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# WORKING PAPER

SPENDING UNDER PRESIDENT GEORGE W. BUSH

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## Spending Under President George W. Bush

The numbers are in. With the release of the first estimate of the FY 2009 budget, we can summarize and assess President Bush's fiscal legacy.<sup>1</sup> And what a legacy it is!

### Section 1. Overall Federal Number under President Bush

During his eight years in office, President Bush oversaw a large increase in government spending, as seen in table 1:

**Table 1: Federal Budget 2002-2009 (Nominal Billions of Dollars)**

Fiscal Year	Net Interest	Entitlement spending	Discretionary Spending	Total Spending	Total Revenue	Deficit
2002	\$171	\$1,106	\$734	\$2,011	\$1,853	-\$158
2003	\$153	\$1,182	\$825	\$2,160	\$1,783	-\$378
2004	\$160	\$1,237	\$895	\$2,293	\$1,880	-\$413
2005	\$184	\$1,320	\$968	\$2,472	\$2,154	-\$318
2006	\$227	\$1,412	\$1,017	\$2,655	\$2,407	-\$248
2007	\$237	\$1,451	\$1,041	\$2,730	\$2,568	-\$162
2008	\$253	\$1,610	\$1,120	\$2,983	\$2,524	-\$459
2009	\$148	\$2,516	\$1,279	\$3,938	\$2,186	\$1,752

Source: Budget of the United States FY2009, Historical Tables and A New Era of Responsibility, Summary Tables, [www.budget.gov](http://www.budget.gov)

Note: During that period, inflation grew by 3 percent annually and population by 1 percent a year.

In fact, as seen in table 2, President Bush increased government spending more than any of the six presidents preceding him, including LBJ.

**Table 2. Changes in Real Total outlays, Nondefense and Defense Discretionary per Presidential Term**

President and Term	Total Outlays	Discretionary	Non-Defense Discretionary	Defense
LBJ	35.8%	33.4%	34.2%	33.1%
Nixon	5.3%	-15.2%	25.5%	-30.2%
Carter	17.2%	10.1%	7.6%	12.6%
Reagan 1st	14.4%	8.3%	-9.7%	26.1%
Reagan 2nd	7.4%	7%	0.2%	11.9%
GH Bush	7.8%	-3.4%	13.9%	-14.5%
Clinton 1st	4.2%	-8%	0.7%	-15.3%
Clinton 2nd	8.1%	8.9%	14.4%	3.0%
GW Bush 1st	18.9%	27.7%	20.7%	36.0%
GW Bush 2nd	48.6%*	29%*	x	x

Source: Author's calculations OMB's Budget of the United States FY2009, Historical Tables and A New Era of Responsibility Budget FY2010

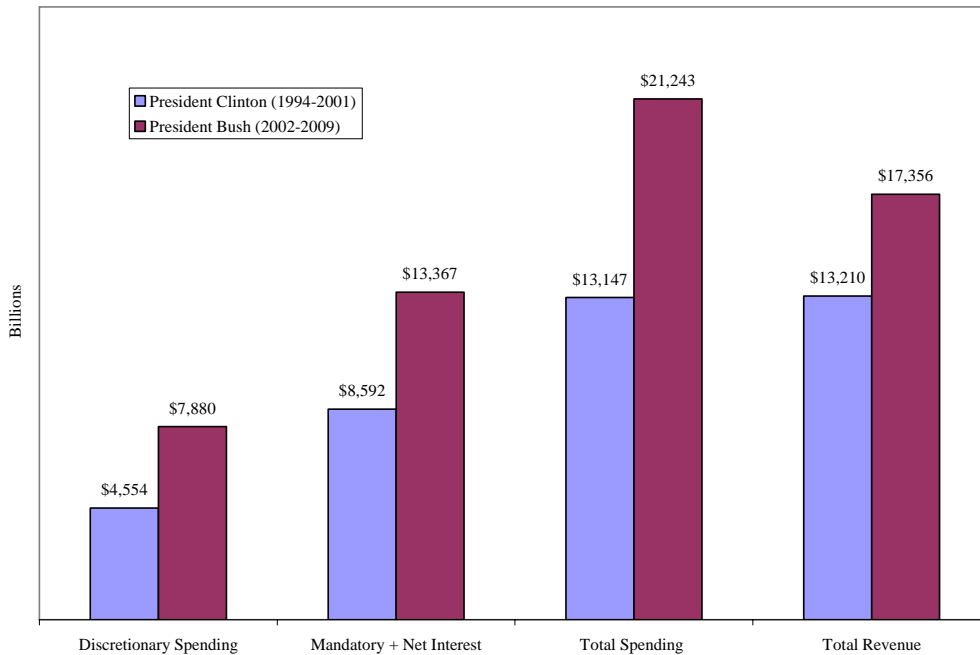
Note: Bush's second term numbers are estimates. The rest of the data will come out in April with President Obama's full-blown budget books.

In his last term in office, President Bush increased discretionary outlays by an estimated 48.6 percent. The largest increase took place in his last year and included, among other things, the \$700 billion financial industry bailout bill (TARP) and the federal takeover of Government-Sponsored Enterprises Freddie Mac and Fannie Mae.

Figure 1 illustrates that during his eight years in office, President Bush spent almost twice as much as his predecessor, President Clinton.

Adjusted for inflation, in eight years, President Clinton increased the federal budget by 11 percent. In eight years, President Bush increased it by a whopping 104 percent.

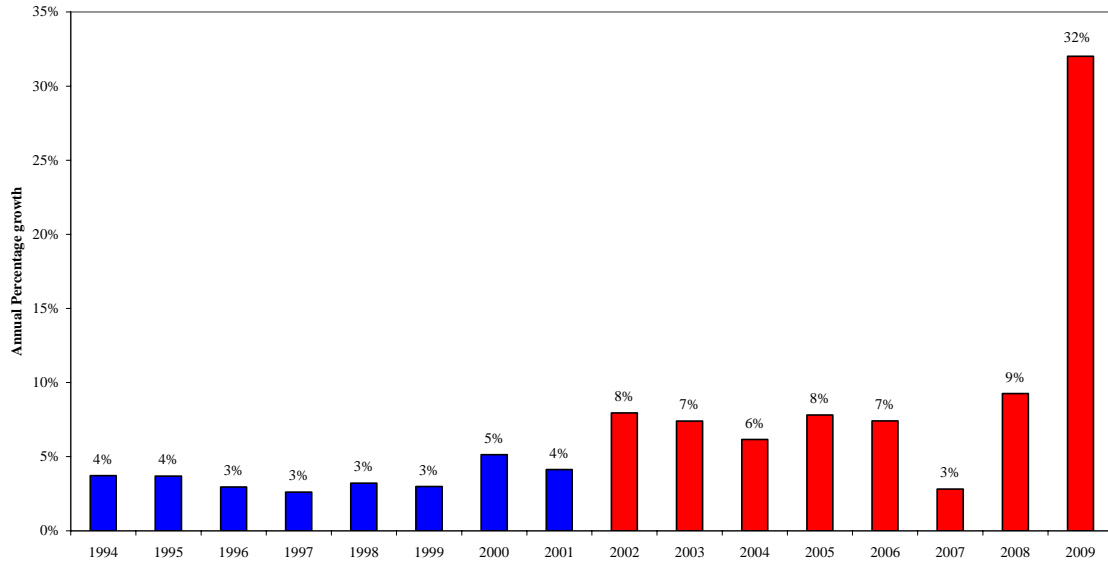
**Figure 1: How Much Did Presidents Clinton and Bush Spend during Their Terms?**  
(Billions of Dollars)



Source: Author's calculations based on Congressional Budget Office data [www.cbo.gov](http://www.cbo.gov), and Budget of the United States, A New Era of responsibility, Renewing America's Promise, [www.budget.gov](http://www.budget.gov).

Figure 2 illustrates how with one noticeable exception (2007), federal spending grew dramatically faster under President Bush than under President Clinton.

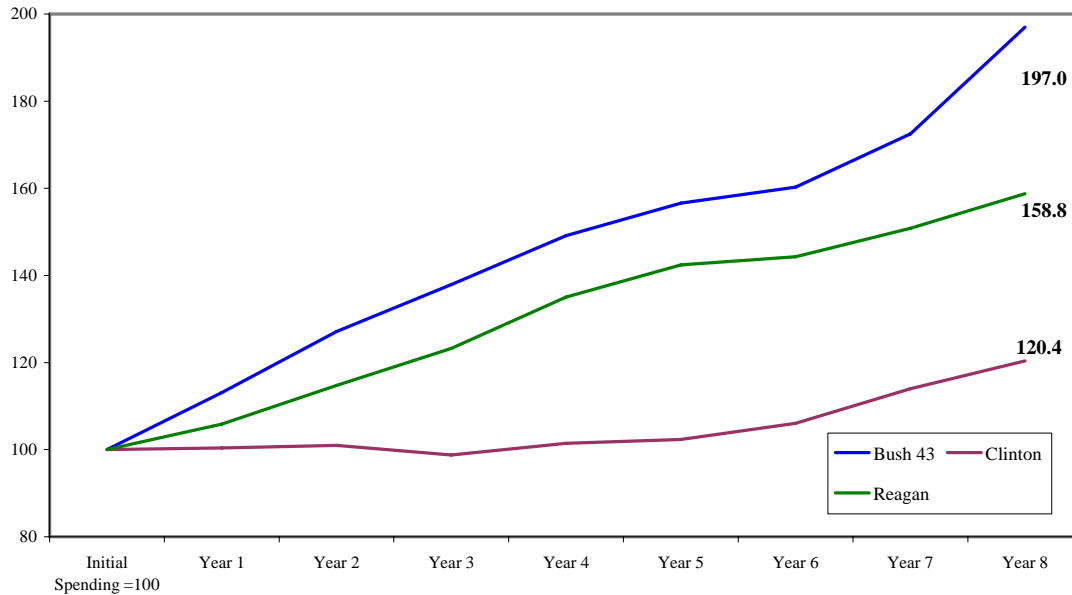
**Figure 2: Federal Budget Annual Growth**  
FY1994-FY2001: President Clinton, FY2002-FY2009: President Bush



Source : Author's calculations based on <http://www.cbo.gov/ftpdocs/99xx/doc9957/Historicaltables09-web.XLS> and A New Era of Responsibility: Renewing America's Promise, Summary tables, Table S-1.

Figure 3 shows the cumulative real discretionary spending increases for recent presidents who have served two terms (Reagan, Clinton, and Bush), setting the first year in office at a base of 100. With an identical starting point we can see how much each president added to the budget during his term.

Figure 3: Cumulative Real Discretionary Spending Increases in Eight Years of Presidency

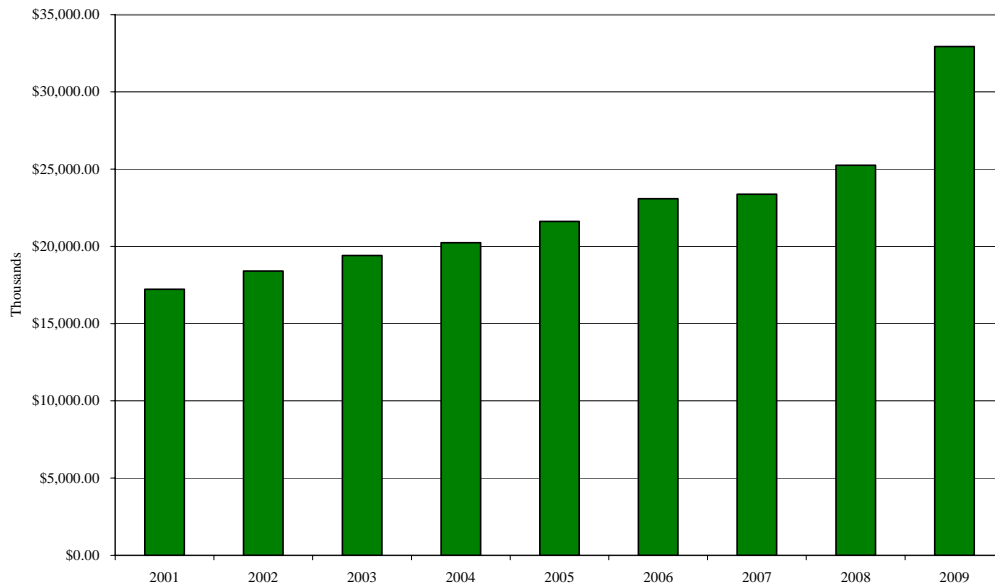


Source: Author's calculations based on Congressional Budget Office data [www.cbo.gov](http://www.cbo.gov), and Budget of the United States, A New Era of responsibility, Renewing America's Promise, [www.budget.gov](http://www.budget.gov).

President Bush outspent both Reagan and Clinton. President Reagan boosted defense outlays by 41 percent during his terms, but he also cut real nondefense outlays by 10 percent. Overall, total discretionary spending increased by 15.8 percent during Reagan's terms. During Clinton's first term, real discretionary spending actually decreased by 8 percent. During his second term, with the Republicans in control of Congress, it increased by 8.8 percent. Over Clinton's eight years then, real discretionary spending increased by 0.1 percent. During his two terms in office, however, President Bush increased real discretionary spending by 44 percent.

Figure 4 demonstrates how in FY2009—President Bush’s last budget—the federal government will spend \$32,942.90 per household, up from \$17,216.68 in FY2001. It will tax \$18,286.74 per household and will run a budget deficit of \$14,656.16 per household.

**Figure 4: Total Federal Spending per Household (2001-2009)**



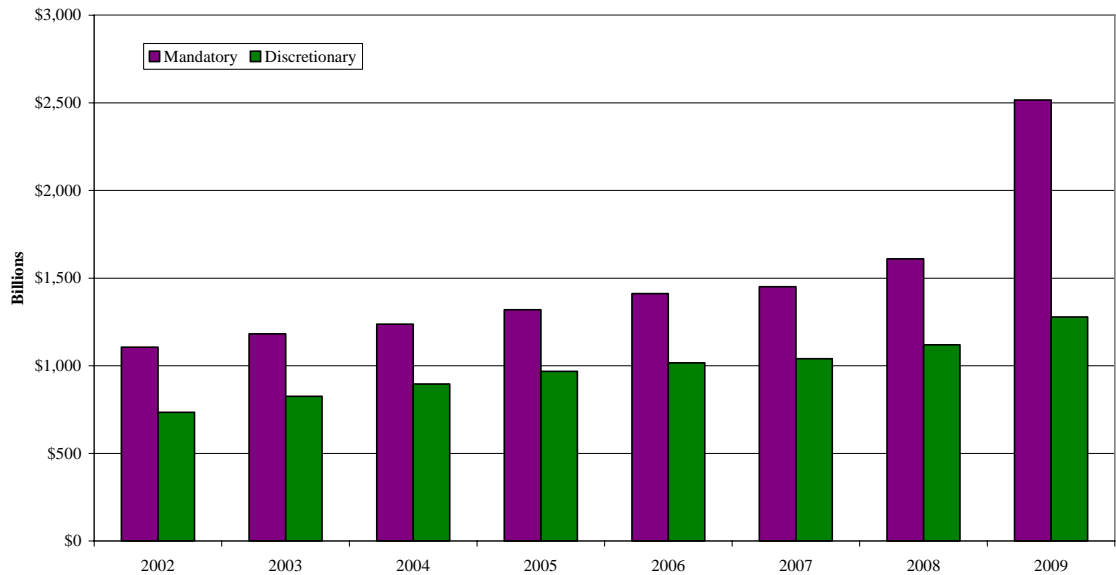
Source: Author's calculation based on [www.cbo.gov](http://www.cbo.gov), Historical tables, and A New Era of Responsibility, FY2010, Table S-1, and Census data

## Section 2: Discretionary Spending vs. Entitlement

One excuse offered for these large budget increases is that entitlement programs are growing rapidly. Although Social Security and Medicare spending growth outpaced most other programs in the mid-1990s, spending growth in discretionary programs has accelerated in the last 15 years, especially during Bush’s two terms. Between FY2002 and FY2009, discretionary spending rose 96 percent.

Figure 5 shows that while discretionary spending never outgrew mandatory spending, it kept pace with it (with the exception of FY2009 due to the financial bailout and the federal takeover of Freddie and Fannie).

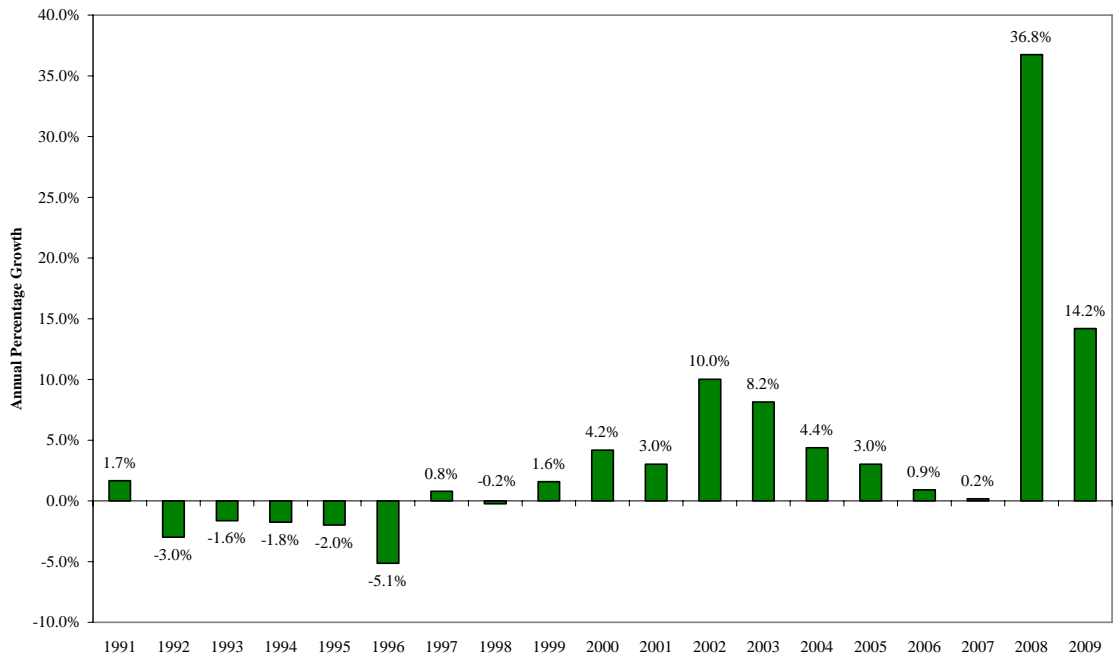
**Figure 5: Discretionary vs. Mandatory Spending 2002-2009**



Source: www.cbo.gov, Historical tables, and A New Era of Responsibility, FY2010, Summary Tables.

Figure 6 shows that annual growth of discretionary outlays had accelerated during President Bush's terms. In fact, during most of the Clinton years, discretionary spending was not or was barely growing.

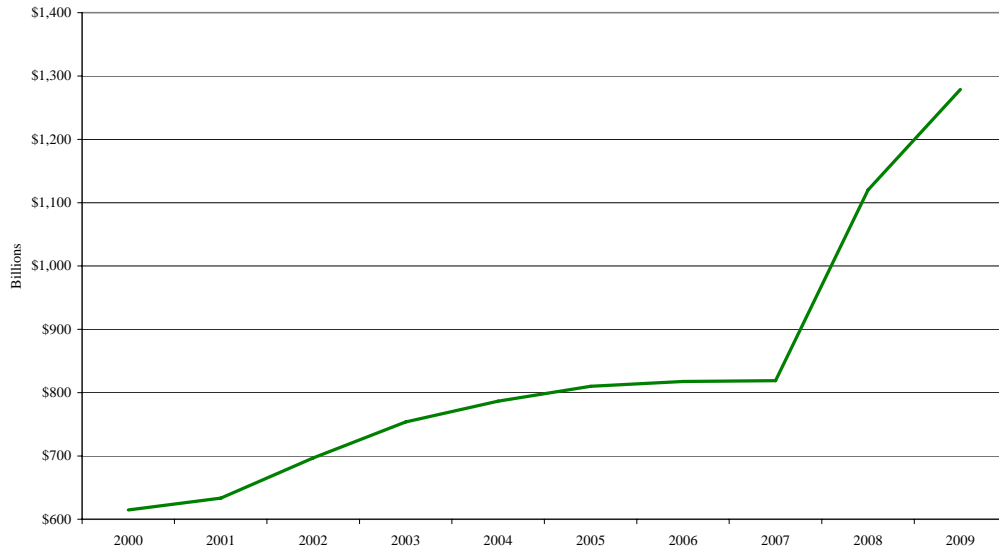
**Figure 6: Annual Growth of Discretionary Outlays**



Source: Author's calculations based on www.cbo.org and A New Era of Responsibility: Renewing America's Promise, Summary Tables, Table S-4 and www.cbo.gov, Historical Tables. Note: During that period inflation average 3 percent per year and the population grew 1 percent annually

Rather than increasing the discretionary budget, Congress should have cut it to make way for rapid future growth in entitlement programs. As the trend in figure 7 indicates, when the baby-boom generation begins retiring later in the next decade, Social Security and Medicare costs will explode. If Congress does not reform entitlement programs, longer life spans and rising health-care costs will exacerbate the already huge burden placed on future generations.

**Figure 7: Trend in Discretionary Outlays since 2000**  
(Billions of Nominal Dollars)



Source: [www.cbo.org](http://www.cbo.org) and *A New Era of Responsibility: Renewing America's Promise*, Summary Tables, Table S-4 and [www.cbo.gov](http://www.cbo.gov), Historical Tables.

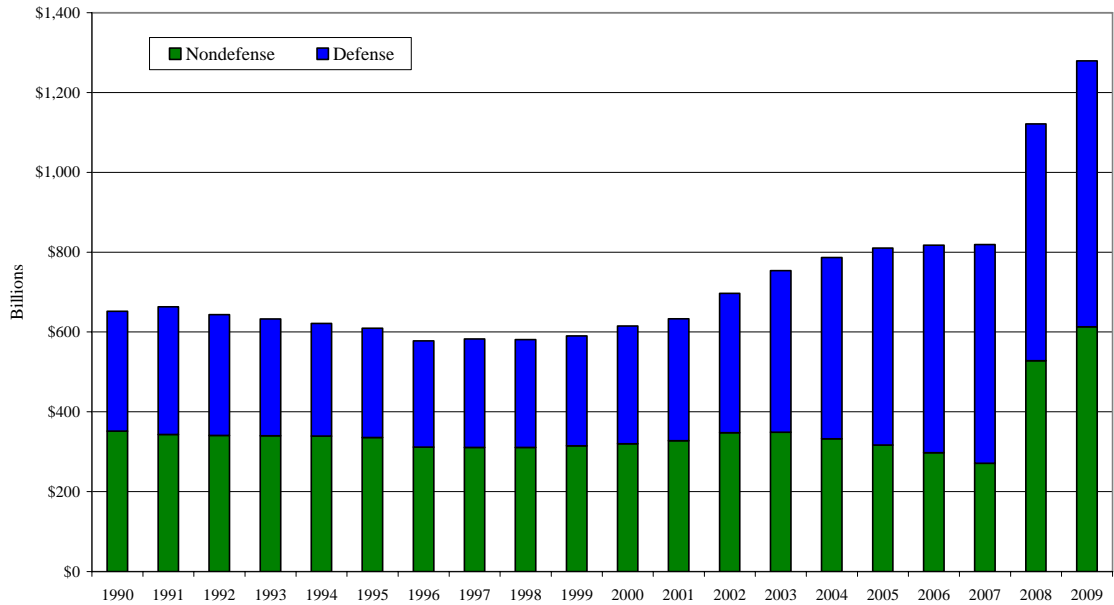
To make matter worse, President Bush's enactment of the Medicare prescription drug bill will make the coming fiscal crunch from entitlements much worse. Congress and President Bush enacted a new multi-billion entitlement program in December 2003 even though the budget was already deep into deficit and entitlements have huge long-term financing shortfalls. This fiscally reckless act was the biggest expansion in Medicare since its inception.

### **Section 3. Discretionary Defense versus Nondefense Outlays**

Another excuse given for the level of federal spending during the Bush years was that security needs were driving up the budget. It is true that defense spending increased dramatically since the late-1990s, particularly since 9/11 and the beginning of the wars in Iraq and Afghanistan. However, nondefense spending increased too. Figure 8 shows discretionary nondefense spending versus defense spending in the last eight years. It shows that no tradeoffs were made during the Bush years between defense and nondefense outlays.



Figure 8. Defense Versus Nondefense Discretionary Outlays (1990-2009)



Source: Author's calculations based on [www.cbo.org](http://www.cbo.org) and *A New Era of Responsibility: Renewing America's Promise*, Summary Tables, Table S-4 and [www.cbo.gov](http://www.cbo.gov), Historical Tables. Note: During that period inflation average 3 percent per year and the population grew 1 percent annually

The Bush administration then argued that much of the increase in nondefense spending stemmed from increases in homeland security spending. Whether or not this is true, the fact that overall discretionary spending has risen so rapidly indicates that, here too, no trade-offs are being made in the budget. If the administration and Congress wanted more security spending, they should have found savings elsewhere in the budget.

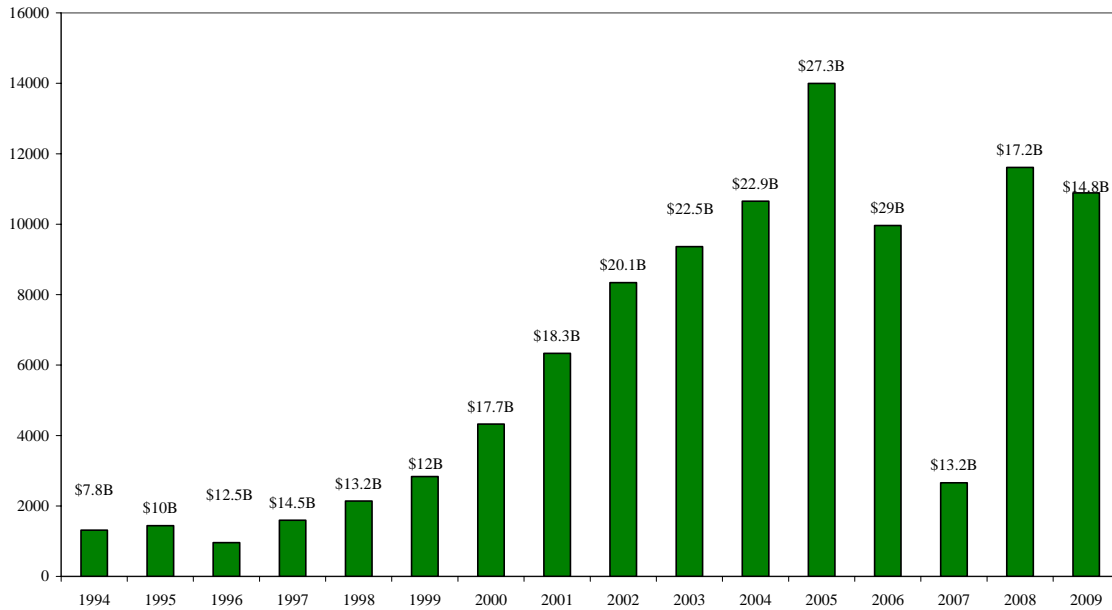
In sum, only a part of recent spending increases are related to 9/11. Much of the increase stems from new domestic spending initiatives on the parts of the administration and Congress, such as expansions in the Department of Education.

## Section 4: Pork Projects

The number of earmarks (i.e. pork) that make their way through the appropriations process and how much these projects will cost taxpayers are also good measures of fiscal irresponsibility.

As seen in figure 9, between 1994 and 2005, the number of pork projects and their cost increased dramatically, reaching an all-time numerical high of 13,997 pork items in 2005. While 2006 saw a slight reduction in the numbers of earmarks, their cost went up to \$29 billion in a single year.

Figure 9: Annual Number of Congressional Pork and their Cost (1994-2009)



Source: Citizens Against Government Waste, [http://www.cagw.org/site/PageServer?pagename=reports\\_pigbook1994](http://www.cagw.org/site/PageServer?pagename=reports_pigbook1994). FY2009 is an estimate by Taxpayers for Commonsense.

Interestingly, 2006 was the last year that Republicans were in full control of both Congress and the White House. Since then, some effort was made to reduce the use of earmarks with more or less success. For instance, after a serious reduction in the number and the cost of earmarks in FY2007, lawmakers slipped over 8,000 earmarks into an Omnibus bill in February of this year. These earmarks come on top of the 2,321 earmarks added to the three appropriations bills completed and signed by President Bush in September 2008. The pork project total in 2009 will reach 10,891 and will cost taxpayers \$14.8 billion.

## Conclusion

Republicans often claim to be the party of smaller government. Many Republicans would express support for Ronald Reagan's observation: "Growth, prosperity and ultimately human fulfillment, are created from the bottom up, not the government down."<sup>2</sup> Unfortunately, after Republicans are elected to political office, they tend to fall into the Washington trap of assuming that more federal spending will solve the nation's problems.

Certainly, President Bush did. So did the Republicans in Congress. Harvard economist Jeffrey Frankel argues that we should not be surprised by the discrepancy between the rhetoric and the actual policies of Republicans. Frankel even argues that "the Republicans have become the party of fiscal irresponsibility, trade restriction, big government, and bad microeconomics."<sup>3</sup>

Frankel is incorrect about the microeconomics—Republicans generally pursue sounder tax policies than Democrats, for example. But on big government spending, it was hard to see how a Democratic administration could be worse than the Bush administration’s eight years—until Barack Obama became the 44th president of the United States.

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<sup>1</sup> Office of Management and Budget (2009), *A New Era of Responsibility: Renewing America’s Promise*, [www.budget.gov](http://www.budget.gov)

<sup>2</sup> Ronald Reagan, September 1981, [www.reaganesque.com](http://www.reaganesque.com).

<sup>3</sup> Jeffrey Frankel, “Trading Places: Republicans’ Economic Policy Is Now Closer to That Associated with the Democrats, and vice versa, says Jeffrey,” *Financial Times*, September 13, 2002.