Class war at home: the social dimensions of the new Bush budget

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The domestic side of the Bush administration's new budget, released officially Monday, is an acceleration of the campaign to enrich the wealthy at the expense of domestic social needs. The White House proposes further significant cuts in programs for the poor and disadvantaged, while undermining the financial stability of Social Security and Medicare.

The centerpiece of the budget is the staggering rise in military spending, already analyzed by the *WSWS* [Billions for war and repression: Bush budget for a garrison state]. Over the next five years, according to administration projections, more than $2 trillion will be funneled into the Pentagon.

The other major budget priority is further handouts to the rich, on top of the $1.35 trillion in tax cuts over the next 10 years already enacted in 2001. The plundering of the public treasury to benefit the top 1 percent of the population takes two forms: further tax cuts, and a torrent of interest payments on the federal debt.

The White House proposes an additional $675 billion in tax cuts over 10 years, bringing the total to over $2.1 trillion, with the lion's share going to the wealthiest layer of the population. More than half of the total cut, $354 billion, comes from extending last year's cuts an additional two years. Under a budgetary gimmick adopted by the White House and Congress last year, the tax cuts had been scheduled to expire in 2010.

Significantly, the administration did not make any corresponding provision to provide an extension of relief for millions of middle class and upper-middle class taxpayers who would otherwise be pushed by inflation into brackets where they would be obliged to pay the alternative minimum tax. Without changes in tax law, the number of taxpayers required to pay the higher tax, originally targeted only at the very rich, will rise from 1 million in 2005 to 39 million in 2012, costing these families $200 billion.

During the congressional debate last year over Bush's initial tax cut plan, both the White House and congressional leaders pledged to eliminate this anomaly in the tax code. But instead, the administration has focused its tax-cutting fervor on the most privileged layers of the super-rich, an indication of the extremely narrow social base whose interests it serves. It is not defending the middle class against the undeserving poor, as Republican rhetoric usually suggests, but defending the wealthy elite against every other social layer, including the middle class.

An even greater windfall for the wealthy has been little noted in the media coverage of the budget. The Bush administration has drastically revised the fiscal projections which were the basis of the claims that the federal government would run huge surpluses and pay off the bulk of the national debt in the course of the next decade. The combined impact of the tax cuts, the recession and the Pentagon buildup is that there will be no significant reduction in the debt.

Consequently, the federal government will continue to pay an enormous amount in interest on the debt—payments that go largely to the very wealthy, who have the resources to invest in Treasury bills. By one estimate, this interest bill will total an additional $1 trillion over the next decade, a huge, though well-disguised, form of financial tribute to the upper class.

The disappearance of the projected surpluses naturally means the end of suggestions that these funds could be used to ensure the continuity of Social Security and Medicare, the two largest federal entitlement programs, which provide pension income and medical care for the elderly and disabled.

The bulk of the surplus accumulating in Social Security accounts over the next decade will be used to finance general government expenses, and therefore will not be there when the huge post-World War II generation begins to retire. In the current fiscal year, $262 billion in surplus Social Security funds is being used to finance government operations. Next year that figure will be $259 billion.

At a Senate Budget Committee hearing, North Dakota Democrat Kent Conrad, who chairs the panel, compared the Bush administration's handling of the Social Security trust fund to Enron’s looting of its 401(k) plan. He told Bush’s budget director, Mitchell Daniels, that if a private corporation treated pensions the way the White House did, “you’d be headed for a federal correctional authority.” Despite such comments, made with an eye to partisan advantage in the coming election, both big business parties are committed to using the Social Security funds to finance the military buildup and tax cuts for the rich.

There are also indications that the Bush administration has deliberately distorted its budget projections to the detriment of Medicare. As the *New York Times* pointed out February 6, the White House estimate of Medicare spending over the next decade is $300 billion less than that of the Congressional Budget Office. Medicare costs grew by an average of 7.6 percent in the 1990s, but the White House forecasts this falling to an average of 4.6 percent, with no changes in coverage or benefits. If the CBO forecast proves more accurate, Medicare funds will be rapidly exhausted, creating the conditions for drastic benefit cuts.

As it did last year, the Bush administration has declared itself in favor of adding a prescription drug benefit to Medicare while proposing a level of funding—$190 billion over 10 years—well below the $300 billion most analysts believe the benefit would actually cost. The shortfall would likely require significant cuts either in Medicare itself or other social programs. Even if enacted, which appears doubtful, the benefit would constitute a direct subsidy to the pharmaceutical industry, one of the most profitable sectors of the US economy.

The cuts in discretionary spending on a variety of social needs will be the largest since the onslaught of the Reagan years. While overall spending is projected to rise 6 percent, nearly all of the increase goes to the Pentagon and to domestic policing in one form or another. Domestic social spending will rise by only 1 percent, less than the rate of inflation, and many programs will suffer severe slashes. Six of the fourteen cabinet departments will see actual spending reductions.

The biggest impact will be on infrastructure programs, with $9 billion cut from highway construction (California alone will lose $600 million), and a 10-15 percent reduction in the Army Corps of Engineers, which is responsible for flood control, navigation and environmental projects on US rivers and harbors.

Job training programs will be gutted, with grants to 36 cities for youth job training cut from $225 million to only $45 million. Another $620 million will be cut from grants to states, a reduction that dwarfs the better-publicized increase of $73 million for the Job Corps.

The Education Department’s budget would rise by $1.8 billion, or 3.7 percent, to $50.3 billion, a far cry from the substantial increase contained in last year’s budget. A boost in spending for special education and for aid to schools in poor neighborhoods will be largely offset by cuts in other programs, including vocational and adult education.

There is a sizeable increase in spending by the Treasury, the Justice Department, the State Department, the Transportation Department and the Energy Department, all of it related to tightening security at airports, nuclear power plants, government offices and US embassies and other facilities overseas.

Other specifics include:

* $286 million to be cut from the Environmental Protection Agency, including a freeze on hiring to fill vacancies in the division which enforces pollution laws;

* a cut of $9 billion through changes in accounting procedures for Medicaid, which pays for medical care for the poorest of the poor;

* $300 million cut from the Low Income Home Energy Assistance Program;

* a $9 million cut in the Occupational Safety and Health Administration and a $29 million cut in the National Institute for Occupational Safety and Health;

* a 30 percent cut, or $85 million, from a program that trains doctors at children’s hospitals;

* $382 million to be cut from public housing, largely through cuts in the capital fund that pays for repairs;

* a reduction of $268 million in Community Development Block Grants for blighted inner-city areas;

* $175 million to be cut from the Forest Service budget, targeted to reduce the agency’s ability to bring lawsuits against excess or illegal logging by timber interests;

* a $4 billion reduction in projected unemployment benefits, despite largely gloomy economic forecasts for the level of unemployment.