Budget package provokes mass protest reaction

by William Jones

After record-long wrangling among congressional budget negotiators, the House voted at 6:58 a.m. on Oct. 27, after a 21-hour debate, to approve a package of tax increases and spending cuts totaling $492 billion over the next five years, including $41.4 billion in savings in the fiscal year that began almost a month before. The Senate approved the bill a few hours later. This completed a tortuous cycle that began Jan. 29, when the President first submitted his spending plan to Congress.

Congressional candidate Lyndon LaRouche commented on the agreement: "The farce which is the Bush congressional budget negotiations has temporarily come not to an end, but merely to a recess."

Who pays?

The budget package penalizes virtually every sector of the population, but particularly the working and middle classes, as well as the poor and the elderly. Sen. Steve Symms (R-Id.), who voted against the package, said that it would push the economy "deeper into the depression."

The worst-hit program was Medicare, which will be slashed $42.4 billion from anticipated levels over five years. About $32 billion in savings will come from reduced reimbursements to physicians and hospitals. The out-of-pocket costs that beneficiaries must pay before receiving benefits for the voluntary coverage of physicians and outpatient hospital services will increase from $75 to $100. Medicaid spending will be cut $607 million over five years by requiring drug companies to offer price discounts to those in the program. People who earn between $51,300 and $125,000 will pay $26.9 billion more in payroll taxes over five years for Medicare.

Farm programs, long relatively resistant to the budget-cutters' scalpel, will be hit hard. The government will pay lower crop subsidies to growers of wheat, feed grains, cotton, and rice, and will charge a "service fee" to dairy farmers for the dairy price-support program. The government will also charge small fees when making payments to support the price of such commodities as sugar, peanuts, tobacco, and honey. Two federal lending agencies, the Farmers Home Administration and the Rural Electrification Administration, will reduce their direct loans and increase the use of loan guarantees.

Veterans' programs are also on the chopping block. The bill eliminates the presumption that veterans who served in wartime are totally disabled, and therefore eligible for veterans' pensions, at the age of 65. The government will increase fees for home mortgages made or insured by the Department of Veterans Affairs, will charge a $2 fee on prescription drugs for certain outpatients at veterans hospitals, and will try to collect payment from private insurers for the cost of health care unrelated to military service.

The government will also charge higher premiums for mortgage insurance offered by the Federal Housing Administration, and will no longer guarantee loans to students attending colleges or trade schools with high default rates—in excess of 35% in 1991 or 1992 and 30% in later years. The restriction could affect 1,000 of the 7,000 schools where students receive guaranteed loans.

In addition, President Bush, reneging on his solemn campaign pledge of "no new taxes," agreed to raise taxes on gasoline, cars, cigarettes, alcohol, telephone fees, and aviation fees. The budget package increases taxes on a gallon of 100-proof liquor by $1, doubles the tax on a six-pack of beer from 16¢ to 32¢, and increases the tax on a bottle of table wine by 18¢ to 21¢. Taxes on cigarettes will be increased by

8¢, to 24¢ a pack, by 1993. The tax on gasoline will be increased by 5¢ a gallon at the pump to 14¢ on Dec. 1, 1990.

Budget process now automatic

With the failure of the Gramm-Rudman-Hollings legislation to limit automatic spending, a wholesale revision of the congressional budget process was introduced by the budget summiteers, largely without the knowledge of the Congress as a whole. The new procedure introduces a "triple, rolling sequester" in place of the Gramm-Rudman across-the-board cuts. The congressional leadership and the White House are quietly giving up on the idea that deficit targets will force action by Congress. Now, spending and revenue targets will be "etched in stone" for the next five years, defended by super majority voting rules.

This "son of Gramm-Rudman-Hollings" would divide the entire budget into discretionary and entitlement programs, with spending caps for domestic, defense, international, and entitlements. If Congress, in any one of these areas, appropriates more than permitted and the President signs that appropriation, then within five days of enactment, the Office of Management and the Budget (OMB) must determine how much money has to be sequestered to get the spending targets back to the 1990 reconciliation agreement—and that amount is sequestered from all the appropriations within one of three categories that have been breached by the cap-busting bill: defense, international, and domestic. Each bill that busts the cap triggers a new sequester to compensate for the new spending. If aid to Poland is increased, for instance, then there may be less aid for Egypt and Israel. If Congress adds money for AIDS, then cuts have to be made from other domestic appropriations.

Voters are furious

Support for the package was not widespread in either house as congressmen recessed to head back to their districts for the election campaign. In the House, only 47 Republicans joined 181 Democrats to approve the bill, while 74 Democrats voted against it. In the Senate, 19 Republicans joined 35 Democrats to support the measure. The budget could very well prove to be a millstone around the necks of those who voted for it. The Republicans, in particular, will be blamed for allowing their President to break his campaign pledge. As Rep. Dana Rohrabacher (R-Calif.), an opponent of the bill, commented: "If you are voting for this just to get out of here, you're going to have trouble getting back here."

The Democrats are blaming the Republicans and the administration for not supporting a Democratic attempt to impose greater taxes on the wealthy. Hardest hit, however, has been the President himself, whose popularity rating plummeted to an all-time low during the course of the budget negotiations, with a Newsweek-Gallup poll showing his approval ratings dipping to 48%. Even before the package was voted on, the President had skipped town to hit the campaign trail to try to convince voters that the budget compromise was something he had to "gag and digest," as he expressed it on a campaign trip to Hawaii. Senate Majority Leader George Mitchell (D-Me.) retorted by asking, "Is the President so weak that he does what we tell him to do?"

The President accused the Democrats in Congress of partisan delays on the budget that "choked the economy" and put the country on the brink of depression. "This Congress was content to stall an agreement and stall the economy. We are not going to let them get away with it," said Bush. He also charged the Congress with being controlled by perpetual legislators interested more in pork-barrel perks and their own reelection, than the good of the country. "America doesn't need a liberal House of Lords," said Bush. "America needs a Republican Congress."

Voter anger is making itself felt throughout the country, on the eve of the elections. Demonstrations were held in cities from Georgia to North Dakota on Oct. 27, in which voters voiced their disgust with the budget package. Outside Chicago's Federal Plaza, more than 100 demonstrators waved brooms and carried signs reading "Time for a clean sweep" of lawmakers endorsing higher taxes. Although this anger is aimed at the Washington Establishment generally, it especially targets Republicans and the President himself, who has left behind him a trail of broken promises and an economy in shambles. About 70 demonstrators rallied outside the White House in Lafayette Square, while the President was in Hawaii. As he left a rally in Irvine, Calif. on Oct. 26, Bush was met by tax protesters holding signs that read "King George is a fink" and "George Dukakis, go home."

Appearing on Oct. 28 on ABC-News's "This Week with David Brinkley," White House Chief of Staff John Sununu said that Bush would bounce back from his sagging approval rating "in a relatively short period of time." Rumors in Washington have it that Sununu and OMB Director Richard Darman, the White House negotiators for the budget package, will be scapegoated in an effort to restore the image of the President. Opinion in the White House is divided as to how to deal with the political crisis. Vice President Dan Quayle blames bad political advice from Sununu and Darman who "caved in" on taxes. Quayle wants to brawl it out with the Democrats, while Sununu is urging moderation. Sununu denied that he would be replaced after the elections.

Bush himself seems to be fueling these rumors, however, privately conceding to friends, according to reports in the *New York Times*, that Sununu and Darman have not turned in the most polished performances recently and that he felt he had been led down a path without a clear understanding of the political dangers. But it is unlikely that voters will go for this ploy, and most Republicans who hope to win reelection this year are keeping their distance from the President—and his budget package—as if he were the plague itself.