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Some (belated) fiscal restraint

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Following months of unrelenting pressure from the Republican Study Committee, the House on Monday passed a long-overdue budget reconciliation bill that included measures to moderate the unsustainable growth rates of both entitlement and discretionary expenditures. (The latter will be subject to an across-the-board reduction of 1 percent.) If the Senate passes the budget-reconciliation conference report, it will mark the first time in eight years that Congress applies restraint to the nation's soaring benefit programs.

Certainly, some perspective is in order. The reconciliation bill's \$39.7 billion savings over five years doesn't amount to much. While our preference would have been a much larger reduction in the growth rate of federal spending, the roughly \$40 billion headline figure was probably the most achievable absent a full-blown fiscal crisis.

It is easy to understand how relatively small the five-year savings are when compared to the latest projected increases in the gross federal debt, which totaled \$7.9 trillion at the end of fiscal year 2005. Those increases appeared in the mid-session budget review issued in July by the White House Office of Management and Budget, which estimated the national debt will increase by \$684 billion (8.7 percent) in fiscal 2006 alone and by \$2.8 trillion over the 2006-2010 period. (That assumes Congress will pass every administration proposal.) Essentially, the \$40 billion in net savings achieved by the reconciliation bill would reduce the growth of the national debt by less than 1.5 percent over five years.

A significant portion of the so-called spending savings would be more accurately categorized as fee increases or revenue enhancements. Relevant items include \$10 billion in projected revenue from spectrum auctions and \$3.6 billion in revenue from increased premiums for the Pension Benefits Guaranty Corporation.

Not a single Democrat supported the reconciliation bill, which passed by a narrow 212-206 margin. Nine Republicans -- most of them moderates, such as Jim Leach of Iowa and Chris Smith of New Jersey -- joined 196 Democrats and one independent in opposition.

The bill also includes the long-delayed five-year reauthorization of the hugely successful welfare-reform legislation, which a previous Republican-controlled Congress forced President Clinton to sign in the middle of his 1996 re-election campaign. Medicare Part B premium payments will become "income-related," reducing the indefensible subsidies that working-class and middle-class taxpayers provide to millionaire retirees. The bill also significantly reforms the student-loan program and revises the rules governing asset transfers by seniors seeking to qualify for budget-busting, taxpayer-financed Medicaid subsidies for long-term care.

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All in all, it is a "good first step," with emphasis placed on "first."

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