Bush's budget priorities: war and the wealthy

Jerry White
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President Bush released his 2008 budget on Monday outlining his administration's right-wing agenda of extending tax cuts for the wealthy, boosting the Pentagon budget to an all-time record and slashing vital social programs like Medicaid and Medicare.

While the $2.9 trillion budget proposal is only the beginning of protracted wrangling between the White House and the Democratic Congress, the resulting deal will resemble Bush's plan in its broad outlines. Like the Republicans, the Democrats accept unquestioningly the premise that the social needs must take a back seat to the priorities of waging imperialist war and protecting the profits of America's financial aristocracy.

In his written budget message to Congress Bush said his plan would lead to a balanced budget by 2012, with no need for raising taxes. "My formula for a balanced budget," he said, "reflects the priorities of our country at this moment in its history: protecting the homeland and fighting terrorism, keeping the economy strong with low taxes and keeping spending under control while making federal programs more effective."

As many analysts have pointed out, the accounting methods used by the White House to project a balanced budget in five years involve arbitrary and evidently false assumptions, including deliberate underestimations of the current deficit and exaggerated revenue predictions. As in all recent budgets, from both Democratic and Republican administrations, the surplus in the Social Security Trust Fund is counted as reducing the deficit, although it will be required in the future to pay benefits to retirees.

The estimated $142 billion for spending on the war in Iraq does not include the costs associated with the deployment of an additional 21,500 US troops to the country. Last week the Congressional Budget Office estimated that a yearlong surge would require $27 billion in additional spending because of the number of support personnel needed to support the greater number of combat troops.

Finally, the budget makes the projection that the cost of the war in Iraq—which is expected to be at least $163 billion this year—will drop to $50 billion in 2009 and fall to zero the following year. Bush quickly declared that the cost reduction was not based on any actual plans to reduce the US presence in the country, and administration officials said the 2009 figure was seen as a "placeholder" to be adjusted in the future. In fact the current war budget includes more than one billion dollars for the expansion of permanent US military bases in Iraq as well as Afghanistan.

The administration's budget figures are not only bogus, but brazenly so. If a major corporation presented such numbers in its financial report, the CEO and CFO could be arrested for fraud, under the provisions of legislation passed after the Enron collapse. The Bush administration can only proceed as it does because it is assured that the Democratic Party and the media will respond with only the most tepid criticism.

Regardless of the posturing by the White House and the Democratic Party about balancing the budget, the US government is facing a mounting fiscal crisis. Its day-to-solvency is maintained through massive borrowing, particularly from the Chinese and Japanese central banks. Once a limit is reached to this debt bubble—whether sparked by an international crisis or a domestic economic downturn—the government of the day will announce that it has no choice but to carry out the virtual elimination of whatever social spending remains.

Bush's proposal to make permanent his tax cuts to the wealthy—now scheduled to expire in 2010—would deepen the financial crisis by reducing government revenue by an estimated $3.4 trillion between 2008 and 2017. According to the Tax Policy Center, the extension of the 2001 and 2003 tax cuts would give those with incomes greater than $1 million—the wealthiest 0.3 percent of the US population—an additional $162,000 a year in after-tax income by 2012. For the bottom 20 percent of the population, their share of the cuts that year would average $45. (See "Bush wants to make tax cuts for the rich permanent.")

While providing further handouts to the rich, Bush's budget request complains about what he calls "the unsustainable growth of federal entitlement programs" and proposes unprecedented cuts in Medicare, the federally administered health insurance program for people 65 and older, as well as many with disabilities, and Medicaid, the US health care program for low-income individuals and families. The budget calls for a reduction in spending for Medicaid and Medicare by $102 billion over the next five years, under conditions in which the number of uninsured people in the US has reached nearly 47 million, jumping 6.8 million since 2000.

Half of Medicare beneficiaries earn below $20,000 a year and 90 percent suffer from at least one chronic illness. The proposed cuts would force them to pay higher premiums for prescription drugs and doctors' services. Bush proposes to make permanent cuts in Medicare payments to health care providers, such as hospitals and nursing homes, so that they would never receive enough to keep up with rising costs.

The president also proposed cuts in the State Children's Health Insurance Program (SCHIP), which provides insurance to lower-income children whose parents earn too much to qualify for Medicaid. The program actually contributed to lowering the proportion of children without health insurance despite the general increase in the uninsured population. Nevertheless the president's budget calls for an additional $5 billion over current spending

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levels for the next five years, less than half of what would be needed to maintain coverage for the present number of enrolled children, not to mention increased demand in the future. Despite the fact that some 6 million children are uninsured, the new budget will limit eligibility to young people with family incomes below 200 percent of the federal poverty level or $38,000 for a family of four. In budget documents the administration complained that 16 states currently provide coverage for children above that level.

The budget also calls for a 18 percent cut in the $2.2 billion home energy assistance program, which provides low-income elderly people and others in low-income households help with high winter heating bills. The human impact of such a cut can be seen in the suffering caused by the current sub-zero weather in the Midwest and Northeast and the frequent tragedies caused by makeshift heating devices used by families who have had their utilities shut off due to non-payment.

According to the Administration's own figures, the number of children in low-income families who receive child-care assistance would be cut by 300,000 between 2006 and 2010. Funding for the Head Start program would be cut $100 million below the 2007 level in the House-passed continuing resolution, even before adjusting for inflation, a reduction that would follow several years of essentially frozen funding.

According to the Center on Budget and Policy Priorities (CBPP) many low- and moderate-income children, families, and elderly individuals would be hit by several cuts at the same time. For example, the 440,000 low-income seniors who now receive a modest bag of foodstuffs each month to help keep them from running out of food would lose that aid; the program providing it would be terminated. These poor elderly individuals, one-third of them over 75, could face cuts both in food assistance and in help paying their heating bills at the same time.

The administration also wants to eliminate the Perkins loan program and Supplemental Educational Opportunity Grants (SEOG) that help low and middle-income families pay for college. While some of these savings will be channeled into the current Pell Grant program for lower-income students, the elimination of Perkins loans and the SEOG program will have a devastating effect on middle-income working class families and older students trying to cope with rising education costs.

The administration says its budget will limit the growth of all federal programs, outside of defense and homeland security, to one percent, well below the rate of inflation. The proposals actually constitute a cut of up to $4 billion in discretionary funding, according to CBPP. Since 1978 the proportion of the federal budget dedicated to discretionary spending has fallen from 23 percent to 10 percent.

The new budget includes $725 billion for the Pentagon war machine, together with tens of billions more for nuclear weapon development in the Department of Energy budget, as well as CIA and other non-Pentagon military spending. Since Bush entered office, the military budget has more than doubled and in real terms, military spending is now higher than it has been at any time in the past half-century—even at the height of the Cold War arms race with the Soviet Union. (See "Bush to propose record US war budget"). The new budget proposes $117 billion through 2013 to increase the size on the Army and Marine Corps. In addition there is money to hire 3,000 more Border Patrol agents and build hundreds of more miles of fence along the US-Mexico.

While differing on specific proposals in the budget, the congressional Democratic leadership limits its criticism to the margins. There is a fundamental consensus in the two big business parties on making working people pay for the war in Iraq and future military adventures and on continuing the reactionary social policies that have driven social inequality to unprecedented levels in America.

One of the first actions of the new Democratic congressional majority was the adoption of a "pay as you go" rule that obliges Congress to cut spending to the cover the cost of any increased outlays in other parts of the budget. As the *New York Times* noted, "While Democrats criticized Mr. Bush for what the House Speaker, Nancy Pelosi, called 'wrong priorities,' they conceded privately that Mr. Bush was correct in warning that the unchecked growth of entitlement programs would eventually break the federal bank."

The *Times* reported that the Democrats would negotiate with the White House for an increase in the payroll tax to finance future Social Security benefits, possibly combined with "a curb on some benefits." Even if such a deal cannot be reached with Bush, it would no doubt be on the agenda of a Democratic president if elected in 2008.

While the budget presented the new Democratic majority with the first opportunity to re-write the administration's policies, the *Times* added, "[I]n practice the Democrats know that the only place they can find the revenue to restore the administration's proposed spending cuts would be to cut back on military spending, delay their stated intentions to balance the budget or rescind the Bush tax cuts in future years. They are not especially eager to do any of these."

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