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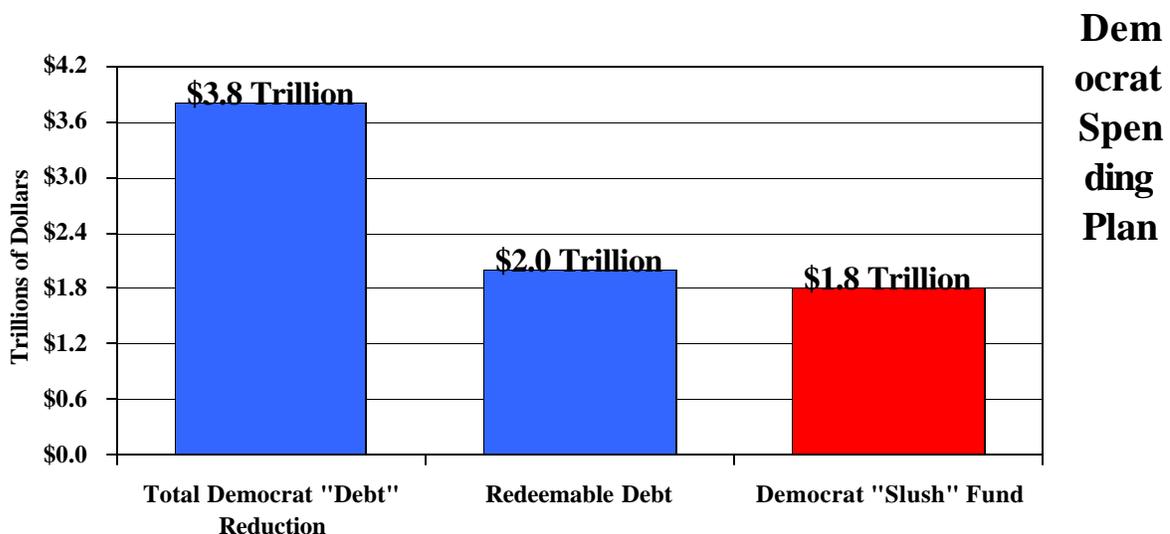
The Democrats' Stealth Spending Plan

In opposition to the President's plan to pay down the debt, reduce taxes for all taxpayers, and increase spending for education, health care, and defense, the Senate Democrats have offered a budget outline of their own.

A quick analysis shows that it simply doesn't add up. After setting aside their plans for small tax cuts and large spending increases, the Democrats' plan would leave almost \$4 trillion unallocated — money that would have to go toward one of these options: debt reduction, additional tax relief, or new spending.

But, OMB contends that only \$2 trillion of debt can be redeemed over the next 10 years. And the Democrats rabidly oppose additional tax cuts. That means the Democrat plan preserves almost \$2 trillion in surplus funds for unspecified new spending over the next decade — \$200 billion per year!

The Democrat budget outline is a stealth plan to block significant tax relief at all costs while increasing spending to historic — and dangerous — levels. It reinforces the notion that *if Republicans fail in their attempt to give taxpayers a refund on their tax overpayment, then that money will be spent to grow government instead.*



Source: CBO, OMB, and Senate Democratic Policy Committee

What To Do With a \$2-Trillion Slush Fund?

According to the Democratic Policy Committee, the Democratic leadership would like to divide our \$5.6 trillion surplus in the following way:

1. Set aside the Social Security Surplus (\$2.5 trillion);
2. Set aside the surplus in Medicare Part A (\$400 billion);
3. Provide \$900 billion for new spending;
4. Provide \$900 billion for targeted tax cuts and new welfare spending; and
5. Designate an additional \$900 billion for debt reduction.

Subtracting the spending and tax cuts from the surplus leaves the Treasury with \$3.8 trillion in surplus revenues. Right now, the Treasury uses surpluses to buy back public debt. But the Office of Management and Budget says that only \$2 trillion in debt can be redeemed over the next 10 years. That leaves the Democrats with a balance of almost \$2 trillion in surplus funds. What could they do with this money?

They've already rejected additional tax cuts. Additional tax cuts are simply inconsistent with their class-warfare rhetoric. In 1998 (the latest year numbers are available from the IRS) the bottom 75 percent of income earners paid \$136 billion in income taxes. But the Democrat slush fund averages almost \$200 billion per year. With that much available, we might be able to completely eliminate the income tax burden for the bottom 75 percent of all taxpayers and still have money left over. Since the Democratic leadership appears to have a policy of rejecting any tax proposal that provides relief to families with a significant income tax burden, additional tax cuts simply will not fit in their plan.

Direct Government investment should also be rejected. Bill Clinton and Al Gore proposed to have the federal government directly invest trillions of dollars as part of their Social Security plan. Almost everyone else, however, including Federal Reserve Chairman Alan Greenspan, rejects out of hand making Uncle Sam the world's largest investor. It's simply bad policy. Assuming the Democratic leadership recognizes the folly of having the federal government own huge chunks of American industry, investing of their slush fund is also off the table.

That leaves spending. Under the Democrat budget, an additional \$2 trillion over the next 10 years will be available to be spent. That's on top of the \$22.3 trillion already included in the baseline and the \$900 billion in new spending the Democrats propose.

In other words, *the Democrat budget opens the door to a massive spending increase of almost \$3 trillion over the next 10 years.*

By taking reasonable tax cuts off the table, the Democrats severely limit their options for the surplus. They can't pay down the debt fast enough, yet they refuse to return it to the taxpayers. That restriction leaves spending as the only option – massive new spending levels that completely destroy any semblance of fiscal restraint.

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