

US House of Representatives approves \$50 billion in social cuts

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In the early hours of Friday morning, the House of Representatives passed a budget reconciliation bill that includes cuts of nearly \$50 billion over five years, primarily in social programs for the poor. At the same time, Congress is considering extending tax cuts that overwhelmingly benefit the wealthy in the amount of \$60 billion-\$70 billion over the same period.

The budget reconciliation bill modifies requirements for mandatory spending programs, in particular, entitlement programs such as Medicaid, Social Security, Food Stamps and Medicare. Unlike the rest of government outlays, known as discretionary spending, which are allocated each year in appropriation bills, spending for these mandatory programs is determined by legal requirements. If the reconciliation bill is signed into law, it will mark the first time since 1997 that entitlement programs have been slashed.

The House passed the bill 217-215 after Republican leaders kept the vote open 25 minutes to drum up sufficient support. It will now go to a House-Senate conference committee, where negotiators from the two chambers will work out a compromise between the House bill and a Senate bill passed earlier this month.

The Senate version includes cuts amounting to \$35 billion over five years. While leaving out some of the most egregious cuts in the House version, the Senate bill includes one major provision left out by the House: the opening up of the Alaskan Arctic National Wildlife Refuge (ANWR) for oil exploration.

The compromise will then be subject to a final vote in both chambers before going to President Bush to be signed into law.

Major cuts in the House bill include:

- * Cutting Medicaid spending by \$11.8 billion. The bill would place new restrictions on the ability of elderly people to transfer assets to relatives so as to become eligible for Medicaid, and would allow states to charge higher premiums and co-payments for emergency room visits and some drugs. It would give states greater discretion to cut services for low-income recipients who earn more than the poverty level, including such services as eye and ear care.

- * A \$14.3 billion reduction in spending on financial assistance for college students. The bill repeals a previous 6.8 percent cap on interest rates for federal student loans,

increasing it to 8.25 percent. One estimate calculates that this would lead to an increase of \$5,800 in payments for a college student graduating with a debt load of \$17,500. The bill includes other increases in taxes and interest on a variety of loans, as well as a provision to reduce subsidies to lenders.

- * Cuts in the Food Stamp program totaling \$700 million. The bill would end a provision that automatically enrolls welfare recipients in Food Stamps, denying eligibility to approximately 165,000 people, mainly among the working poor. It would deny Food Stamps to approximately 70,000 legal immigrants by extending the waiting period for eligibility from five to seven years. Since eligibility for Food Stamps automatically gives children access to free school lunches, thousands of students may be stripped of this benefit. This cut will worsen an already growing problem of hunger in the US. An article in the *Boston Globe* of October 29 noted, "The number of people who are hungry because they cannot afford to buy enough food rose to 38.2 million in 2004, an increase of 7 million in five years. The number represents nearly 12 percent of US households."

- * Other measures include nearly \$5 billion in cuts associated with child support enforcement; \$577 million in cuts for child welfare programs; a reduction of \$732 million in social security income payments, including payments to some disabled people; and more stringent work requirements for welfare eligibility.

House passage of these draconian measures demonstrates the determination of the ruling elite to continue its assault on social programs. Hurricane Katrina, which laid bare the persistence of poverty and the growth of social inequality, as well as the devastating consequences of decades of neglect of the social infrastructure, is being used as an excuse to accelerate the very policies that compounded the disaster.

The position of the Bush administration and the Republican-controlled Congress is that the tens of billions appropriated for immediate hurricane relief and reconstruction in New Orleans and other Gulf Coast areas must be offset by a more determined assault on entitlement programs for working people and the poor. At the same time, there is to be no retreat in providing tax windfalls for big business and the rich.

This was spelled out in a summary of an earlier version of the bill published by the House Budget Committee, which stated that the bill was intended "to provide a down-payment toward

hurricane recovery and reconstruction costs” and “begin a longer-term effort at slowing the growth of entitlement spending” and “stimulate reform of entitlement programs, many of which are outdated, inefficient, and excessively costly.”

Speaking before the right-wing think tank, the Heritage Foundation, Tom DeLay, the former House majority leader who was forced to step down after being indicted on corruption charges, made clear that the budget was intended to spearhead a permanent rollback of social programs. He said the budget would “not only provide the nation immediate fiscal relief, but also institute permanent reforms of the way our government spends money and solves problems.”

Last month, Bush urged Republican congressmen to “push the envelope when it comes to cutting spending.” On Friday, he welcomed the House bill and called for Congress to quickly pass a final version for him to sign into law.

The ultimate bill as agreed by the conference committee will likely include many of the cuts in the House bill. Senate leaders, moreover, have vowed to reject any bill that does not include the opening up of the ANWR, which has been a major goal of the energy industry and the Bush administration.

At the same time that Congress is negotiating these cuts in social spending, it is preparing the passage of a separate tax cut reconciliation bill. The two bills were deliberately separated in an effort to obscure the connection between tax cuts for the wealthy and cuts in social programs.

Early on Friday, the Senate passed a bill that would cut taxes by \$60 billion over five years. This includes \$30 billion in cuts resulting from an extension in exemptions to the alternative minimum tax. It also includes \$7 billion in tax cuts for corporations as part of Bush’s so-called “Gulf Opportunity Zone”—a scheme to use the hurricane as an opportunity to give handouts to businesses. The Senate rejected any windfall tax on record oil company profits; however, it did include an accounting rule change that is expected to increase taxes for oil companies by about \$4.3 billion over five years.

The House is considering a companion bill. However, its version would focus on extending tax cuts on dividends and capital gains that are not due to expire until 2008. These taxes are paid overwhelmingly by the wealthy. Once the House version is passed, the two bills will go to a conference committee. Bush has vowed to veto any bill that includes the accounting change for oil companies.

There is some nervousness within the political establishment over the budget process. House Republican leaders were forced to delay their budget bill for a week as they sought to win enough support within their own party to push the bill through, and the final version slightly pared down some of the cuts in Food Stamps and other programs.

The two measures—the one cutting social programs for the poor, and the other providing tax cuts for the rich—constitute such a blatant redistribution of wealth from the bottom to the

top that several Republicans have opposed the measures. Congressional elections are only a year away, and the mounting popular opposition to the Bush administration has caused Republican representatives to fear losing their seats.

On Thursday, the House voted down the appropriations bill for the departments of Labor, Education and Health and Human Services, after the defection of a number of Republicans. The bill, which includes cuts in various pet projects for representatives as well as in social programs such as rural health care, may have to be modified or attached to the defense appropriations bill in order to push it through.

In spite of this nervousness, the consensus within the ruling elite is that social programs must be cut one way or another. Democratic opposition to the size of the current cuts notwithstanding, both parties agree on this basic policy, which has been ongoing for more than a quarter century.

The Democrats are themselves proposing no significant measures—whether for jobs, housing, health care or education—to deal with the acute social crisis exposed by the Hurricane Katrina disaster, underscoring their abandonment of any policy of social reform.

The current budget reconciliation process is in many ways a continuation and deepening of cuts initiated by the Clinton administration, which ended welfare as a federal entitlement. The 1996 budget act, moreover, permanently barred legal immigrants from receiving Food Stamps. In 2001, the Bush administration modified this provision to allow legal immigrants to receive Food Stamps after a five-year waiting period. The House is now proposing to extend the waiting period to seven years.

The bulk of the tax cuts for the wealthy enacted under Bush were voted in with the support of the Democratic Party leadership, while at the state level Democratic governors are overseeing massive cuts in Medicaid and education programs.

The new budget bill places in sharp relief the fact that the entire political system is an instrument of big business, dedicated to increasing the wealth of a financial aristocracy at the expense of the working class. It is one more expression of the crisis and rot of the profit system.



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