Budget-cutting mania mocks 'recovery' myth

by H. Graham Lowry

In state capitals across the United States, the fashion parade of emperors' new clothes styled as "economic recovery" continues, even as a new round of budget-cutting mania has broken out. What is worse, the latest cuts targetting the poor come on top of two years of similar reductions which have further impoverished millions of Americans.

A recent study by the Center for Budget and Policy Priorities confirms the nationwide impact of state budget reductions in assistance to the poor. The center reported on Feb. 9 that 44 states cut or froze Aid to Families with Dependent Children (AFDC) last year. In 27 states which provide cash assistance to the elderly or disabled under the Supplemental Security Income program, 26 of them also reduced or froze those benefits last year.

Even general assistance, the program of last resort for the non-elderly poor who do not qualify for either of the above forms of aid, was slashed or eliminated entirely in eight states last year, and in 14 others the year before. More than half a million people were affected in 17 states with such programs. The state of Maryland ended or severely restricted many of its general assistance programs last year, and those who remain eligible are required to repay any cash assistance received. Wyoming eliminated its program, and Illinois cut off benefits entirely for all people deemed employable, a $76 million cutback affecting 66,000 recipients.

General medical assistance, provided for low-income people who do not qualify for Medicaid, was cut last year in seven states, and was completely eliminated in Maryland. In addition, Connecticut, Illinois, and Rhode Island disqualified many of their recipients through changes in eligibility requirements.

Hard times ahead

The brighter future many of the nation's governors purported to see in their recent State of the State addresses is a cruel hoax, as long as prevailing economic policies continue. In reviewing past cutbacks, the Center for Budget and Policy Priorities report also declared, "The state fiscal situation for fiscal year 1994 is similarly bleak." It noted that many of the budget-cutting proposals recently made public are "stunning in their harshness," citing the example of the Texas Legislative Budget Bureau, which calls for cutting AFDC benefits by an additional 21%.

For California, one of three states cited in the report for making the severest welfare cuts the past two years, Gov. Pete Wilson demanded in January another 19% reduction in AFDC benefits—as part of a massive austerity package designed to cover a projected $7.5 billion deficit for fiscal 1993-94. But on Jan. 27, the Commission on State Finance warned that the deficit could increase by as much as $4 billion if there is no "recovery" during the next year. On Feb. 6, the state's Employment Development Department reported the loss of 62,000 jobs in January alone—an annual rate of over 750,000. The state lost 800,000 jobs over a *two-year* period following June 1990.

Do these numbers suggest a recovery in the making? Yes, say the employment statisticians, who discount the job losses by claiming they were offset by 62,000 unemployed persons who "stopped looking for work" in January. With this bit of fakery, California's official unemployment rate declined three-tenths of a percentage point in January. If another drop can be rigged for February, the state can post three consecutive months of improvement in the unemployment rate, and declare the recession over!

In the meantime, California is urged to declare "war on illegal immigration" to cut the budget, as former U.S. Immigration and Naturalization Service chief Alan Nelson proposed in Sacramento on Feb. 4. Undocumented immigrants would be denied public education, housing, social services, health care, and welfare assistance. American citizens on welfare and unemployment would be herded into their jobs as fast as they could be deported.

Assault on health care

It has become fashionable now to speak of brutal austerity as progressive "reform," and cuts in health care is one of the favorite topics. In their latest annual addresses, the governors of Minnesota, Wisconsin, Ohio, Indiana, and Pennsylvania called for major cuts in Medicaid assistance to the poor, under the guise of reforming the system.

Indiana Gov. Evan Bayh proposed to slash Medicaid coverage and payments by at least $300 million. Bayh called on the legislature to restrict Medicaid coverage for "optional services"; require co-payments by patients to discourage "unnecessary treatments"; limit the kinds and numbers of health care procedures Medicaid will cover; replace fee-for-service coverage with a fixed payment system; and stop the "manipulation" of Medicaid eligibility rules by patients and their attorneys.

The absurdity of cutting vital services, at a time when hundreds of thousands more Americans each month desperately need them, produces occasional legislative resistance. One Pennsylvania lawmaker has an even more absurd "solution." Rep. George Saurman filed a bill on Feb. 4 that would give all 253 representatives and senators a $1,000 raise, for every 1% cut they approve in the state budget. Just think—if they shut down the state, they'll be rich.