

Bush's budget: government by fraud and lies

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The most important feature of the new budget released by the Bush administration on Monday is that it is not, in any serious sense of the word, a budget at all. It is a monumental fraud, aimed at concealing fiscal reality and usurping decisions on spending that, under longstanding US constitutional procedures, are reserved to Congress rather than the executive branch.

Many of the most expensive and politically contentious initiatives of the Bush administration are simply left out of the budget. By one estimate, the omitted costs come to \$4 trillion over 10 years, an amount equal to about one-and-a-half year's spending at the current rate of \$2.5 trillion a year.

There is no funding for the wars in Iraq and Afghanistan, although the costs are estimated at \$5 billion a month even if the US troop presence in Iraq is reduced to 120,000 next year.

White House budget director Joshua Bolten admitted that the war would involve major costs, but added, "It wouldn't be responsible for us to take a guess at what those costs are." (This argument apparently does not apply to the campaign for Social Security privatization, which Bush has sought to motivate through implausible and tendentious projections about the state of the system's finances 75 years from now).

The Bush administration has consistently refused to incorporate spending for its war policies into the regular budget, instead making use of supplemental appropriations bills rammed through Congress with demagoguery about the need to "support our troops." The purpose has been to distance the social cuts imposed by the administration from the cost of its wars, and thus conceal their essential connection: millions are being cut off food stamps, student loans or health insurance to finance American military aggression.

There is no funding for Bush's Social Security privatization plan, although the cost of establishing new private accounts is projected at \$754 billion over the first decade and trillions more thereafter. At a press conference Monday, Bolten gave the following explanation for why the Social Security costs had not been included: "The budget went to bed," he said, "before the president's proposals were announced."

The argument is preposterous, since Bush had made no secret of his plans during the election campaign. Moreover, the budget includes many other White House proposals which have yet to be fleshed out, let alone submitted to Congress. Bolten denied that the White House was concealing the enormous costs of

Social Security privatization. In any case, he told reporters, the White House position was that "transition financing does not represent new debt."

The White House has also played fast and loose with its tax revenue projections. Most of the sweeping tax cuts for the rich enacted in 2001 and 2003 are scheduled to expire after 2009. The Bush administration is seeking to extend the cuts indefinitely, at a cost estimated at \$1.1 trillion through 2015. (Repeal of Bush's tax cuts would provide more than enough money to resolve the projected budget gaps in Social Security and Medicare).

In order to avoid recording the cost of these tax breaks, the Bush administration has scrapped the traditional ten-year scoring of the cost of programs and tax cuts, in favor of a five-year projection that ends in 2010—just when the huge bonanza for the rich would be renewed.

An even cruder feat of budget falsification relates to the planned restructuring of the Alternative Minimum Tax, a provision that was adopted in the 1980s to prevent the wealthiest individuals from using deductions to eliminate all tax liability. Because the AMT is not indexed for inflation, substantial sections of the middle class will fall under its provision soon—the cutoff now is barely \$150,000 in year in family income.

Both Republicans and Democrats in Congress have called for revising the AMT, either by raising the level at which it takes effect or indexing it for inflation. The result would be to reduce tax revenues by \$72 billion in 2009 and a total of \$500 billion over the following decade. The Bush administration supports the restructuring of the AMT, but its budget assumes that the full AMT revenues will be collected, a key element in its projection that the budget deficit will be cut in half by 2009.

Similar scoring is applied to the White House proposal for still another tax cut favoring the wealthy, the retirement savings accounts and lifetime savings accounts (called by their acronyms RSA and LSA), which will allow individuals to save as much as \$30,000 a year in tax-free accounts they may use for any purpose. The cost of this tax break is estimated by the Congressional Research Service at \$300 billion to \$500 billion over 10 years, accruing only to those Americans who have a spare \$30,000 a year to invest—i.e., the wealthy and the upper layers of the middle class. The RSA and LSA would be phased in gradually, and the Bush budget, limited to a five-year

horizon, significantly understates the cost.

The overall budget numbers released by the White House are equally rigged. Bush said in his State of the Union speech that the budget would cut the deficit in half by 2009, but the budget document uses last year's projected \$521 billion deficit as a starting point, rather than the actual 2004 deficit of \$412 billion. As a result, the target for 2009 is to reduce the deficit to \$260 billion, rather than \$206 billion if the actual figure had been used. This fiscal year's deficit is actually higher than the year before—an estimated \$427 billion.

More and more, the financial numbers produced by the White House have come to resemble the cooked books of corporations like Enron or WorldCom. Huge liabilities and expenses are shifted into “off-the-books” accounts like the shell corporations created by Enron to sustain its Wall Street image of ever-rising profitability. If Bush were CEO and Bolten CFO of a Fortune 500 corporation, the budget numbers they have just submitted would be grounds for prosecution for securities fraud.

The Government Accountability Office (formerly the General Accounting Office), having somewhat higher standards than Enron's now-defunct accountant Arthur Andersen, has refused for years to certify the accounts of the federal government. This year GAO auditors gave 21 out of 26 federal departments the lowest possible ratings in terms of their accounts, meaning that the auditors could make no determination whatsoever about the actual state of the books.

There has been considerable negative commentary on the budget in the corporate-controlled media, much of it focused on the arbitrary assumptions and concealment of large future costs. *BusinessWeek* magazine, in an editorial headlined, “Wanted: An Honest Budget,” summed up the case as follows: “New private retirement accounts could cost \$1.5 trillion from 2011 to 2015 and add \$100 billion a year to the budget deficit for 20 years. Making tax cuts permanent could cost \$2 trillion. Fixing the AMT could cost an additional \$500 billion. These are real numbers that should be included in any real budget. If President Bush believes the policies proposed are best for the nation, then he should lead an honest dialogue about how we should pay for them.”

The *Washington Post* published an acid-tongued account of Bolten's press conference, citing his remark during the briefing, “I actually enter into this with a happy spirit.” The *Post* correspondent wrote: “It's no wonder Bolten was so chipper: His budget was full of happy thoughts. The spending plan Bolten outlined was a model of fiscal responsibility. But as he fielded questions for an hour, it became steadily clearer why the new budget seemed so restrained: The White House left out a lot of expenses the government is likely to have, while including savings the government is unlikely ever to see.”

House Democratic leader Nancy Pelosi sounded the same theme, declaring, “The president's budget is a hoax on the American people. The two issues that dominated the president's State of the Union address—Iraq and Social

Security—are nowhere to be found in this budget.”

Both the media and the Democrats attack the Bush administration from the standpoint of its failure to reduce the deficit more aggressively, either by slashing spending or delaying or repealing some portion of the tax cuts. In some instances, they have bemoaned the cuts in spending on programs for the poor. But this kind of criticism avoids the most fundamental issue posed by the budget: its anti-democratic and unconstitutional character.

The adoption of a budget is the principal means by which Congress holds the executive branch to account. In the US constitutional structure, Congress exercises final authority over public policy through its “power of the purse.” The decay of American democracy over the past three decades has seen this power gradually undermined by a succession of presidents.

Nixon courted a constitutional confrontation when he sought to block spending mandated by a Democratic-controlled Congress, claiming the authority to “impound” money appropriated by Congress against his wishes. Under the Reagan administration, the reverse took place: a Democratic Congress prohibited spending on arms for the Nicaraguan “contras,” and the Reagan administration sought to circumvent that ban through the diversion of funds it obtained through secret arms sales to Iran.

Under the Bush administration, this process has reached its culmination. The executive branch decides what it will do—wage wars, cut taxes, gut Social Security—and hardly bothers with the pretense of consulting with Congress or submitting to congressional authority to appropriate money, even with a Congress controlled, albeit narrowly, by the president's own party.



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