Budget cuts target the poor

by H. Graham Lowry

State and local governments are stepping up the war at home—against the growing number of victims of the collapse of the U.S. economy. Nearly every state in the Union is currently drawing up deeper budget cuts, targeting especially the poor, the elderly, and the disabled.

In Michigan, which faces a $1.1 billion deficit in its current budget of only $8.9 billion, new Gov. John Engler wants to eliminate a state-financed welfare program which assists 125,000 poor. The legislature voted instead on Jan. 22 to cut *all* social service programs by 9.2%, which would leave Michigan ineligible for about $450 million in federal matching funds, including the entirety of Medicaid assistance for nursing and health care for persons with low income. The across-the-board cuts take effect immediately, and result in funding levels below those mandated by federal law. For Aid to Families with Dependent Children (AFDC), the cuts reduce Michigan's contributions far below the 1988 level required by Washington, thus eliminating federal assistance for that program as well.

Maryland's Gov. William Donald Schaefer has just proposed restricting eligibility for "short-term" disability assistance by denying payments for at least six months of suffering, instead of the current 30 days. This would include cutting off people with heart disease, who are already ineligible for federal AFDC and permanent disability funds. Schaefer also wants to put a ceiling on general public assistance to the poor, as the state faces a welfare caseload of 21,000—the highest in a decade—and expects at least 28,000 by July 1992.

Optimism, or stupidity?

In his State of the State address Jan. 18, Governor Schaefer asked the legislators "to be optimistic"— and then called for $800 million in new sales, income, and personal property taxes, and for extending the 5% sales tax to gasoline as well. Speaking less than 48 hours after President Bush launched his massive assault against Iraq, Schaefer said, "It is important that we not succumb to melancholy paralysis. . . . One day the war will be over. One day we'll be out of the recession."

Schaefer had little to report, however, as grounds for optimism. "We have more people on welfare. . . . This is adding continually to the . . . deficit. Fewer people are paying bills. We had to make some very painful decisions just to balance the current budget."

In California, newly installed Gov. Pete Wilson presented his budget for the next fiscal year Jan. 10. His package of $4.1 billion in cuts already includes reducing AFDC payments by 9% to their 1988 levels, as far as federal law allows. For a family of one adult and two children, monthly checks would drop from $694 to $633—a major loss, critics noted, since many families lose as much as 85% of the total just to rent payments! Wilson prompted comparisons to Marie Antoinette by remarking, "I am confident they will be able to pay the rent, but they will have less for a six-pack of beer. I don't begrudge them the six-pack, but it's not a necessity."

Even the rent money may soon be classified as a luxury. Wilson's budget, prepared before Bush launched bombing of Iraq, projected a $7.1 billion deficit on the assumption of *no* Mideast war, and an economic recovery within six months! Unemployment was forecast at only 6.3%, even though California's official rate is already 7.1% and has been climbing steadily for six months. The state finance commission previously calculated that with a prolonged war and "recession," the deficit for the coming fiscal year would reach $10 billion.

New York City's self-destruction

The stupendous human cost of the nation's failed economic policies are nowhere more starkly revealed than in the center of usury and speculative finance, New York City. Over the past two months, the city's current-year deficit has grown by $888 million. The projected deficit for the next fiscal year shot up from $1.6 billion to $2.2 billion in just the first three weeks of the year. Mayor David Dinkins announced Jan. 16 that the city will lay off 16,000 workers over the next 18 months, and eliminate 9,000 more jobs through attrition. More than 10,000 of the layoffs would come in the Department of Education—a proposal which Schools Chancellor Joseph Fernandez called "tantamount to mortgaging our children's future."

"The only thing I haven't heard is, 'Let's sell a piece of Central Park,' " Dinkins said. "We know from our experience in the 1970s that the budget cuts of today lead to higher social costs a decade from now," but "one has to look at the total picture." Budget Director Philip Michael intoned, "the problem's going to get worse." City departmental cuts, besides $321 million in education, include $76 million in sanitation, $38 million in social services, $32 million in transportation, $34 million in police, $24 million in parks, and $33 million in hospitals, including the elimination of outpatient pharmacy services for insured patients.

Dinkins's budget assumes there will be no cut in state aid to the city, even though New York Gov. Mario Cuomo has projected a $5 billion deficit and has threatened to place the city under a financial control board.