

**JOHN FUND ON THE TRAIL**

## Hey, Big Spender

FDR and Truman made cuts when crises demanded it. Why won't Bush?

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With almost no debate and with precious few provisions for oversight, Congress has passed President Bush's mammoth \$62 billion request for emergency Katrina relief. House Speaker Denny Hastert says the final total will "probably [be] under the cost of the highway bill" that Congress passed last month with a pricetag of \$286.4 billion.

Despite such sums, there are few calls for offsetting cuts in other programs, apart from antiwar opportunists who see in Katrina a chance to undermine the Iraq effort. Last week Sen. Tom Coburn of Oklahoma asked White House Budget Director Josh Bolten if he planned to continue to pursue budget reductions the administration had already proposed in its January budget. Mr. Bolten said he "didn't have time" to worry about that.

All this leaves Mr. Coburn and other budget hawks wondering what has happened to what might be called "the Republican wing of the Republican Party." "The president could exercise leadership by insisting that we set priorities and offset the cost of Katrina relief by making changes elsewhere," says Mr. Coburn. "Sadly, we don't have that leadership."

Neither the White House nor Congress appears to be in any mood, for example, to revisit the highway bill's 6,373 "earmarks," or individual projects for members, worth \$24.2 billion. Alaska's Rep. Don Young, chairman of the House Transportation Committee, has bragged that the bill is "stuffed like a turkey" with goodies for his state. It includes \$721 million for Alaska, including a \$2.2 million "bridge to nowhere" connecting the town of Ketchikan (population 8,900) to an airport on Gravina Island (population 50). Another bridge, in Anchorage, has a \$200 million price tag and is considered such a marginal project that even the Anchorage Chamber of Commerce opposes it.



Families hit by any disaster realize they have to reassess their situation and change their circumstances. There was a time when the nation acted the same way. After Pearl Harbor, the country sprang into action to win the war against Japan and Germany. But it realized that the old way of doing things wouldn't do. Dramatic changes in government policy resulted.

After Pearl Harbor, it's generally known that Franklin D. Roosevelt dramatically expanded the bite of the federal income tax so that, in the words of one tax

professor, it "spread from the country club . . . down to the railroad tracks and then over to the other side of the tracks."

Less well known is FDR's decision to slash nondefense spending by over 20% between 1942 and 1944. Among the programs that were eliminated entirely were FDR's own prized creations. By 1944, such pillars of the New Deal as the Civilian Conservation Corps, the National Youth Administration and the Work Projects Administration had been abolished. In 1939 those three programs had represented one-eighth of the federal budget. Roosevelt and the Congress of his day knew what to do in an emergency.

Indeed, FDR chose to begin the reordering of budget priorities long before Pearl Harbor. In October 1939, one month after Hitler invaded Poland, Roosevelt wrote Harold Smith, his budget director, ordering him to hold budgets for all government programs "at the present level and below, if possible." The next month he told Smith that "the administration will not undertake any new activities, even if laudable ones." He told reporters the next year that his policy would be to cut nonmilitary programs to the bone. He kept his word. Between 1939 and 1942, spending for nondefense programs was cut by 22%. Everyone realized that no matter how popular or politically entrenched a program, the nation's priorities had to change.



Harry S. Truman acted with equal decisiveness after the Korean War began in 1950. In just one year, Truman and a Democratic Congress cut nonmilitary spending by 28%.

But the attitude of the nation's political leaders changed after the beginning of the Great Society in the 1960s. Lyndon B. Johnson told advisers he could deliver "both guns and butter" and proceeded to avoid any hard choices between his favored domestic programs and the Vietnam War. Between 1965 and 1974, the fighting in Vietnam led to a 57% hike in defense spending. During the same period of time, nondefense spending also surged, nearly tripling over the same period.

Mitch Daniels, Mr. Bush's former budget director and now the governor of Indiana, says, "We rightly remember the dismal consequences, both economic and fiscal, of the refusal to make hard choices back then." They included inflation, which led to by foolhardy wage-and-price controls. The 1970s became a decade of economic stagnation under both Republican and Democratic presidents.

Mr. Daniels proposed the country make hard choices after the 9/11 attacks, urging spending restraint. In a speech in 2001, he noted that "to the average citizen, shifting resources when priorities change makes simple common sense. When the new priority is the survival of Americans, the cause is even more obvious, a straightforward matter of battle stations vs. business-as-usual." But Mr. Daniels was thwarted by both a White House and Congress who paid lip service to spending restraint but never practiced it. Total federal spending is now up 20% in real terms since 2001.

"Washington is overrun by interests who want to take an ever larger share of taxpayer dollars for their causes," Mr. Daniels told me last year during his campaign

for governor. "They put their pet programs, however ineffective, duplicative, obsolete or unimportant, ahead of larger national goals."

One successful test to see if a democracy is mature should be its ability to establish priorities, streamline procedures and engage in fresh, new thinking after a national emergency. While the jury is still out, I fear that the White House and Congress have decided instead to throw money at the ravaged Gulf Coast and ignore the example of FDR and Truman. Both of them, for example, would have known exactly what to do with the nonessential parts of the \$286 billion bloated highway bill that has just been signed into law.

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