



The Daily Dish

The Big Picture and the Trump Budget

DOUGLAS HOLTZ-EAKIN, PATRICK HEFFLINGER | MAY 25, 2017

Department of Labor Secretary Alexander Acosta announced that the Obama Administration's fiduciary rule will go into effect on June 9th. Acosta said that while the Department of Labor will continue to work on changes to the rule, they were unable to find any basis for delaying the rule further. The rule was [delayed](#) via an executive order issued by President Trump.

The American Action Forum released an [analysis](#) examining the potential cumulative impact of President Trump's one-in-two-out regulatory reform initiative. AAF analysis finds that HHS leads the way with the most major regulatory actions since 2009. However, this also gives the agency the widest pool of regulations to potentially examine and repeal.

Eakinomics: The Big Picture and the Trump Budget

The Administration's complete 2018 Budget [proposals](#) are now out; the [highlights](#) and [details](#) are being dissected; and the debate has begun. Much of this will center on issue areas like [regulation](#) or [energy](#) or [housing](#), or even hot-button items like the [housing trust funds](#) or [paid family leave](#). These are valuable and important debates. But what is the big picture on this budget?

The U.S. faces three main fiscal problems: (1) poor underlying growth in the economy, (2) a top-line mismatch between outlays and revenues stemming from rising entitlement programs that threatens ever-rising debt and deficits, and (3) an unbalanced outlook in which the growing entitlement spending steadily crowds out of the budget annual discretionary spending; spending on national security, basic research, education, infrastructure — the things the Founders saw as the actual role of government.

Viewed from this perspective, the budget gets mixed reviews. Certainly it strongly recognizes the need for better growth and is built upon the assumption that the President's policies will generate a rise in the average growth rate from 1.8 percent annually to 3.0 percent over the next decade. That would be an enormous improvement; yes, in the budget but more importantly in the lives of every American.

On controlling the entitlement spending explosion, credit goes for a serious Medicaid reform. Critics may not like the particulars of the reform, but nobody should argue with a straight face that the status *quo* is acceptable and reform *per se* is a bad idea. In the other direction, the budget takes Social Security and Medicare off the table. This sends the message that these programs are fine; they are not. Neither will be financially sustainable over the long-term and seniors deserve programs they can count on and, in the case of Medicare, deliver the highest value of health care. These programs should be in the mix.

With regard to the annual discretionary accounts, the budget simply accelerates an already-unappealing trend. There will be too few resources to fund the national defense needs that experts have identified and, for example, 20 percent cuts in the National Institutes of Health go the wrong direction on basic research. This is not to say

that every non-defense discretionary program is perfect. They are not. In particular, the anti-poverty programs have failed to produce economic self-sufficiency among their beneficiaries and, as a result, have not “solved” the poverty program.

These programs should be critiqued, better alternatives developed, and the budgetary costs of the improved programs incorporated into the discretionary totals. That is, change the programs on their merits. The 2018 budget sends the message that they are being cut simply in order to reach balance and present the authors as callously indifferent to the quality of the programs for lower-income Americans. This is not the case and the appearances hurt the effort to get better poverty programs.

The 2018 budget does not get straight As, but it has the correct focus on growth and takes on some important entitlement reforms.