

House Slash-and-Burn 'War Budget' Passed

by Carl Osgood

Capitol Hill finally reacted to the reality of the Iraq war on March 25, when the Senate voted 51-48 to reduce President Bush's proposed tax cut to \$350 billion from \$726 billion. The vote, on an amendment to the Fiscal 2004 budget resolution, came hours after the White House formally presented its \$75 billion supplemental spending request for the war. Republican Senators Lincoln Chaffee (R.I.), Olympia Snowe (Me.), and George Voinovich (Ohio) joined the Democrats to tip the balance in favor of the reduction of the tax cut. A few days earlier, the same proposal had been defeated, 62-38, but Bush's budget request apparently tipped the balance in favor of a reduced tax cut, even from those Democrats who prefer no tax cut at all. Before the vote, Sen. John Breaux (D-La.), one of the co-sponsors of the effort, told the Senate that it was "not good policy" to enact large tax cuts while embarking on a war the costs of which are still unknown.

The Senate action opposes the House version of the budget, which passed by a narrow 215-212 vote on March 21. The House debate got under way during the euphoric early hours of the war, and while the budget plan was labeled a "wartime budget" by Budget Committee Chairman Jim Nussle (R-Iowa), it included no money for the war or its "aftermath." Even though the plan covers the fiscal year that begins Oct. 1, the ramifications of the military operations that began on March 19 are likely to last much beyond then. Such realities did not seem to bother Nussle, who crafted a resolution that preserves the full package of tax cuts Bush has been demanding. It purports to balance the budget by 2010 by slashing deeply all discretionary spending but defense and homeland security, by more than \$200 billion. It would cut entitlement programs by \$265 billion, all over the next ten years.

Making Veterans, Cutting Veterans

Nussle argued that none of these are actually cuts, but rather, reductions in projected spending increases. What Nussle did not do, is relate current spending levels to the needs the budget addresses—needs that are increasing because of the collapse of the physical economy of the United States. He said that the third most important issue in the budget, after homeland security and economic growth, was "fiscal responsibility," squeezing out fraud, waste, and abuse. He claimed that one penny of every dollar in the budget could be thus saved. That the budget balancing act contained in the resolution is a fraud, is shown by the fact that the on-budget deficit—

without including grabbing the surplus of the Social Security trust fund—will be \$497 billion in Fiscal 2004, and will still be over \$300 billion in 2013.

The House spending cuts are to pay for the tax cuts and huge increases in defense spending over the ten-year period. Among its cuts is \$14.6 billion in veterans' benefits, and another \$14.2 billion in discretionary spending for veterans' healthcare programs. The Bush Administration has just started a war that will increase the war veteran population by a couple of hundred thousand, at least. Both Democrats and veterans organizations were outraged, to put it mildly. The legislative directors of AMVETS, Disabled American Veterans, Paralyzed Veterans of America, and the Veterans of Foreign Wars, in a letter to Rep. John Spratt (D-S.C.), called the cuts "unconscionable." They said the reductions would come out of payments to disabled veterans, pensions to poor veterans, burial benefits, and G.I. Bill benefits for veterans of the war in Afghanistan. Rep. Pete Stark (D-Calif.), a senior member of the Ways and Means Committee, told the House that, while demanding "support for our troops," President Bush and his allies in the House "trash the future lives here at home for our brave servicemen and women, today."

But veterans are not the only targets of the House budget resolution. According to analyses done by the Center for Budget and Policy Priorities, of the \$265 billion to be cut from mandatory programs, \$159 billion would come out of programs that benefit low-income families—Medicaid, the State Children's Health Insurance Program, Supplemental Security Income, the earned income tax credit, food stamps, the Temporary Assistance for Needy Families, child nutrition, foster care and adoption, and child-care programs and the Social Services block grant. The entitlements cuts will average about 4% per year for ten years.

The Democrats minced no words when attacking the GOP budget plan. Rep. Martin Frost (D-Tex.) attacked the Republicans for bringing to the floor "one of the most partisan, divisive issues of the entire year" just as military operations were getting under way in Iraq. He called the budget plan "intellectually dishonest, morally indefensible, and just plain bad for our economy." Rep. James Oberstar (D-Minn.), referring to all the programs under the jurisdiction of the House Transportation Committee that will have to be cut, told the House, "This budget shows a callous disregard for the families of the victims of Sept. 11, the men and women of the Coast Guard, railroad retirees, as well as the infrastructure needs of this country."

The Senate completed work on its resolution on March 26, confirming the vote, a day earlier, to slash the tax-reduction package in half. That vote was not in response to the war per se, but rather a reaction to what it might cost. Because of the juxtaposition of the supplemental request in between the House and the Senate votes, the two chambers have ended up with widely opposing budget resolutions. How that might be worked out in conference committee remains to be seen.