

Budget agreement calls for new taxes, grim austerity

by William Jones

Five months of rancorous budget negotiations between the White House and Congress ended in an all-night session on Sept. 29 and a compromise budget package, just in time to avoid the Gramm-Rudman-Hollings sequester—the automatic, across the board cuts in the federal budget—scheduled to go into effect on Oct. 1. The agreement was achieved after President Bush agreed to drop his demand for a capital gains tax cut and consented to raising taxes, thus reneging on one of his “solemn” campaign promises.

Immediately after the agreement was announced on Sept. 30, the Congress passed, and President Bush quickly signed, a continuing resolution which suspended the sequestration until Oct. 5. By that time the White House and congressional leaders hoped they will have convinced their colleagues to pass the budget proposal. But early Oct. 5, the House of Representatives voted it down 257-179 in a vote that cut across party lines. Congressional offices are reporting that public opposition to the package is overwhelming. Texas congressional offices are reporting calls running as high as 90% against the package.

If President Bush thought he could get away from his economic debacle by his military deployment to the Persian Gulf, he isn't succeeding. The magnitude of the budget crisis is staggering. The budget package claims to create a savings of \$40 billion for fiscal year 1991, while this year's gap between federal income and spending is projected to be a record \$253.6 billion—an estimate which grows by \$20-30 billion with each new projection every few weeks. The claim that the package would lead to \$500 billion of deficit reduction over the next five years is not taken seriously.

These projections are based on the ludicrous assumption by White House economists of a 1% growth for the U.S. economy this year, followed by a 4% growth rate next year. The primary assumption is “no recession,” although more commentators are echoing the warnings of economist and

Virginia congressional candidate Lyndon LaRouche that the U.S. economy is in a major depression.

Bush ushers in IMF austerity

The package is confirmation that the U.S. economy is being subjected to the conditionalities and austerity policies of the supranational International Monetary Fund (IMF). The budget agreement followed on the heels of the IMF's regular September meeting in Washington, D.C., at which IMF managing director Michel Camdessus publicly acknowledged that the United States and other nations were beginning to let the IMF play a more central role in their economies. The IMF was first welcomed into the United States to play such a role by then Treasury Secretary of State James Baker in a speech he delivered to an IMF meeting in April 1985. President Bush, at the just concluded IMF meeting, similarly called on the IMF and World Bank to join with the U.N. in taking a greater leadership role in his “new world order.”

The austerity demanded by the budget package will accelerate the shut-down of the U.S. economy. The so-called luxury tax on gasoline is a case in point which will hit the transportation sector and the poor and middle class especially, making it an increasing hardship for people to get to and from work. After imposing an oil embargo on the world with his Gulf deployment which has driven up oil prices, Bush is now adding a tax hike. The tax on gasoline will go up 5¢ per gallon on Dec. 1, another 2¢ on Jan. 1, and an additional 5¢ in July 1991.

There are also so-called sin taxes on cigarettes and alcohol, with the 16¢ tax on six-packs of beer rising to 36¢, and rising 22¢ on a fifth of wine.

Medicare benefits savaged

Budget negotiators ripped heavily into Medicare. The heaviest cuts of any domestic program, and the largest por-

tion of the savings made by the new budget proposal will be made by cutting anticipated Medicare spending by a whopping \$59.9 billion. Negotiators claimed they left Social Security benefits intact, but obfuscated the fact that as Medicare premiums go up, Social Security checks decrease.

Among the Medicare cuts, reimbursements to hospitals for the costs of capital investments would be cut by 15%, extra payments for interns and residents would be cut, as would rates paid to doctors in radiology, anesthesiology, and procedures that Medicare deems to be "overpriced." Medicare patients would also have to pay 20% of the cost of clinical laboratory tests. Medicaid will now only pay for drugs from manufacturers who charge the lowest price for that particular drug to any bulk purchaser in the state. The budget agreement also doubled the deductible—the amount beneficiaries must pay before receiving benefits—to \$150, up from \$75, in three increments: a rise to \$100 in 1991, \$125 in 1992 and \$150 thereafter. The budget pact also raises the premiums recipients must pay in order to cover 30% of the cost of the program, up from 25%.

These cuts will hit particularly the elderly, the poor, and disabled Americans who are the main recipients of Medicare payments. As one bitter critic put it, the government wants "one eighth of the population to pay for one half of the cuts." The House Ways and Means Committee issued a study on Oct. 2 which showed that the average taxpayer among the poorest fifth of all taxpayers would have after-tax income reduced by 2%, while the after-tax income of the average taxpayer in the richest one-fifth would be reduced by only 0.9%.

Farmers are also hard hit by the budget package, which reduces farm support payments by \$13 billion. This will require major structural revisions in crop subsidies paid for cotton, wheat, corn, rice, and other grains. The conference committee for the Farm Bill has two choices: either lower the prices paid to farmers for their crops or shrink the acreage eligible for farm benefits.

Student loans were cut by \$2 billion. Some \$4.6 billion was garnered by delaying the payment of unemployment insurance. The agreement would also cut \$180 billion from defense spending, although the costs of the operations in the Persian Gulf, estimated at \$11.5 billion for the year, would not be included in the spending limit. The nuclear industry was the target of \$1.6 billion in increased fees to be paid to the Nuclear Regulatory Commission.

Taxpayers are rebelling

But the budget package has already elicited protest from nervous congressmen—all 435 Members of the House and one-third of the Senate face reelection this year. They see the angry anti-Washington mood in their districts. Republicans, who have been riding the coattails of the President's "no new taxes" pledge, are especially nervous. The Bush agreement

on the package has made him out to be a fraud, and voters are ready to take their revenge in the November elections. But the negative reaction to the package is bipartisan. "It's Beirut over there," commented one Democratic aide on the atmosphere on Capitol Hill.

Immediately after the agreement, the White House and congressional leaders began intense lobbying on Oct. 1 to get the package through Congress. President Bush invited Republicans to the White House to convince them of the need of the package. Many of them remain unconvinced.

Rep. Newt Gingrich (R-Ga.), the Republican House Whip, characterized the package as an anti-growth prescription for recession. Rep. Hank Brown (R-Colo.) called the plan a "fraud," saying "the estimates are so flakey I don't think it's much to hang your hat on." Rep. Chuck Douglas (R-N.H.) called the agreement "the fiscal equivalent of Yalta." Rep. Dana Rohrabacher (R-Calif.) characterized it as "the road to recession." Rep. Marge Roukema (R-N.J.) commented bitterly, "If they're savaging Medicare, it's going nowhere. Deficit reduction on the back of the elderly sick? This is madness."

Democrats are refusing to support the package unless more than 50% of the Republicans in both houses vote for the package. In spite of White House efforts, there will be considerable GOP opposition in the House. In a press conference on Oct. 3, Gingrich said that his office had received hundreds of calls and that 83% of the people who had called were opposed to the budget. In comments on the floor on Oct. 2, Rep. Dan Burton (R-Ind.) said that with the budget, "each American household will have to spend an additional \$140 a year to heat and keep electricity in their homes because of that energy tax, and the gas tax is going to cost each American household, on average, another \$20 a year in expenditures because of the gas tax."

None of these congressmen wants to go into the November elections with that kind of albatross around their necks.

The possibility of defeat of the package was so serious that President Bush was forced to give a nationally televised address to the nation on the evening of Oct. 2—arranged on seven hours' notice—warning of the consequences of not accepting the budget pact. "If we fail to enact this agreement," said Bush, "our economy will falter, markets may tumble, recession will follow."

Bush hopes that by publicly appealing for support for the package, he will provide cover for Republican congressmen to vote for it in the name of party loyalty. If the Republicans cannot produce at least 89 votes for it in the House, the package could be doomed. Gingrich admits that with the weight of the White House behind it, they may be able to produce those votes. But a resolution on the budget scheduled to be voted on by the House on Oct. 4 was delayed for fear that the package would be defeated. Some Democrats secretly hope, however, that Republican defections will kill the plan so they don't have to. "Let them screw it up," one said.