

Bush's 1993 budget is not based on reality

by Joyce Fredman

On Jan. 29, President Bush announced a \$1.52 trillion budget for fiscal year 1993 that was advertised as the plan to get the economy out of a depression. The plan, as well as its reception, was a fiasco. It is premised on two assumptions that have no basis in reality: that unemployment will peak in 1992 at 6.9%, and will improve from here on out, and that government receipts will grow at an annual rate of 7% over 1993-96. These assumptions are so far removed from what has been occurring that even Office of Management and Budget Director Richard G. Darman had to concede that "the outlook for debt and deficits remains unattractive." Characterized by House Budget Committee Chairman Rep. Leon Panetta (D-Calif.) as "smoke and mirrors," the budget is extremely unlikely to pass by March 20, the date which Bush insisted be met in his State of the Union address.

Bush has chosen to ignore the massive amount of verbal and written objections to his six-pound blueprint, and took the first week of February to tour the country touting his imagined success. Throughout the week, the President soliloquized about "hoping, building, dreaming as Americans always have and as Americans always will."

Fruitless tax breaks

Building, unfortunately, takes a back seat to hoping and dreaming. The budget claims to create "half a million jobs during the next four years," which is fewer than the number of jobs lost by California and New York State alone during the past year. Bush had claimed in his State of the Union speech that he would be generating "jobs building roads, jobs building bridges, and jobs building railways." But the already meager spending on transportation, energy, and water projects is cut by 10%, including from important areas such as urban mass transit, Amtrak, and the Tennessee Valley Authority.

While pledging to "strengthen the family," the budget

cuts funding for discretionary programs for children and families by \$433 million, or 7%. It freezes spending for child welfare services, and reduces low-income energy assistance (home heating for the indigent) nearly a third, by \$435 million. While the welfare system itself is degrading, enforced impoverishment, which causes the destruction of families, Bush has no intention of implementing the only alternative, a growing economy which produces real jobs for men, so that women with young children have the option of caring for their children in the home.

The plan behind the budget is to waive federal regulations in order to speed up state efforts to impose "workfare," throw more people off welfare, and give credence to the type of legislation being enacted in Michigan, Ohio, California, and New Jersey. The bottom line is to deny aid to the very people who need it the most. Cuts also come from housing for the elderly and disabled, and aid to Appalachia.

One of the more notorious aspects of the budget is the repeal of the luxury tax on yachts and high-priced planes. This 10% tax refers to the portion of the cost of a boat over \$100,000 and of a plane over \$250,000. Another provision is an effective reduction in the maximum tax on capital gains to 15.4% from the current 28% for assets held at least three years. This is "merely the illusion of a program to get the economy growing," Senate Budget Committee Chairman Sen. Jim Sasser (D-Tenn.) observed. "I'm left to conclude that the recovery program is primarily window dressing hung around a capital gains tax cut."

On Feb. 7, the administration and various Republicans introduced a limited tax bill with an even more generous capital-gains provision. It includes the items that are the core of the party platform (a cut in taxes on capital gains and speedy passage) while omitting items that threaten Republican unity. Budget Director Richard Darman called the measure "a manageable set of common-sense growth initiatives

to get the economy moving.”

Moving where? is the question. This new package modifies an already biased plan, to benefit the wealthy even more. It alleviates the 24% minimum tax rate for approximately 200,000 upper-income Americans who otherwise pay little or no income tax. Opponents of the plan estimate it could lose the country as much as \$15.4 billion. Quite a difference from the \$4.2 billion Bush claims it would raise.

Bush fared no better when he attempted to sell his “growth” perspective at the National Governors Association in Washington, D.C. on Feb. 3. On the same day, the National Association of Purchasing Managers released its data showing a contraction in manufacturing, and the Commerce Department reported that construction spending fell again to mark the biggest drop in nearly 50 years.

Deviating from protocol, Colorado Gov. Roy Romer (D) asked the press corps not to leave the room after the President finished his speech and reporters were being escorted out. As Bush and White House Chief of Staff Samuel Skinner glowered in embarrassment, Romer began his critique: “We’re concerned about the budget that you’ve laid out, we’re concerned that it does not provide the revenue to do what is anticipated there, and we’re concerned that some of those may end up on our backs.”

Gov. George Sinner (D) from North Dakota joined in, warning “that if we continue into this sewer of debt,” what our children and families are suffering today will be “nothing compared to what the family of tomorrow will suffer.” While the governors presented no competent alternatives, the attacks were on target.

Unemployment undercounted by 2 million

According to the U.S. Department of Labor, the United States lost 91,000 jobs in January. But it is now openly acknowledged that the 7.1% official unemployment rate does not include either those forced into part-time jobs (who were previously full-time employees), nor those who have given up looking for work altogether. The mudslide of the real economy has come more and more into visibility and thus rendered Bush’s budget solutions all the more absurd.

One instance of this recently came to light when it was discovered that the federal government may have undercounted the number of job losses due to the recession by as many as 2 million. This analysis by the California State Department of Finance came out the same week as Bush’s appearances. It appears that the study of payroll tax filings in California, New York, Massachusetts, New Jersey, Michigan, and other states may force the U.S. Department of Labor to significantly push up its 1991 unemployment numbers in June, when it is due to make its “benchmark” revision of the figures.

The figures are particularly gruesome in California. Official figures show a loss of 160,000 jobs since the start of the recession in mid-1990, but the actual loss may be as high

as 660,000 jobs, according to the study.

“The discrepancy seems to be larger than in the past and it seems to be concentrated in California and the big Eastern coastal states,” Ted Gibson, principal economist with the Department of Finance in Sacramento, said. “It explains why the recession in California seems to be worse than the numbers have indicated.” The job loss in California, which would constitute 5% of the work force, would be the steepest since 1938.

This underscores what a joke the original assumption of the budget for a 7% annual growth rate is. A 7% annual growth rate is a 10-year doubling rate. No one actually believes that incomes and payrolls are to grow sufficiently to double receipts in 10 years, when unemployment is increasing so fast that we seem incapable of even counting it properly.

Through the grocery line

Undaunted by any figures, Bush went on Feb. 4 to the National Grocers Association in Orlando, Florida. Here he managed to make an even bigger fool of himself, trying to shed his image of aloof patrician and be a regular Joe in a supermarket.

After 11 years in Washington mansions, Bush went to the exhibition hall of the convention and stood in awe at a mock-up checkout lane. As he took a few items through the electronic scanner, the President seemed amazed as the item and price registered on the cash register screen. He later told the grocers he was “amazed by some of the technology.” (Electronic scanners were introduced by IBM in 1980 and have been in general use in American stores for about 10 years.) White House press spokesman Marlin Fitzwater, sensing another gaffe, assured the press that he had seen the President inside a grocery store before.

Bush continued to stump for the rest of the week. On Feb. 5, he spoke to the Annual Meeting of Small Businessmen’s Legislative Council; on Feb. 6, he was in Cleveland, releasing his health care proposal for the Greater Growth Association; and Feb. 7, he went to San Diego and spoke to a Rotary Club.

Here he ended his tour discussing his health plan. He was full of rhetoric about every child having access to proper health care, but stressed the kinds of behavior modification which do not cost the government anything—and whose benefits only help people without serious disease. “If you’ll forgive me . . . a pound of prevention is worth a ton of cure. My good friend Lou, [Health and Human Services Secretary] Dr. Sullivan, has said better control of fewer than 10 risk factors could prevent up to 70% of premature deaths, one-third of all cases of acute disability, and two-thirds of all cases of long-lasting disability. And yes, many, many AIDS cases. And if you exercise and eat right and don’t smoke or abuse drugs, and drink less and avoid risky sexual behavior, you’ll live longer. And America will live better.”

True enough; but as one constituent commented, “Eat right? I don’t even have the money to eat wrong!”