



**The Daily Dish**

## September 26th Edition

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One of the government's watchdogs [released a report](#) detailing agencies overstating their impact on small businesses facing socio-economic disadvantages. The Small Business Association gave over \$400 million in grants to ineligible businesses, but still counted those towards the administration's goals. Federal law mandates that the government target at least 23 percent of its contracts toward small businesses with 3 percent intended for firms located in economically struggling areas and 5 percent for companies that face economic and social disadvantages.

EPA Chief Gina McCarthy [told reporters](#) that there will be changes to the agency's greenhouse gas regulations, "People who know me well enough know there are going to be changes between proposal and final because we listen." Comments on the rule are being accepted through December 1, but AAF already has [some suggestions](#) on what needs to change.

### ***Eakinomics: The Coming Budget Debate***

Analysts from across the spectrum agree that the federal budget is on an unsustainable trajectory. Unless something changes, deficits and debt (even measured relative to a growing economy) will stay steady for 2 to 3 years and then rise inexorably. The debt explosion will take place even though revenues are expected to rise above their historic fraction of national income. The debt explosion will take place even though the recent budget deal caps both defense and non-defense annual spending at levels below anything seen in decades. The debt explosion takes place because of the rising spending on Medicare, Medicaid, the Affordable Care Act, Social Security and other mandatory entitlement programs.

Inside the top-line numbers is even more bad news. The annual defense and non-defense spending bills fund the kinds of activities that our Founders would have recognized and approved: national security, infrastructure, basic research, education, and so forth. These are the places that the federal government genuinely invests in the future. The future is getting crowded out of the budget by entitlement spending. Worse, those entitlement programs are either performing poorly (ACA, Medicare, Medicaid) or bleeding red ink, or both.

These dynamics have been clear for over a decade, but the programs remain untouched (or expanded). Why? Historically, there was nobody "for" reforms (except budget nerds like me) and there were clear and easily energized constituencies opposed to reform of any kind. Now that is going to change.

The world is not a safer place and national security constituencies are going to want to loosen the caps and get more money. But from where? Advocates of early childhood education, low-income programs, research funding, and other non-defense activities are going to want to loosen the caps and get more money. But from where? The answer in both cases is the entitlements. That is, for the first time there are clear and easily energized constituencies in favor of reform.

Ignore the usual drama surrounding continuing resolutions or other short-run battles. The annual spending versus entitlements battle will be joined repeatedly over the the next decade. The first round will be triggered by

the imminent bankruptcy of the Social Security Disability Insurance trust fund in 2016. In current context, it won't be possible to simply throw more money at it — reform will be imperative.

Stay tuned.