

Clinton's final budget calls for military buildup, fiscal austerity

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The fiscal 2001 budget unveiled February 7 by the Clinton White House is a remarkable demonstration of how far to the right the American political establishment in general, and the Democratic Party in particular, have shifted over the past quarter century. While projecting record government revenues and large surpluses, the Clinton administration proposes as its principal priorities to pay down the national debt, enact a major tax cut and beef up the Pentagon.

There are no broad new social initiatives in the final budget to be issued by Bill Clinton, only relatively small increases in spending on health care and education which amount to tinkering on the margins of existing programs—\$1 billion more for Head Start, a bit more for inner-city school districts to hire teachers, expansion of federally subsidized health insurance to cover a small fraction of the more than 40 million Americans who have no health care coverage.

The largest single new proposal on health care, a prescription benefit for Medicare, carries a price tag of \$203 billion over the next 10 years. At an average annual cost of \$20 billion, the Medicare initiative is dwarfed by Clinton's planned \$279 billion in military spending in FY 2001—the biggest peacetime military budget since the height of the Cold War—and the \$209 billion earmarked for interest payments.

Of the estimated \$2.9 trillion in surpluses projected over the next 15 years, Clinton calls for \$2.2 trillion, or more than 70 percent, to be used for debt reduction, although this is largely a bookkeeping operation, since this is money coming into the Social Security Trust Fund which would be used to buy back Treasury bonds, moving from one government account to another. Of the remaining \$746 billion in surpluses, some \$432 billion would be reserved to cover expected deficits in Medicare and Medicaid and to finance prescription coverage for the elderly. The balance would be split between a significant buildup of the American military and tax cuts.

More than half, or 54 percent, of the \$1.84 trillion in spending for the next fiscal year will go to entitlement programs such as Social Security, Medicare, Medicaid and smaller retirement and disability programs, spending which is legally required. Another 11 percent, or \$209 billion, will go to pay interest on previous borrowings. That leaves only 35 percent of the budget, some \$634 billion, in discretionary spending, of which nearly half, or \$279 billion, will go to the military. Combined with spending by the departments of Veterans Affairs and Energy (which handles the building of atomic weapons), military-related spending will account for more than half of all discretionary spending.

As for the claim that the White House had presented a plan to eliminate the national debt over the next 15 years, this has an unreal and even bizarre quality, since it is based on economic assumptions that would in the past have been considered absurd: that the current

financial boom, already the longest in US history, will continue indefinitely, with Gross Domestic Product (GDP) growth rates between 2.5 percent and 3.3 percent from now until 2010. Both the White House and the Congressional Budget Office made such projections, which implicitly assume that the capitalist business cycle has been abolished and that there will never again be an economic downturn, let alone a major recession.

In terms of its long-term and global implications, the most significant aspect of the Clinton budget is the proposal for another huge jump in military spending. This year the Pentagon budget rose \$13.5 billion, the first big increase for the military since the end of the Cold War, and the administration proposes an additional \$18 billion for the coming year.

In his State of the Union address Clinton boasted that the United States was more secure and less threatened militarily than at any time since World War II. But the budget issued only 10 days later demonstrates that the US government is gearing up for an expansion of military action—according to one estimate, the American military budget is nearly 10 times as large as that of the second place country, Great Britain, and larger than the military budgets of all the other members of the G-8 industrial nations combined.

Billions more will be expended on new weapons, higher pay and benefits for military personnel, and a further expansion in the ability of the Pentagon to strike with speed and power anywhere in the world. The spending level proposed by the White House is, moreover, certain to be increased by the Republican-controlled Congress.

The centerpiece of the military budget is the proposed \$60 billion for new weapons and equipment, a level which Pentagon planners had been seeking unsuccessfully for years. This is a whopping 33 percent increase over 1998 spending on modernization of the military's planes, tanks, ships, missiles and guns.

Among other items, the budget provides for the new F-22 fighter, the V-22 tilt-rotor plane, the AV-8B and F/A-18 jets and a new amphibious assault vehicle. The Navy will get several new DDG-51 destroyers, a new attack submarine and another Nimitz-class aircraft carrier, a \$4 billion item. One quarter of the new procurement, \$14.5 billion, will go for the creation of a new lightweight armored vehicle to be used in low-intensity conflicts and "peacekeeping" missions, the most common deployment of American military forces in recent years.

Last month a highly touted test of an anti-missile missile was a spectacular failure, and there was speculation in the media that Clinton would use the failure as the occasion to delay or even scrap the program. But instead the White House proposes \$1.9 billion for continued development of a national missile defense system, a revived

version of Reagan's failed "Star Wars" program, together with \$2.6 billion for other missile programs.

The White House also proposes a 3.7 percent military pay raise, increased health benefits and \$5 billion in additional housing subsidies for military personnel living off base. Those personnel now pay 19 percent of housing costs, to be reduced to 15 percent next year and eliminated by 2005.

The new budget assumes the indefinite continuation of US military involvement in the Balkans, with \$2 billion to cover expenses for the current fiscal year, which ends September 30, and \$2.2 billion for operations in fiscal 2001.

While military spending and the overseas deployment of US troops escalate, the Clinton budget proposes a significant reduction in nonmilitary international spending, which is largely devoted to aid to poor countries and support for international institutions like the United Nations and the International Monetary Fund. This spending will be cut by \$1.1 billion, from \$23.9 billion to \$22.8 billion. In the face of mass misery in impoverished Third World countries, mainly in Africa, the Clinton White House proposes a total of \$600 million in debt relief over the next three years—about \$1 for each inhabitant of that devastated continent.

For domestic social spending, Clinton actually proposes a reduction in real terms, estimating that over the next 10 years such spending will increase by a rate slightly below the rate of inflation. Government spending as a share of the economy will fall to 18.3 percent next year, the lowest figure since 1966, and the federal workforce will also decline, with 90,000 more jobs to go in fiscal 2001, on top of the 377,000 federal jobs eliminated since Clinton took office in 1993.

Despite such austerity provisions, congressional Republicans howled that the Clinton budget meant the return of "big government."

On health care the White House proposes changes which would, if enacted, marginally expand the number of Americans with access to health insurance, mainly through tax credits, which amount to a subsidy to the big insurance companies. This goes a long way in explaining why the same companies that successfully lobbied to block Clinton's health care plan in 1994 seem inclined to take a more positive attitude to his health care proposals this year. Similarly, the addition of prescription drug coverage to Medicare would pump tens of billions into the coffers of the drug companies over the next decade, and industry spokesmen have welcomed talks based on the White House plan.

Some \$90 billion over 10 years would be provided to finance health care coverage through the state-run Child Health Insurance Programs, known as CHIPs, enrolling 1 million more children and extending coverage to 4 million parents of children already in the program. Clinton took office promising to provide "health care that's always there" for every American. He leaves proposing that health care coverage be provided to one-tenth of those without insurance by the year 2010.

The largest single spending initiative in the new budget is a proposal to cut taxes by a total of \$351 billion over 10 years, offered as the initial bid in political maneuvers with the Republican majority in Congress. The Clinton tax plan also calls for \$166 billion in tax increases, including a 25-cents-a-pack tobacco tax, making the net tax cut about \$185 billion. The total is not far from that proposed by Republican presidential contender John McCain, but well below the measures proposed by George W. Bush or the House and Senate Republican leadership.

The tax cuts include an expansion of the Earned Income Tax Credit

for the working poor, Retirement Savings Accounts, increased child care tax credits for middle-income families and a reduction in the so-called marriage penalty, a quirk in the tax rates which affects some upper-income married couples. The tax increases include the closing of certain corporate tax loopholes.

None of these measures has any serious prospect of adoption. Rather, they are proposed to position the White House in upcoming negotiations with Congress and to redound to the advantage of the Gore campaign. What is most significant is that Clinton has embraced tax cuts as a major element of the new budget, thus endorsing the principal goal of the congressional Republicans. In the event an agreement on tax cuts emerges, it is not likely to be the package spelled out in the White House budget, but rather a program that includes substantial cuts in estate and capital gains taxes, which benefit only the wealthy.

For more than a decade, big business politicians and media opinion makers have argued that huge federal budget deficits made it impossible to address such urgent social issues as the growth of homelessness and child poverty, the crisis in public education, the crumbling urban and rural infrastructure, and the lack of affordable health insurance for tens of millions. Now, despite substantial projected surpluses, they continue to insist that the richest country in the world cannot afford to meet these social needs.

Instead, both big business parties endorse the premise—openly and brazenly in the case of the Republicans, less noisily on the part of the Democrats—that government action to alleviate social misery is a cure worse than the disease. Conservatives and liberals alike agree that the poor suffer, not from a deficit of income, but from a deficit of "responsibility"—in other words, that poverty, hunger and homelessness are the fault of those who suffer from these conditions.

That Clinton's final budget is quite openly tailored to meet the needs of Wall Street while ignoring the acute social problems facing masses of Americans cannot be attributed to the political weakness of a lame-duck president. Rather it is the culmination of a long-term process in which the reformist content of Democratic Party liberalism, never very substantial, has been entirely eviscerated. The 2001 budget is so conservative that one of Clinton's erstwhile liberal supporters and longtime friend, former Secretary of Labor Robert Reich, criticized its backers as "the Calvin Coolidge Democrats," in a column published in the February 8 *New York Times*. The Democratic Party has become the party of fiscal austerity, he complained, leaving to the Republican Party the pursuit of major new initiatives—in this case massive tax cuts for the wealthy, rather than social programs to alleviate poverty and social misery.



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