US faces record budget deficits, new spending cuts

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US budget director Mitchell Daniels said that the Bush administration expected the federal budget deficit to shoot past the $200 billion mark during the current fiscal year. He predicted it would hit $300 billion next year, the largest amount in US history. Both figures exclude the impact of a war with Iraq.

Daniels released these estimates during a question-and-answer session after he appeared before the US Chamber of Commerce to lobby for the administration's proposed $674 billion tax cut, largely targeted to the wealthy. He added that the Office of Management and Budget was now projecting budget deficits for the next decade—a stark contrast to the fiscal position when Bush entered the White House two years ago.

The budget director estimated that the Bush tax cut would add several "scores of billions" to the deficit this year, and about $100 billion next year. But he dismissed concern over the size of the budget shortfall. "We ought not to hyperventilate about this," he said. "By any historical measure, these are manageable deficits."

In subsequent statements, Daniels has given a preview of the fiscal 2004 budget that is to be released February 3. The budget assumes full implementation of the White House tax plan, and sizeable increases in spending on the military and on domestic repression ("homeland security"). All other discretionary spending will be cut in real-dollar terms, however, with an increase of only 1.3 percent, below the inflation rate of 2 percent.

Daniels said that discretionary spending of all kinds would increase by $30 billion in 2004, about 4 percent, but $14 billion will go to the military and $5 billion to homeland security, leaving only $11 billion in increases for the rest of the federal budget, including all domestic social needs.

Other forecasts suggest that even the stark new numbers revealed by Daniels are an underestimation of the fiscal debacle confronting the United States. The Treasury's own figures show that the federal government ran a deficit of $109 billion for the first three months of the current fiscal year—October through December 2002—nearly three times the deficit for the same period a year before.

An economist at Goldman Sachs, William C. Dudley, who had previously estimated a $300 billion deficit for fiscal 2003, $100 billion higher than Daniels' figure, now says that this estimate "looks somewhat optimistic." Another Goldman Sachs economist predicted a $375 billion deficit in 2004. Democrats on the House Budget Committee estimated a current-year deficit of $306 billion, excluding the costs of a war with Iraq.

When Bush entered the White House, the Office of Management and Budget predicted an accumulated surplus of $5.6 trillion over 10 years, and Bush based his campaign for a $1.3 trillion tax cut for the rich on the claim that it was only fair to return the excess revenue to those who contributed it. Now that the administration projects deficits on a gargantuan scale, however, it proposes the same remedy: another flagrant giveaway to the wealthy, by eliminating taxation on dividend income and accelerating the tax cuts adopted in 2001.

The future impact of these deficits on spending to meet critical domestic social needs can be seen in the appropriations bill which passed the Senate January 25. The legislation combines 11 separate spending bills for various government departments—everything but the Pentagon and military construction, which were passed last fall—funding the bulk of federal government

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operations through September 30.

The Senate passed the nearly $400 billion bill by a 69-29 vote, with 19 Democrats joining 50 Republicans to approve it. During the week before passage, the Republican majority, which now controls the Senate by 51-49, defeated amendment after amendment aimed at restoring various spending cuts. The amendments would have increased spending for education, provided aid to state and local governments facing extreme budget crises, and funded nutritional services for 224,000 women and children.

The Republican leadership did incorporate a handful of spending increases, including $300 million in home heating assistance for the poor, $825 million to fight forest fires in the western states, $1.5 billion to finance improvements in voting machines and vote-counting procedures, $3.1 billion in drought relief for agriculture, which will go mainly to big corporations, not farmers, and $900 million in increased Medicare reimbursements to doctors. Funding for Amtrak rail services was also restored. The biggest single increase was $3.9 billion for unspecified "classified projects" for the Pentagon.

While engaging in occasional attacks on the Republicans for neglecting the poor, the elderly and schoolchildren, however, it was significant that much of the Democratic rhetoric was an attempt to outflank the Republicans from the right, by attacking the Bush administration for spending too little on homeland security.

Democratic senators offered amendments to increase spending for the new Department of Homeland Security and denounced the White House for cuts in spending for the FBI, the Customs Service, the Immigration and Naturalization Service, and other police agencies. Senator Robert Byrd of West Virginia—who voted against establishment of the new department—offered an amendment to increase the new department's budget by up to $5 billion.

Senator Charles Schumer (D-NY) complained that FBI funding was being cut by between $300 million and $430 million. Other Democrats claimed that the Republican budget measure would eliminate 1,175 FBI agents and 1,600 customs inspectors.

None of the Democrats pointed out the obvious conclusion to be drawn from the White House decision to cut funding for homeland security—that the administration does not believe its own claims about imminent terrorist attacks within the United States. The terrorist threat has been deliberately exaggerated by the administration and the media in order to justify attacks on democratic rights and intimidate opponents of US military aggression in the Middle East and elsewhere.

The same day that the Senate passed the final 2003 spending package, Senate Democratic Leader Thomas A. Daschle issued his own tax cut proposal as an alternative to the Bush tax plan. Daschle's plan is no more a "stimulus plan" than Bush's, since it would pump about the same amount of money into the US economy this year, about $112 billion, less than 1 percent of US GDP.

The Democrats' plan would be limited to one year, providing a one-time rebate of $300 per adult and $300 for each child (up to two children per family), as well as $40 billion in aid to state and local governments and some tax credits for businesses to buy new equipment or pay health insurance premiums. It would also extend unemployment compensation for 1 million workers who have exhausted their benefits.

What is most remarkable about the Daschle plan is how tiny it is. Bush proposes a sweeping tax cut of $674 billion, the bulk of it to benefit the top one percent of Americans. Daschle opposes this plan, at least verbally, but the Democratic leader is incapable of proposing measures to provide significant relief for the social crisis in America, because that would require making inroads into the vast wealth of the financial aristocracy.

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