

Bush budget: programs slashed to pay for tax cuts and war

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President Bush submitted his last budget to the US Congress on Monday outlining his administration's right-wing proposals of tax cuts for the wealthy, massive military spending and the further gutting of social programs that the majority of ordinary Americans depend on.

While there is little chance that the budget in its present form will be passed by a lame duck president with a Democratic majority in Congress, the budget illustrates the social and political priorities shared by both parties and the ruling class as a whole.

The \$3.1 trillion budget would make permanent the tax cuts passed during Bush's first term, while increasing the Pentagon budget to the highest level in inflation-adjusted terms since World War II. At the same time it would freeze all non-defense spending and eliminate or sharply cut back 151 programs. Spending for social services, including entitlements such as Medicare and Medicaid, would be reduced by \$23 billion in 2009 and \$474 billion over the next five years.

"In my 2009 budget, I have set clear priorities that will help us meet our nation's most pressing needs while addressing the long-term challenges ahead. With pro-growth policies and spending discipline, we will balance the budget in 2012, keep the tax burden low and provide for our national security," Bush said.

Medicare, the major federal health care program for seniors, would be cut by \$178 billion over the next five years. Medicaid, the federal health care program for low-income people, would lose \$18.2 billion over five years. Signaling his determination to cripple the programs, Bush insisted the cuts were needed to slow "the unsustainable growth in entitlement spending."

Many of the Medicare and Medicaid cuts will be achieved by reducing payments to doctors and other health care providers, forcing many to limit the number of elderly and low-income patients they see or drop out of the program entirely. Other cost-cutting will be achieved by shifting the burden to the states—under conditions in which more than half are already facing severe budget shortfalls due to the collapse of the housing bubble and the general economic downturn.

In line with the administration's push to promote private insurers over public health insurance programs, the budget leaves intact more than \$150 billion in subsidies to private insurance companies involved in the Medicare Advantage program, the privatized part of the federal program.

According to the Center on Budget Priorities, other cuts in the President's budget include:

- * Funding for Low Income Home Energy Assistance Program (LIHEAP) would be cut by \$570 million or 22 percent, affecting more than 1 million families and elderly people. Funding for the program remains at the same level as in 2001, even though home energy prices have risen by 65 percent.

- * Child care assistance for low-income families would be frozen for the seventh consecutive year. According to the administration's own figures, 200,000 fewer children in low-income families would receive federal child care assistance in 2009 than in 2007, under the president's budget.

- * Reductions in the Section 8 housing voucher program, the nation's largest low-income rental assistance program, would mean at least 100,000 fewer households would receive assistance.

- * Funding for the Centers for Disease Control and Prevention would be cut by \$433 million, even before adjusting for inflation.

- * The Environmental Protection Agency's budget would be cut by \$330 million, before adjusting for inflation, falling in 2009 to more than \$1 billion less than the EPA budget in 2004.

The Washington Post reported that a \$301 million program that trains 4,700 pediatricians and pediatric sub-specialists at children's teaching hospitals would be eliminated, even as these areas face critical shortages.

"The request to eliminate funding to train the doctors that care for kids comes on the heels of the president's veto of the State Children's Health Insurance Program," said Lawrence McAndrews, president and chief executive of the National Association of Children's Hospitals. "I don't think the president could be any clearer about his intentions towards children's health care. 'Wrong' doesn't begin to describe his actions."

Bush's budget plan calls for the extension of the reductions in individual income taxes, capital gains, dividend and estate taxes, passed in 2001 and 2003 and set to expire in 2011. According to the Center on Budget Priorities, the top 1 percent of the population, a group with annual incomes above \$450,000 in 2008, would receive nearly one-third of the benefit of these tax reductions.

The top 0.3 percent of the population—those making more than \$1 million a year—would do even better. They would receive 22 percent of the benefits over the next ten years, pocketing a total of \$812 billion, or more than \$150,000 apiece each year.

The cost of the tax cuts for the highest one percent of households alone would exceed the entire budget of the Department of Education or the *combined* budgets of the Department of Housing

and Urban Development, Department of Energy and the Environmental Protection Agency.

Under the budget plan, US military spending—which is already larger than that of the rest of the world combined—would increase to \$515.4 billion, a jump of \$35.9 billion or 7.5 percent over the level approved for fiscal year 2008. This includes \$183.8 billion for new weapons systems, \$158.3 billion to improve the “readiness” of the US military, \$20.5 billion to increase the size of the US Army and Marine Corps by another 90,000 soldiers, and \$10.5 billion to continue the missile defense system.

In addition, the Department of Homeland Security will receive an increase of 11 percent. The money will be used to build more fences along the US-Mexico border, to hire and train more border patrol agents and for other enforcement activities.

In order to promote the administration’s myth of a projected balanced budget by 2012, the White House did not include actual spending on the wars in Iraq and Afghanistan. Instead it budgeted only \$70 billion for the two wars in the first quarter of 2009 and nothing afterwards.

In reality, US spending on the wars is expected to reach \$180 billion this year. Congress has already approved \$691 billion in war spending since 2001, and it is estimated that the cost of the two wars could rise to just under \$900 billion by next spring and could reach near the \$1 trillion mark by the end of 2009.

Regardless of whether a Democrat or a Republican is in the White House next year the Pentagon—which already consumes more than half of the government’s discretionary spending—is demanding an ever great portion of the national budget.

The top military brass wants total defense spending—for the Defense Department itself and the wars in Iraq and Afghanistan—to rise to 4 percent of the gross domestic product a year, or about \$700 billion a year, according to the *Wall Street Journal*. Speaking to reporters Friday, General James Conway, the commandant of the Marine Corps, insisted this would be a small fraction compared to other wars. “We’re fighting a war on less than 4 percent,” he said, “It was 9 during Korea, 13 for Vietnam, 35, 38 for World War II. We’re making do with it, but...we do see some needs on the horizon.”

Despite its efforts to conceal the real costs of the war and tax cuts, the administration acknowledges its budget will produce record deficits in the future—\$410 billion in the current fiscal year and \$407 billion the following fiscal year. Bush, who was the first president to propose a \$2 trillion budget in 2002, will leave office as the first president to hit \$3 trillion with a spending plan—much of it paid for by foreign loans. This will only worsen as the US slides into economic recession.

Leading Democrats, such as Senate Majority Leader Harry Reid of Nevada, immediately denounced the budget for its cuts in social spending and “fiscal irresponsibility.” Reid attacked Bush for turning the “record surpluses into record deficits” during his years in office.

Senator Hillary Clinton said it was “past time to restore responsible fiscal management and put the priorities of middle class Americans first.” Pointing to Bush’s tax cuts, Illinois Senator Barack Obama, said, “the fact that [leading Republican presidential nominee, Arizona Senator John] McCain, who once

opposed these tax cuts, now embraces them, tells the American people all they need to know about the choice they face in this election.”

While seeking to tap into the popular hatred for the Bush administration, neither Clinton nor Obama, if elected, would carry out fundamental changes in economic policy. Both are committed to the pro-business policies carried out under over the last three decades under both Republican and Democratic administrations, which have enriched America’s corporate elite at the expense of working people.

Neither are proposing the radical redistribution of wealth that is required to address the massive social crisis in America and the unprecedented levels of social inequality. In a recent interview with the *New York Times*, Clinton suggested she might increase marginal tax rates on the wealthiest Americans to 39.6 percent from the current level of 35 percent. She referred to the tax rates on the richest Americans during the late 1970s—then around 70 percent—as “confiscatory.”

Obama’s position is little different. He has accepted the argument that the US cannot afford the current cost of entitlement programs. In order to “save” Social Security, he has said he would consider raising the retirement age as well as increasing payroll taxes.

Nor do the Democrats have any intention of cutting military spending, which is vital for the defense of corporate America’s interests throughout the world. Despite winning the majority in Congress on the basis of popular opposition to the war, the Democrats, including Clinton and Obama, have voted to continue funding the war. Both leading presidential candidates are also committed to the continued occupation of oil-rich Iraq and the extension of US military operations around the world.

Moreover, despite their rhetoric, the next president, whether Democrat or Republican, will confront massive deficits, and a US and world economy spiraling into deeper crisis. All agree that working people will have to pay for this.



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