

How much spending is uncontrollable?

Spending is generally said to be uncontrollable for political rather than legal reasons. Entitlement spending can always be controlled legally by reforming programs, but when an entitlement is extremely popular, reform may require more political courage than is readily available.

The federal budget divides government spending into three categories, discretionary spending, mandatory or direct spending, and net interest. Discretionary spending, set in annual appropriations acts controlled by the House and Senate Appropriations Committees, includes most defense programs as well as spending for education, transportation, environmental protection, law enforcement and border security, and international assistance. Mandatory spending, controlled by laws other than appropriations act, includes spending on entitlement programs including the big three—Social Security, Medicare, and Medicaid—and many smaller programs such as supplemental nutrition assistance, federal civilian and military retirement benefits, and unemployment insurance.

Government spending on mandatory programs (often called entitlement programs), and net interest on the public debt are often described as “uncontrollable.” Entitlements can be controlled legally by reforming them, but this can be highly unpopular politically. Interest costs can be controlled indirectly by curbing spending growth or raising revenues, but that is also never easy.

Uncontrollable spending has been growing much more rapidly than total spending and thus accounts for an ever-larger share of the total. However, most growth has been concentrated in entitlements that serve the elderly and in health insurance. The population has been aging rapidly, and that affects both Social Security and health programs. The latter have grown doubly rapidly because health costs per beneficiary have been growing faster than incomes per capita. Social Security and Medicare, the largest health program, are among the most politically popular programs ever invented.

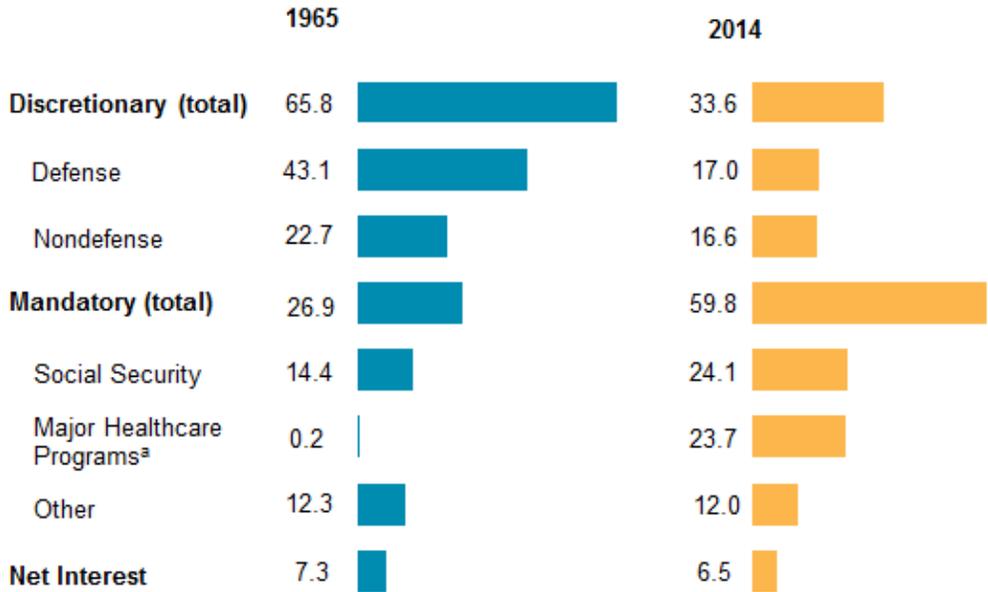
Whereas discretionary programs are funded by specific appropriations that generally last only one year, entitlement spending for Social Security and Medicare is ongoing. The laws establishing entitlements specify who is eligible for benefits and describe the nature of the benefits. The government then pays for as many eligible individuals as claim them. Thus, total entitlement spending cannot be predicted with precision from year to year and is, in this narrow sense, “uncontrollable.”

As a matter of law, though, entitlement spending can be controlled in the long run by changing eligibility criteria or the nature of the benefit. This would require Congress to actively change the law, but as implied above, that is politically perilous. In contrast, unless renewed, a discretionary program will automatically expire when its funding does. Discretionary spending is therefore often assumed to be easier to control than entitlement spending. But the difference should not be exaggerated: cuts in appropriations from year to year can also be highly unpopular and politically difficult.

Other forms of mandatory spending include contractual obligations, for example, liabilities related to the procurement of goods and services. It's worth remembering, too, that the government may have to pay damages when it loses lawsuits. Such spending is more difficult to control legally, but it is a small portion of the total.

FIGURE 1

Spending as a Percentage of Total Spending in 1965 and 2014



Source: Congressional Budget Office. 2015.

Note: (a) Spending on Medicare (net of offsetting receipts), Medicaid, the Children's Health Insurance Program, and subsidies offered through health insurance exchanges and related spending.

In fiscal 1965, mandatory spending plus net interest constituted 34.2 percent of total spending. By fiscal 2014 the share had almost doubled to 66.4 percent. Over the same period, Social Security's share of total spending rose from 14.4 percent to 24.1 percent. Medicare and Medicaid were created in 1965 and were responsible for a small portion of total spending throughout the rest of the 1960s. But by 2014 they and other health care programs consumed 23.7 percent of outlays. In contrast, defense discretionary spending fell over the same period from 43.1 percent of total spending at the peak of the Vietnam War to 17 percent in 2014. The percentage of total spending devoted to nondefense discretionary programs also fell from 22.7 percent in 1965 to 16.6 percent in 2014, but this has fluctuated significantly over the period.

DATA SOURCES

Congressional Budget Office. 2015. January 2014 Baseline from *Budget and Economic Outlook: 2015 to 2025*. [Historical Budget Data | Congressional Budget Office](#).