



March 6, 2001

Congress' Own "Temptation Island"

**Testing Our Fiscal Devotion: Another Argument
for the Bush Tax Cut**

This year's budget battle resembles the Fox network's new television show, "Temptation Island." In the show, four couples travel to a remote island stocked with attractive single men and women. The couples aren't married, but they do claim to be committed to one another. The show asks the question: How long can these participants withstand the island's temptations and remain true to each other?

The answer appears to be about one day. Or just slightly longer than it takes Congress to spend about \$3 billion of the projected budget surplus. Congress has been on a spending spree of record proportions since the surplus first emerged in 1998, with total new spending actually exceeding the size of the proposed Bush tax cuts.

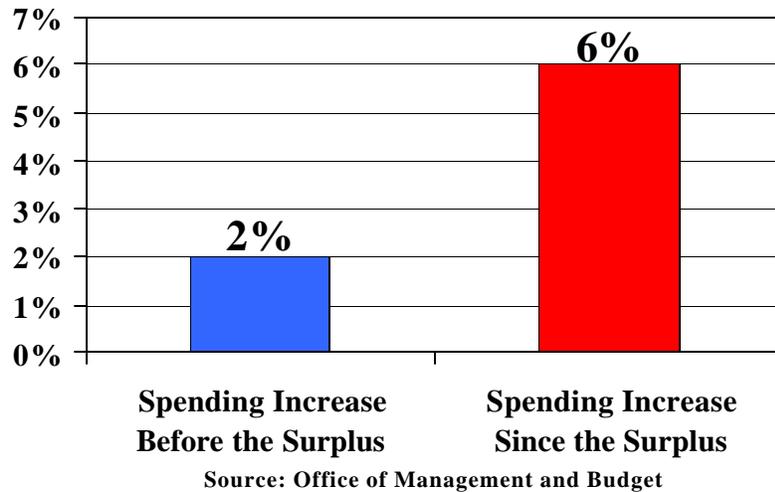
This spending spree offers yet another reason why we should support the President's \$1.6-trillion tax-relief plan. The Bush plan offers to pay down the debt while reducing the record tax burden shouldered by American families — as well as removing from Congress the temptation to spend the tax overpayment American families are currently paying to the U.S. Treasury.

Record Spending Spree

When the Congressional Budget Office (CBO) came out with its most recent budget estimates, one number stood out — \$5.6 trillion. That's the size of the projected surplus over the next 10 years. It's enough to pay down the debt, reduce the tax burden through broad-based tax cuts, and target spending at some of the areas that most people agree should be targeted — defense, education, and health care.

Another number garnered less attention — \$561 billion. That's the amount to the new spending Congress added during last fall's spending spree — discretionary, mandatory, and additional interest expense. Five-hundred and sixty-one billion dollars: that amount represents fully one-third the size of the proposed Bush tax cuts.

It also represents the iceberg’s proverbial tip. Since the surplus emerged in 1998, Congress has accelerated spending increases three-fold. In the three years prior to 1998, discretionary budget authority grew at a responsible 2 percent per year. Since 1998, discretionary budget authority has grown at an unsustainable 6 percent per year.



Washington’s Surplus Record: Average Discretionary Spending Increases

How much has this increase in discretionary spending reduced the projected surplus? One-point-four trillion dollars. Again, that’s just the discretionary spending increases. According to the CBO, the mandatory spending adopted by Congress last fall reduced the available surplus by about \$70 billion.

Increase in Discretionary Spending Estimates over Past 3 Years (by fiscal year, in billions of dollars)

| | '02 | '03 | '04 | '05 | '06 | '07 | '08 | '09 | '10 | '11 | Total |
|---------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| January, 1998 | 560 | 576 | 592 | 609 | 626 | 643 | 661 | 679 | 698 | 717 | 6361 |
| January, 2001 | 682 | 710 | 730 | 750 | 766 | 782 | 804 | 824 | 845 | 866 | 7759 |
| New Spending | 114 | 127 | 132 | 136 | 136 | 136 | 141 | 144 | 147 | 150 | 1398 |

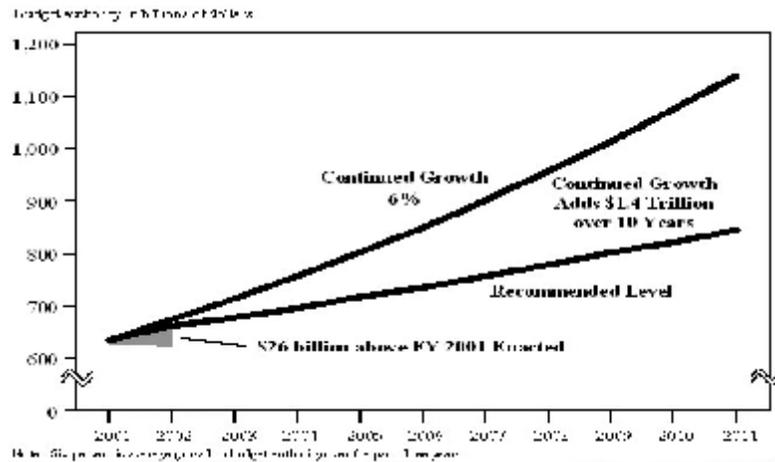
Source: Congressional Budget Office and Republican Policy Committee. Note: Estimates for 2009, '10, and '11 made in 1998 are projections based upon the CBO estimates. The CBO did not estimate discretionary spending levels for these years in 1998.

In three short years, we have already reduced the projected budget surplus by almost the equivalent of the Bush tax cut. Moreover, the Office of Management and Budget estimates that if

discretionary spending continues to grow at its current rate, the 10-year surplus would be \$1.4 trillion less over the again, almost tax cut.

next 10 years — equal to the Bush

Impact of d Growth



Unconstrained

Source: Office of Management and Budget

Close the Door on Temptation

An analysis of spending since the budget surpluses first emerged shows that if Congress had avoided the temptation to increase spending above the budget baseline and caps, today we could offer American families a tax cut equal to the Bush plan, and still have the entire \$5.6 trillion surplus left over to pay down the debt, increase funding for education, health care, and defense, and still cut taxes even further.

Budget hawks argue that Congress should focus like a laser beam on paying down the debt. Eliminating the debt would reduce interest rates, cut federal debt costs, and lay the groundwork for the coming Baby Boomer retirement. But recent history shows even budget hawks can get distracted by the temptations of the surplus. Like the attractive singles on “Temptation Island,” the spenders’ siren song is alluring — so add fiscal restraint to the long list of reasons Congress should adopt broad-based tax relief for American families this year.

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