

## Reaganomics and the Budget: An Insider's View

President Reagan's original economic package was advertised as an equal reduction in taxes and spending. The incoming administration actually promised to balance the budget by fiscal year 1984\*—a promise greeted with disbelief by those outside the administration. Later we learned that the most knowledgeable insider, Budget Director David Stockman, was the biggest skeptic of all. He told his story in his controversial book, *The Triumph of Politics: Why the Reagan Revolution Failed* (New York: Harper & Row, 1986), from which the following quotations are taken.

Even before he took over the Office of Management and Budget (OMB) in January 1981, Stockman realized that supply-side tax cuts would open a huge deficit that could be closed only by gigantic budget cuts. Though worried that "I was the only one who had done even a minimal degree ... homework on the fundamental fiscal math," he welcomed the opportunity. "We would have the ... politicians pinned to the wall. They would have to dismantle ... bloated, wasteful, and unjust spending enterprises—or risk national ruin."

Energized by an ideological commitment to smaller government, Stockman prepared thick books of proposed budget cuts "chock-a-block with details and apparent precision (to) give the impression that the economic program was being launched with ... admirable preparation. In fact, ... critical loose ends were left unresolved everywhere." Then, in early February, the OMB's computer models said the tax cuts would leave a 1984 deficit of \$130 billion even with an optimistic forecast and all the proposed cuts. After that, Stockman "became a veritable incubator of short-cuts, schemes, and devices to overcome the truth."

Time was short, however, for the president was to present his program to Congress on February 18th. "As we went into the final ten days, the President of the United States was not even given slightest warning that his economic policy revolution was bursting at the seams... the final week of White House deliberations on the eco-



omic plan gave new meaning to the concept of chaos." The document issued on February 18th projected a balanced budget by 1984 even though Stockman's internal calculations were showing a deficit of \$130 billion or more. "The original budget plan I had devised... had been fatally flawed... the massive tax cut... never stood a chance of being paid for by a commensurate shrinkage of the welfare state."

Negotiations with Congress widened the budget gap as spending cuts were trimmed and tax cuts fattened. Stockman's budgeteers tried to square the circle with accounting gimmicks, but by November 1981 "it had become overwhelmingly clear that the ... original political and economic assumptions were wrong by a country mile.... Now even the most outlandishly optimistic forecast ... gave us triple-digit deficits... as far as the eye could see."

\*The fiscal year of the U.S. government runs from October 1st to September 30th. Thus fiscal year 1984 began on October 1, 1983.