social Security and other subsidies for the elderly. But that's where the money is. If we tried to balance the budget without any cuts to "entitlements," the needed tax increase would be roughly 25 percent. Similarly, if we loaded all the spending cuts onto other programs, we'd have to eliminate the Pentagon. Its budget is about \$600 billion in

2017, close to the deficit. Or we could abolish all domestic discretionary programs (the Federal Aviation Administration, school aid, federal courts, the FBI, the Centers for Disease Control and Prevention . . . and many more). Their collective spending is also around \$600 billion.

(5) None of this precludes running deficits when the economy is in recession or the country faces a national emergency (a war or pandemic, for instance).

Indeed, one reason for pursuing balanced budgets in good times is to ensure that high debt levels don't make it harder to borrow when unanticipated economic or geopolitical events leave us no choice. Changes should be gradual, but one thing is certain: The choices will get harder. More baby boomers will retire; their health costs will remain stubbornly expensive. These pressures are slowly driving federal spending, taxes and budget deficits higher. Other programs are increasingly threatened. This is the crux of the budget story.

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If you've gotten this far, you can sense my bias. I think we need to come to terms with these pressures rather than ignore them — the typical response of politicians both left and right. They take refuge in familiar proposals that please their supporters but evade the new economic and social realities we face.

What is government for? What could be eliminated without much loss to the nation? Is the expanding welfare state shrinking our military in ways that make us more vulnerable? Older Americans are wealthier and healthier than ever. How should we remake retirement to reflect this without shredding the safety net?

Seven years ago, I wrote that these were good questions awaiting good answers. We're still waiting.

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Robert J. Samuelson writes a weekly column on economics.