

The Republican Spending Explosion

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When the Republicans gained control of Congress in 1994, they promised to eliminate the deficit and reduce wasteful spending. For several years, the GOP partly upheld its commitment by modestly curtailng spending growth and balancing the budget.

Unfortunately, the balanced budgets of the late 1990s created an “easy money” mindset in Congress, which began a spending spree that continues unabated today. Total federal outlays will rise 29 percent between fiscal years 2001 and 2005 according to the president’s fiscal year 2005 budget released in February. Real discretionary spending increases in fiscal years 2002, 2003, and 2004 are three of the five biggest annual increases in the last 40 years. Large spending increases have been the principal cause of the government’s return to massive budget deficits.

Although defense spending has increased in response to the war on terrorism, President Bush has made little attempt to restrain nondefense

spending to offset the higher Pentagon budget. Nondefense discretionary outlays will increase about 36 percent during President Bush’s first term in office. Congress has failed to contain the administration’s overspending and has added new spending of its own. Republicans have clearly forfeited any claim of being the fiscally responsible party in Washington.

Looking ahead, Republicans need to rediscover the reforming spirit that they brought to Washington after the landmark 1994 congressional elections. Fiscally conservative Democrats should challenge big-spending Republicans and work to cut unneeded programs from both the defense and nondefense parts of the budget.

In command of the White House, Senate, and House of Representatives, Republicans are primarily responsible for the current budget mess, and it is Republicans who have the power to pare back spending to get the federal budget under control once again.

Bush has shown a clear preference for Big Government without regard to cost.

Introduction

When the Republicans gained control of Congress in 1994, they promised to eliminate the deficit and reduce wasteful spending. For several years, the GOP partly upheld its commitment to fiscal responsibility by modestly curtailing spending growth, mainly by reducing defense spending at the end of the Cold War. At the same time, federal revenues soared and the budget was balanced in fiscal year 1998 for the first time since the 1960s.

The Republican takeover of Congress seemed to move President Clinton to the political center, from which he proclaimed his commitment to fiscal responsibility. In his 1995 State of the Union message he said: "Let's change the government—let's make it smaller, less costly, and smarter."¹ In his 1996 budget message, he explained: "Except in emergencies, we cannot spend an additional dime on any program unless we cut it from another part of the budget. We are reducing low-priority spending to fulfill the promise of deficit reduction as well as to fund limited, targeted investments in our future. These are not the kind of cuts where you end up spend-

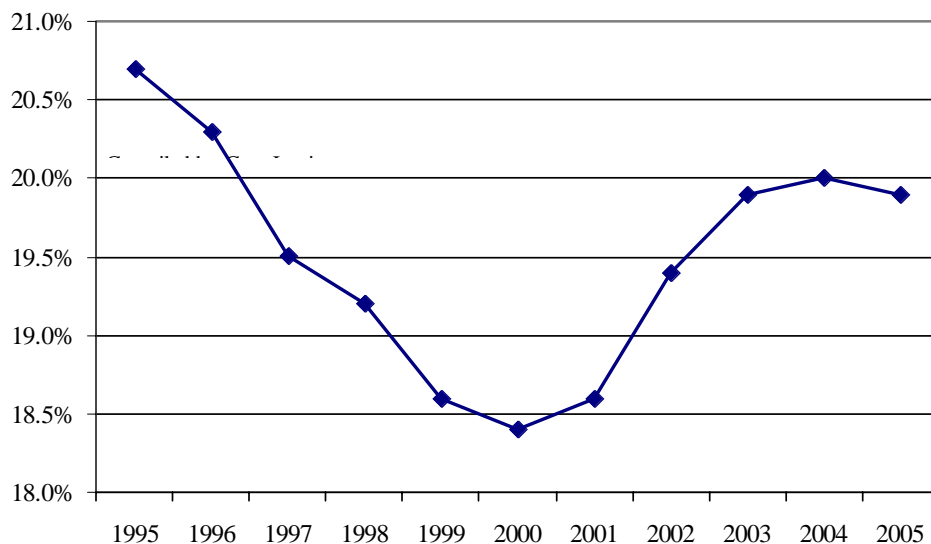
ing more money. These are true cuts, where you actually spend less."²

That year some 340 discretionary programs were cut modestly, and cuts were planned for the following years. In FY1998, the federal government had its first budget surplus since FY1969. Figure 1 shows that federal outlays as a percentage of gross domestic product fell from 20.7 percent in FY1995 to 18.4 percent in FY2000—the lowest level since the 1960s.

Reductions in defense spending and higher tax receipts were the main causes of the budget shifting from deficit to surplus in the late 1990s. With the exception of FY1996, discretionary nondefense spending has grown every year since the GOP took control of Congress. Nondefense discretionary spending rose from \$271 billion in FY1995 to \$343 billion in FY2001.

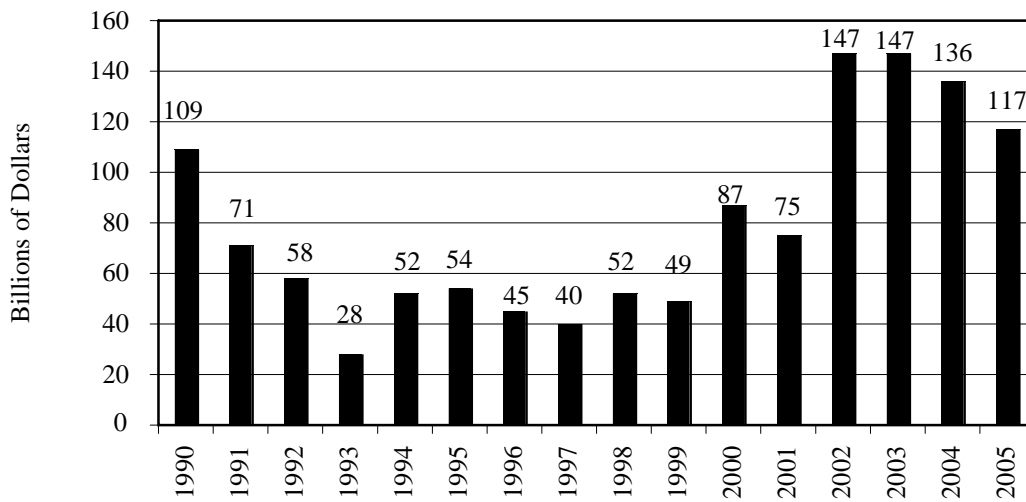
Spending growth has accelerated since President Bush took office. In his initial budget blueprint presented in 2001, President Bush noted: "For too long, politics in Washington has been divided between those who wanted Big Government without regard to cost and those who wanted Small Government without regard to need."³ Three years later, Bush has

Figure 1
Federal Outlays under the Republican Congress, Percentage of GDP



Source: Congressional Budget Office, January 2004. FY2004 and FY2005 are estimates.

Figure 2
Annual Increase in Total Federal Outlays



Source: Author’s calculations based on CBO, January 2004. FY2004 and FY2005 are estimates.

shown a clear preference for Big Government without regard to cost.

The *Washington Post* recently noted: “For anyone who thought Republican control of Congress and the presidency meant a new era of budgetary discipline—indeed for anyone who’s worried about the country’s fiscal condition—the numbers are sobering.”⁴

Between FY2001 and FY2005, the administration expects total outlays to rise from \$1,864 billion to an estimated \$2,400 billion—a 29 percent increase. (All FY2004 and FY2005 figures in this paper are official estimates).⁵ That increase in outlays, along with reduced economic growth, has resulted in huge and continuing deficits.

Some Republicans are blaming the spending increases on post-9/11 national security costs. But the data show that the White House and Congress have embraced Big Government across the board.

The Mother of All Big Spenders

The Bush administration, aided by a willing Congress, has been responsible for a mas-

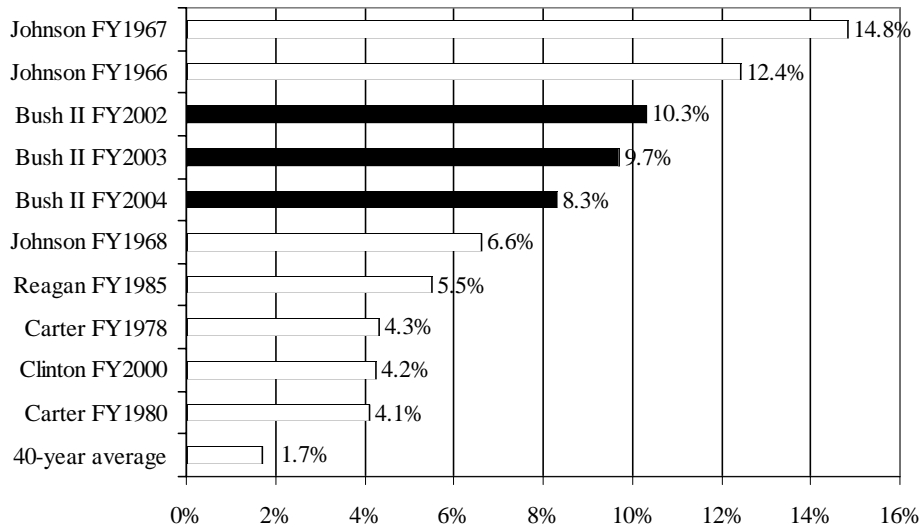
sive expansion in the federal budget. As a result, total outlays rose from 18.6 percent of gross domestic product in FY2001 to 20.0 percent by FY2004 (Figure 1).⁶

Recent annual increases in federal spending have been much higher than during the 1990s (Figure 2). Spending increases were generally about \$50 billion per year in the mid-1990s, but some recent increases have been three times that amount. In FY2005, total outlays will be up an astounding \$547 billion from FY2001, when Bush came into office.⁷ The administration’s new budget left out further expected costs for the war in Iraq. According to the president’s budget director, Joshua Bolten, the administration will request additional supplemental spending for Iraqi operations of about \$50 billion.⁸

After only three years in office, President Bush is headed to the record books as one of the biggest spending presidents. Figure 3 shows the 10 largest annual percentage increases in real discretionary outlays in the last 40 years. The Bush administration’s spending for FY2002, FY2003, and FY2004 made the list with increases in each year of more than 8 percent. By comparison, the

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Figure 3
Largest Annual Increases in Real Discretionary Outlays in the Last 40 Years



Source: Author's calculations based on *Budget of the U.S. Government FY2005*. Covers FY1966 to FY2005. FY2004 and FY2005 are estimates.

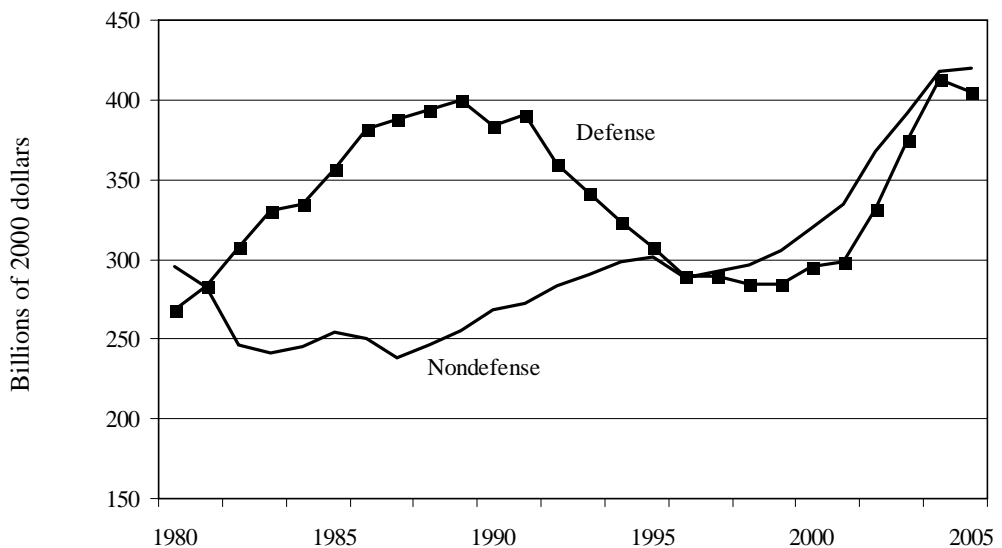
Only Lyndon Johnson outpaced President Bush's spending.

average increase in the past 40 years is 1.7 percent. President Johnson holds the record for the two biggest increases, but Figure 3 shows that big-spending presidents are a bipartisan phenomenon.

Defense versus Nondefense Spending

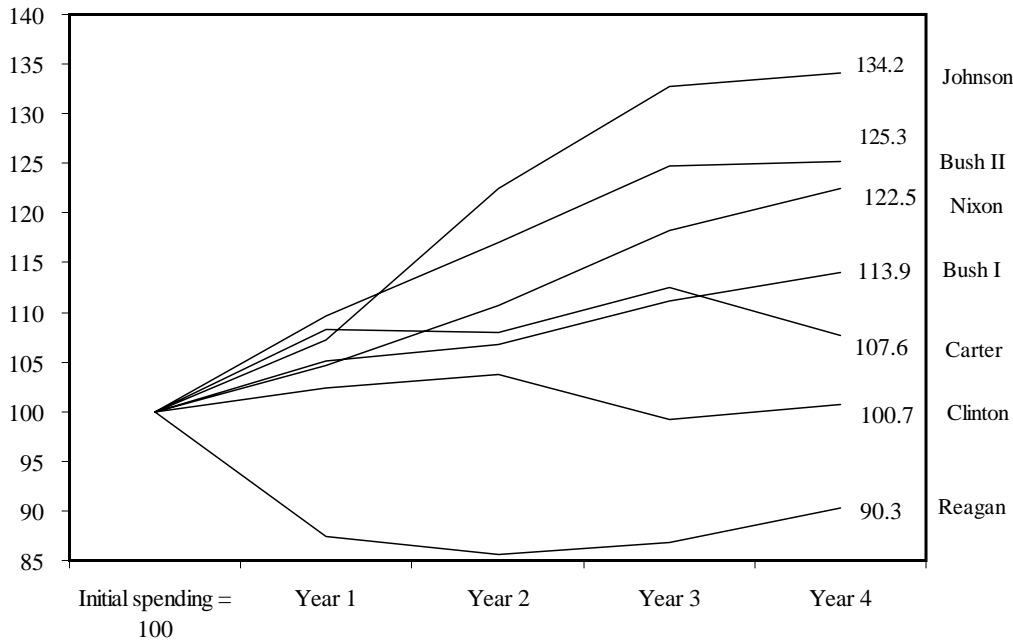
Another excuse given for the current federal spending binge is that national security

Figure 4
Real Discretionary Outlays: Defense and Nondefense



Source: *Budget of the U.S. Government FY2005*. FY2004 and FY2005 are estimates.

Figure 5
Cumulative Real Nondefense Discretionary Spending Increases in First Term



Source: Author’s calculations based on *Budget of the U.S. Government FY2005*. FY2004 and FY2005 (Years 3 and 4 for Bush II) are estimates.

needs are driving up the budget. Certainly, defense spending has increased dramatically since the late 1990s, particularly since 9/11. However, Figure 4 shows that discretionary nondefense spending has risen almost as rapidly as defense spending in recent years. The president’s new budget shows that real discretionary defense spending will increase 36 percent between FY2001 and FY2005 and nondefense spending will increase 25 percent.⁹ These increases are much larger than increases under most recent presidents.

Figure 5 shows the cumulative real discretionary nondefense spending increases during the first terms of recent presidents. Each president’s first year in office is set at a base of 100. Only Lyndon Johnson outpaced President Bush’s spending.¹⁰ President Reagan boosted real defense outlays by 26 percent during his first term, but he also cut real nondefense outlays by 10 percent.¹¹ During President Clinton’s first term, real nondefense spending increased by less than 1 percent. But during Clinton’s second term,

with a Republican Congress, real nondefense spending increased by 14 percent.¹²

The Bush administration is arguing that much of the recent increase in nondefense spending stems from higher homeland security spending. Whether or not this is correct, the fact that overall spending has risen so rapidly indicates that no serious trade offs are being made in the budget. If the administration and Congress want more security spending they should find savings elsewhere in the budget.

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

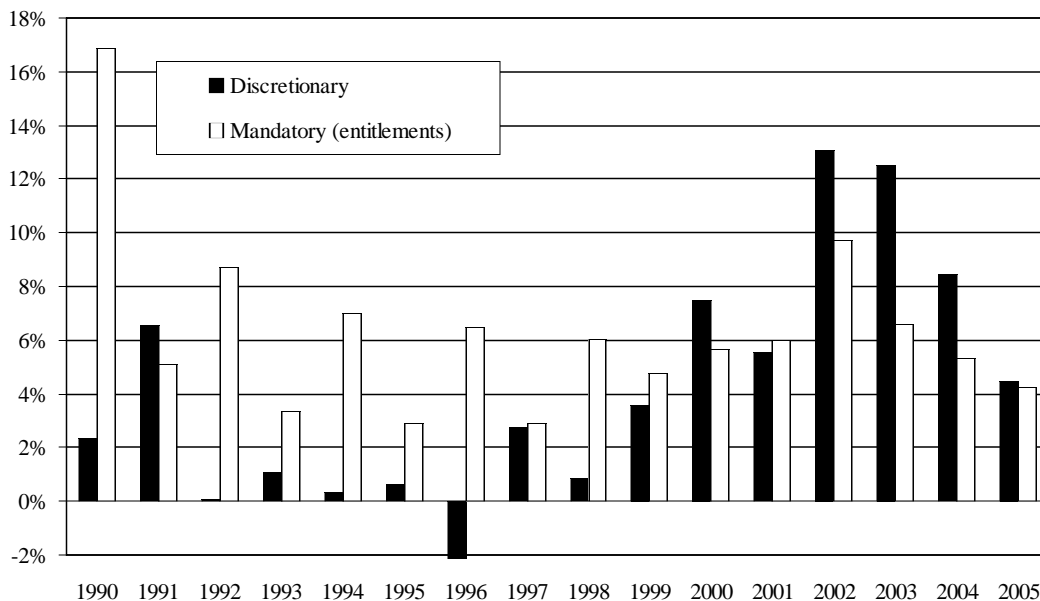
Discretionary Spending versus Entitlements

One excuse offered for the large recent budget increases is that entitlement programs are

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Figure 6
Discretionary vs. Mandatory Outlays, Annual Percentage Change



Source: Author's calculations based on Congressional Budget Office, "The Budget and Economic Outlook: Fiscal Years 2005–2014," January 2004, www.cbo.org. FY2004 and FY2005 are estimates.

growing rapidly. Although Social Security and Medicare spending growth outpaced most other programs in the mid-1990s, spending growth in discretionary programs has been much higher in recent years (Figure 6).

In the mid-1990s, the Republicans made some progress in restraining discretionary spending, which is spending that is annually appropriated by Congress. Discretionary spending actually declined slightly from \$545 billion in FY1995 to \$533 billion in FY1996.¹³ But spending began rising rapidly in the late 1990s. Between FY1998 and FY2004, discretionary spending rose 64 percent.¹⁴

Rather than increasing the discretionary budget, Congress should be cutting it to make way for rapid future growth in entitlement programs. Social Security and Medicare will begin exploding in cost later in the decade when the baby-boom generation begins retiring. Longer life spans and rising health care costs will exacerbate the huge

burden that will be placed on future generations if entitlement programs are not reformed.¹⁵ According to the Congressional Budget Office, combined spending on Social Security, Medicare, and Medicaid will rise from 8.4 percent of GDP in 2004 to 14.3 percent by 2030 if reforms are not made.¹⁶

The coming fiscal crunch from entitlements will be much worse because of the recent enactment of the Medicare prescription drug bill. In a fiscally reckless act, Congress and President Bush enacted the \$534 billion (over 10 years) drug bill even though the budget is deep into deficit and Medicare already has huge financing shortfall.¹⁷ The new drug program is the biggest expansion in Medicare since its inception. Despite the massive cost, some on Capitol Hill want to lavish even more unaffordable spending on retirees. Sen. Edward Kennedy noted that the drug bill was only "a down payment" for future Medicare expansions.¹⁸

The President versus Congress

The current administration is certainly profligate, but large spending increases began during the final Clinton years. At that time, the budget turned from deficit to surplus, which undermined political incentives to control spending. But was it Congress or the White House that was responsible for the spending restraint of the mid-1990s and the subsequent spending expansion?

To answer that question, some background on the budget process may be useful.¹⁹ When the Office of Management and Budget starts putting the budget together and agencies submit their spending requests, there is a large impetus to simply add on to prior year spending totals without reexamining whether spending is really needed or not. As a result, the budget usually starts off with higher totals than the prior year when the president transmits it to Congress. Congress considers the president's budget proposals and approves, modifies, or disapproves them.

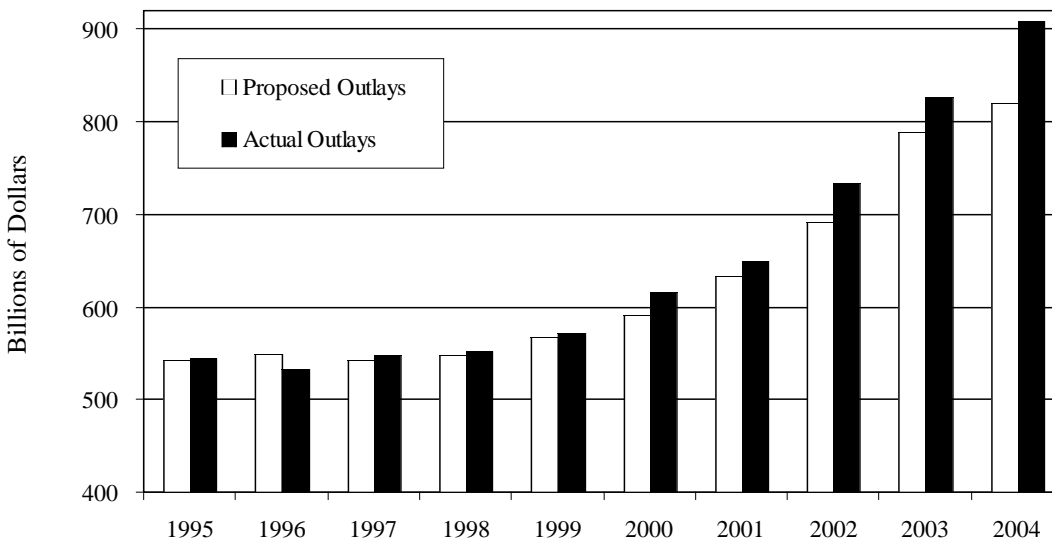
It can change funding levels, eliminate programs, or add programs not requested by the president.

Through the process of adopting a "budget resolution," Congress sets levels for total spending and receipts, and the size of the deficit or surplus. Within the resolution framework, spending amounts are distributed to the appropriate committees having jurisdiction over particular areas of the government. The different committees then prepare appropriations bills and other legislation. After approval by the House and Senate, spending bills are sent to the president for approval or veto. The president can only approve or veto entire bills. Congress can override a presidential veto but it takes a two-thirds vote.

With so many players in the budget process, it is difficult for the public to assign responsibility for deficits and overspending. As Ronald Reagan observed: "Not many of us are aware that the federal budget, which is usually announced as the President's budget, really is a parentless child. For some reason neither the Congress or the executive branch

Both the president and Congress share the blame for recent large increases in spending.

Figure 7
Discretionary Outlays Proposed by the President vs. Actual Outlays



Sources: *Budgets of the U.S. Government, FY1995 through FY2005*. FY2004 compares the proposed outlays from the FY2004 budget to the current estimate from the FY2005 budget.

The Bush administration has followed a remarkably irresponsible course by requesting many spending increases but few cuts.

has really faced up to the fact that the federal budget is the responsibility of everyone and therefore in reality—no one.”²⁰

One way to assess responsibility for recent spending increases is to compare proposed discretionary spending by the president in his budget to actual spending approved by Congress (Figure 7). Between FY1995 and FY2001, President Clinton was in the White House and the Republicans controlled Congress. During the 1990s, actual spending was usually close to the amount requested.

A different pattern emerged beginning in FY2000. Each year, the president has proposed large spending increases, and actual spending approved by Congress has ended up being even higher than the big budgets proposed. This indicates that both the president and Congress share the blame for recent large increases in spending. For example, the president’s budget last year requested \$429 billion in nondefense discretionary spending for FY2004.²¹ Actual FY2004 spending will end up being about \$457 billion, according to the president’s budget this year.²² In addition, neither Congress nor the president attempted to offset last fall’s \$87 billion Iraq supplemental bill with spending cuts elsewhere in the budget.²³

Some of the largest recent spending increases are for Bush policy initiatives, such as the No Child Left Behind Act. New spending initiatives by the president this year include a doubling of funding for abstinence programs, \$300 million to help ex-inmates find work, \$120 million more for teacher training, \$28 million for an advanced placement program, \$250 million more for job training, and increased funding for Pell grants.²⁴

Corporate welfare spending continues under Bush as well. For example, the president has proposed giving \$1.7 billion over five years to the automobile industry through the FreedomCAR and Fuel Initiative for fuel cell research.²⁵ This program comes on the heels of the similar \$1.5 billion Clinton program called Partnership for a

New Generation of Vehicles, a program that failed in its mission.

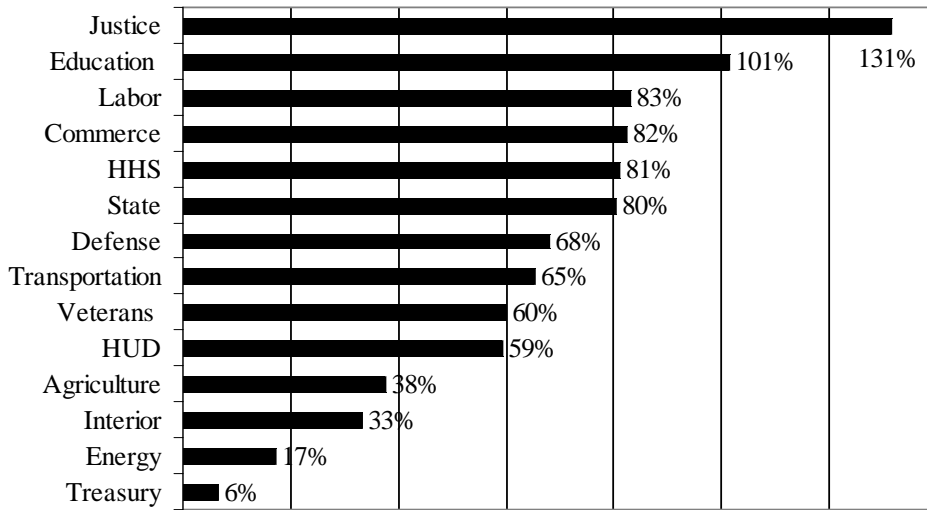
In their Contract with America in 1994, Republicans committed to “restoring fiscal responsibility to an out-of-control Congress, requiring them to live under the same budget constraints as families and businesses.”²⁶ Not only have they failed to achieve that goal, they have gone in the exact opposite direction in recent years.

Recent high growth rates in spending are not sustainable. Congress should impose an immediate hard freeze on the discretionary portion of the budget. Note that President Clinton supported a discretionary spending freeze in 1995. He said at the time:

To achieve the required hard freeze in discretionary spending and make needed investments, we propose new cuts in some 300 specific nondefense programs. That includes the termination of more than 100 programs. Many of these savings will be controversial, but we have little choice if we are going to meet our budget goals.²⁷

After an initial spending freeze, Republicans in Congress should pursue significant reductions in both discretionary and entitlement spending. Some members have tried to restrain spending, such as House Budget Committee Chairman Jim Nussle (R-IA). He noted that “the federal government spends over \$69,000 per second . . . billions and billions of that spending—of your tax dollars—is simply going to waste every year.”²⁸ Accordingly, he launched an initiative to cut spending by rooting out waste and fraud in federal programs. Under his initiative, House committees were required to identify waste, fraud, and abuse in mandatory programs within their jurisdictions. In the end, committees identified waste totaling \$100 billion over 10 years. However, these cuts have not yet been made, and much bigger spending cuts are needed, especially since entitlement spending is expected to explode beginning later this decade.

Figure 8
Growth in Outlays by Federal Department Under the Republicans, FY1995–FY2004



Source: Author's calculations based on the *Budget of the U.S. Government FY2005*.

Alive and Kicking

The Bush administration has followed a remarkably irresponsible course by requesting many spending increases but rarely asking for cuts to programs or agencies. As for Congress, few members talk about eliminating unneeded government programs, much less entire departments.

Yet, in May 1995, the House of Representatives approved a budget plan calling for the elimination of three cabinet departments: Education, Commerce, and Energy.²⁹ At the time, the House determined that each of these departments had proven to be wasteful, ineffective, and unconstitutional. Rep. Steve Chabot (R-OH) explained that eliminating these departments was “about taking power from Washington and giving it to local communities.”³⁰ Regarding eliminating the Department of Energy, Sen. Sam Brownback (R-KS) noted: “Not only has the government gone beyond its appropriate role but it has failed in its mission. It is time to pull the plug on the experiment.”³¹ Rep. Dick Chrysler (R-MI) explained that the Department of Commerce needed to be abolished because “too many Commerce programs are like your

standard attic, where you throw things you don’t use.”³²

In his 1980 election campaign, Ronald Reagan also discussed eliminating the Department of Education and the Department of Energy. In his State of the Union address in January 1982, Reagan said: “The budget plan I submit to you on February 8 will realize major savings by dismantling the Departments of Energy and Education.”³³ Reagan was not able to accomplish that goal because of opposition by the Democratic House.³⁴

Surviving abolition in the 1980s, these departments continued to grow during the 1990s. Figure 8 shows the budget growth by agency between FY1995 and FY2004 under the Republican Congress. During this period, the Department of Education budget grew by 101 percent, and the Department of Commerce budget grew by 82 percent.³⁵

The Department of Education budget has grown rapidly under President Bush. Education outlays increased from \$36 billion in FY2001 to an estimated \$63 billion in FY2004, a 75 percent increase.³⁶ This is remarkable considering that the GOP presidential platform in 1996 stated: “The federal government has no constitutional authority to be

On spending, both parties have blended together to form one giant Republocrat party.

On big government spending and trade restrictions, it is hard to see how a Democratic administration would have been worse than the Bush administration.

involved in school curricula . . . this is why we will abolish the Department of Education.”³⁷

The Bush administration has argued that new spending was a necessary price to get education reforms through Congress. Yet the final No Child Left Behind legislation of 2002 boosted spending but was stripped of most real reforms. Spending increases are unlikely to boost educational achievement and might well be counterproductive. Indeed, the huge federal education spending expansion during the past 40 years has coincided with falling education test scores.

In the last three years, Department of Energy outlays have grown 26 percent.³⁸ The administration proposes a 9 percent increase for the department in FY2005.³⁹ Spending will go up further if Congress approves the massive and energy bill that it is currently debating.

Farm programs are also ballooning under a Republican White House and Congress. Funding for the Department of Agriculture grew 38 percent between FY1995 and FY2004.⁴⁰ The farm bill signed into law by President Bush in 2002 represented a reversal of the Republican 1996 Freedom to Farm Act, which aimed to wean farmers from federal price supports and subsidies.⁴¹ Republicans have turned their back on their own farm reforms with the embrace of price supports and higher farm subsidies.

The culture of spending in Washington has prevailed over the Republican Party. On spending, both parties have blended together to form one giant Republicrat party. The record of almost continual growth in most departments over the years raises concerns about the newly created Department of Homeland Security. In FY2004, the department’s budget was \$31 billion.⁴² The White House had claimed that the department would not cost any additional money because it was to consolidate activities already carried out in nine other departments.⁴³ However, spending for DHS keeps rising with no indications of actual cost savings. President Reagan was sadly correct when he noted that “a government bureau is the nearest thing to eternal life we’ll ever see on this earth.”⁴⁴

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.”⁴⁵ Unfortunately, after Republicans are elected to political office they tend to fall into the Washington trap of assuming that higher federal spending will solve the nation’s problems.

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.”⁴⁶

Frankel is not correct about the microeconomics—Republicans generally pursue sounder tax policies than Democrats, for example. But on big government spending and trade restrictions, it is hard to see how a Democratic administration would have been worse than the Bush administration in recent years. As for the Republicans in Congress, consider that in 1995 they called for major reductions in Medicare spending growth. Fewer than 10 years later, the “Republicans have eagerly embraced new prescription drug coverage to the program that was the cornerstone of President Lyndon B. Johnson’s Great Society.”⁴⁷

Notes

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3. George W. Bush, “President’s Message,” in *A Blueprint for New Beginnings: A Responsible Budget for*

- America's Priorities, FY2002* (Washington: Government Printing Office, February 28, 2001), p. 5.
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 5. *Budget of the United States Government, Fiscal Year 2005* (Washington: Government Printing Office, February 2004).
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 9. Author's calculation based on the *Budget of the United States Government, FY2005, Historical Tables*, Table 8.2.
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 11. *Ibid.*
 12. *Ibid.*
 13. *Budget of the United States Government, FY2005, Historical Tables*, Table 8.1.
 14. *Ibid.*
 15. Chris Edwards, "The Federal Government in 2040," Cato Institute Tax and Budget Bulletin no. 15, June 2003.
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 17. *Budget of the United States Government, FY2005*, p. 387. For a discussion of the long-term crisis in entitlements, see Chris Edwards and Tad DeHaven, "War between the Generations: Federal Spending on the Elderly Set to Explode," Cato Institute Policy Analysis no. 488, September 16, 2003.
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 19. For a description of the budget process see *Budget of the United States, The Budget System and Concepts, FY 2004*, www.whitehouse.gov/omb/budget/fy2004/pdf/concepts.pdf.
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 21. *Budget of the United States Government, FY2004*, Summary Tables.
 22. *Budget of the United States Government, FY2005, Historical Tables*, Table 8.1.
 23. To their credit, Rep. Jim DeMint (R-SC) and 13 other House conservatives sent a letter to House Speaker Dennis Hastert, expressing concerns over the spending levels in the Consolidated Appropriations Act for FY2004 (H.R. 2673) and urging him to take "immediate and meaningful" steps to restrain federal spending. See <http://johnshadegg.house.gov/rsc/word/DeMint121503.pdf>.
 24. George W. Bush, State of the Union address, Washington, January 20, 2004, www.whitehouse.gov/stateoftheunion/2004/. See also *Budget of the United States Government, FY2005*.
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 27. Clinton, "The Budget Message of the President," p. 6.
 28. Rep. Jim Nussle, "Effort to Fight Government Waste," http://johnboehner.house.gov/american_sound/articles/031112_nussle.html.
 29. The FY1996 budget resolution (H. Con. Res. 67) adopted by the House recommended the elimination of the three departments.
 30. Quoted in Elizabeth Shogren, "Education Department's Death Outlined," *Los Angeles Times*, May 25, 1995, p. A18.
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