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WERE SO ALARMING

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# CONSERVATISM WAS A SHAM



**By John Cassidy** July 26, 2019



*This week, the Republican Party, with its eyes on November, 2020, and with encouragement from Trump, said to heck with the deficit and the debt.*

Photograph by Carolyn Kaster / AP

Historians may recall this week for Robert Mueller’s anticlimactic testimony on Capitol Hill. But they could also recall it as the moment when, with the passage of a sweeping new budget deal in the House of Representatives, the Republican Party leadership called time on fiscal conservatism—the doctrine of cutting spending, balancing budgets, and reducing the national debt. Under the Bipartisan Budget Act of 2019, which the House passed on Thursday, discretionary spending on defense and non-defense programs will rise by more than three hundred billion dollars compared to current law; the debt ceiling will be raised; and, according to the Committee for a Responsible Federal Budget, the national debt will grow by \$1.7 trillion over the coming decade.

To be clear, this is a timely piece of legislation, which will fund a wide range of domestic programs and avoid a crisis when the current debt ceiling is breached, a moment that could come as early as September. The legislation, which the Senate seems certain to pass next week, will also get rid of the “sequester”—a crude system of automatic spending cuts that was introduced in 2011 and has distorted fiscal policy ever since. But the willingness of Donald Trump, Mitch McConnell, and other leading Republicans to sign on to such a piece of legislation only confirms what many of us have long suspected: that the G.O.P.’s devotion to fiscal conservatism was a sham, a cynical political strategy rather than the expression of a core philosophical principle.

As long as the Obama Administration remained in office, issuing jeremiads about the deficit, the debt enabled Republican leadership to portray the White House as profligate, thwart Democratic spending priorities on Capitol Hill, and whip up the G.O.P. base. In 2011, shortly after the House Republicans regained control of the lower house, they threatened not to raise the debt ceiling if the Obama Administration didn’t agree to draconian cuts in domestic spending. This was a weaponized form of the fiscal conservatism that prior generations of Republicans had espoused. Naturally, John Boehner and his colleagues claimed that they didn’t want to cause a catastrophic default by the U.S. government, which would have been the result of failing to raise the debt ceiling. But they insisted that drastic measures were needed to tackle the deficit and the debt, both of which had grown sharply in the aftermath of the financial crisis, as tax revenues plummeted and a much-needed fiscal stimulus boosted spending.

At the time, liberal economists pointed out that cutting spending could derail the recovery. Some also argued that the Republicans’ real intent was to gut domestic-spending programs and make life difficult for the Obama Administration. Obama’s economic advisers were understandably alarmed at

the prospect of a default. (Some of them also believed that fiscal consolidation was necessary.) In an effort to break the deadlock, they proposed an automatic trigger—the sequester—that would kick in and impose deep cuts in defense and non-defense discretionary spending if both sides couldn't agree on an alternative. This proposal was incorporated in the Budget Control Act of 2011, and was slated to kick in beginning in 2013. The danger of a debt default was avoided.

During the remaining years of the Obama Administration, the sequester was modified several times, to make the budget caps a bit less draconian. But the Republicans succeeded in their over-all aim of restraining spending. During Obama's first term, as a *New York Times* article pointed out earlier this week, “discretionary spending on military and domestic items rose by about 3 percent per year, on average. In his second term, such spending declined by an annual average of nearly 2 percent.” In inflation-adjusted dollars, discretionary spending per person fell from about forty-nine hundred dollars, in 2012, to about forty-four hundred dollars, in 2017, according to calculations by Donald Schneider, an economist who used to work for the House Ways and Means Committee.

These spending cuts didn't merely affect federal spending on everything from infrastructure to national parks and scientific research. With an aging population driving up entitlement spending and the cost of servicing the national debt rising, over-all federal spending continued to increase during this period. But the cuts in discretionary spending were among the factors that prevented the economy from growing as rapidly as it had in previous recoveries. After expanding at an annual rate of 2.6 per cent in 2010, G.D.P. grew at a rate of about 2.2 per cent for the next six years. Although the Republicans would never admit it publicly, this also served their political purposes and, perhaps, helped pave Trump's path to the White House.

Trump, of course, was a real-estate developer whose entire career was built on taking on debt, much of which his businesses didn't repay. Nonetheless, during the 2016 Presidential campaign, he adopted the persona of a fiscal conservative, pledging to eliminate the national debt in eight years—an absurd promise. Once he took office and the G.O.P. found itself controlling both branches of government, everything changed.

The process of abandoning fiscal conservatism began with the business-friendly tax bill that the Republicans pushed through Congress in December, 2017: the Congressional Budget Office estimated that it would raise the deficit by \$1.9 trillion over ten years. The reversals continued with a spending agreement that Republicans reached with Democrats in February of last year, which blew through previous spending caps. And it culminated in the agreement that Treasury Secretary Steven Mnuchin negotiated with Speaker Nancy Pelosi over the past few weeks, which extended the 2018 agreement's spending increases. The deal is appealing for Democrats because it raises non-defense spending and gets rid of the sequester. Come election time, they can argue that they delivered.

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On Thursday, a hundred and thirty-two House Republicans, professing fealty

to the old gospel, voted against the new spending bill. But the Party's leaders, with their eyes on November, 2020, and with the encouragement of Trump, said to heck with the deficit and the debt. As well as avoiding another debt-ceiling crisis, the spending deal will reduce the danger of a sharp slowdown in the economy between now and the election, which might well help Trump's chances of being reelected.

In the long run, the country will have to find some way to narrow the gap between spending and taxes. And, actually, a denuded tax base, not higher spending, is the main factor driving up the deficit and the debt. The American leader who tackles this problem won't be Trump: last year, he reportedly told an aide that he wasn't worried about the possibility of a debt crisis because, by then, someone else will be President. There's fiscal conservatism for you.



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# Video

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*Robert Mueller on Whether Trump Could be Indicted  
The former special counsel fielded questions on Donald Trump, ethics, and  
Russia's interference in the 2016 Presidential election.*

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