



### Bush’s Huge Cuts in Programs Show the Price of the Bush Tax Cuts

President Bush’s proposed budget plan for fiscal years 2009 through 2013 envisions huge cuts in education, health, environmental and other programs. Most observers believe that such budget cuts are too draconian to ever be implemented. After all, Congress has rejected many of them before. However, they should be taken very seriously in one important sense: They are exactly the sort of public service reductions that would be necessary if the Bush tax cuts are extended.

The Bush administration concedes that the budget deficit will top \$400 billion for fiscal year 2009, but claims the deficit will be reduced thereafter. The President continues to assert, as he did last year, that following his plans will lead to a balanced budget in fiscal year 2012. It is therefore informative to examine how public services would be different in 2012 if Congress followed his advice.

#### The Cuts in Public Services

The nearby table shows the real changes in various categories of domestic spending that the President proposes for fiscal 2012 as part of his supposed “balanced-budget” plan.

Under the Bush budget proposal, federal spending on veterans’ benefits would be 9 percent lower in 2012, as a percentage of the economy, than in 2008. Education and social services would be a fifth lower, natural resources and environmental programs over a fourth lower, transportation a third lower and community development over 62 percent lower. Medicare spending in 2012 would be 9 percent lower than in 2008, as a percentage of the cost of maintaining current services.

#### Proposed Reductions in Domestic Programs under the Bush Fiscal 2009 Budget, from 2008 to 2012

Program	% change	change in billions
<i>Compared to 2008 shares of the economy (GDP)—</i>		
Community & Regional Development	-62%	\$ -21
Transportation	-32%	-32
Natural Resources & Environment	-28%	-12
Education, Training & Social Services	-21%	-24
Agriculture	-30%	-8
Administration of Justice	-13%	-8
Health (other than Medicare & Medicaid)	-12%	-12
Income Security (except Social Security)	-11%	-52
General Government	-10%	-2
Veterans Benefits & Services	-9%	-9
<b>Subtotal, these reductions</b>	<b>-17%</b>	<b>\$ -179</b>
<i>Compared to maintaining services—</i>		
Health care for seniors & the poor:		
Medicare	-9%	-46
Medicaid	-2%	-4
<b>Subtotal, Medicare &amp; Medicaid</b>	<b>-6%</b>	<b>\$ -50</b>
<b>Total proposed cuts in these programs</b>		<b>\$ -229</b>
<b>Compare: major proposed tax cuts in 2012</b>		<b>\$ -249</b>

Source: Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2009* (Feb. 2008). Compiled by Citizens for Tax Justice, Feb. 7, 2008.

## **Don't Laugh — These Cuts in Public Services Could One Day Be a Reality**

As outlandish as that all sounds, it is no more outlandish than the tax cuts the President hopes will be in place that year. He proposes that his tax cuts, which expire at the end of 2010, be made permanent. In 2012, according to the administration's own numbers, those tax cuts will cost \$249 billion, which is just over the \$229 billion he wants to cut from domestic programs in that year.

Editorial boards across the country have called the Bush budget proposal a farce because the spending cuts sound too outrageous to be taken seriously. Indeed, even the ranking Republican on the Senate Budget Committee, Judd Gregg, said it is "not a serious budget." But the spending cuts are no more outrageous than the Bush tax cuts, which Senator Gregg and his allies wholeheartedly support.

## **Actually, It's Even Worse**

In fact, the Bush tax cuts are really a lot more expensive than the budget cuts being proposed. The President's cost estimate for his tax cuts in 2012 assumes there will be no relief from the Alternative Minimum Tax (AMT), which Congress will almost surely extend. The AMT was originally intended to ensure that super-wealthy individuals pay income taxes regardless of their skillfulness at finding loopholes. Congress is extremely unlikely to allow its reach to expand to tens of millions of taxpayers. The Bush budget, however, does not include the costs of AMT relief after 2008. In 2012, maintaining AMT relief (if Bush's tax cuts are extended) will cost more than \$100 billion, according to the Congressional Budget Office.

Analysts have also noted other problems with the Bush budget. Most important, the President's budget assumes that spending on the Iraq and Afghanistan wars will be zero after the first part of fiscal year 2009. By fiscal 2012, this means he predicts that defense spending will plummet by 24 percent as a share of the GDP compared to now. Some would call this extremely wishful thinking.

## **The Continuing Raid on Social Security**

There is another huge problem with the Bush budget. The President promises we will continue borrowing and spending the Social Security trust fund surplus — raiding more than \$200 billion from the program in 2012 alone. In fact, the President's claim that the budget will be "balanced" in 2012 is premised on ignoring this inconvenient fact. If we assume that Congress will extend AMT relief or that we'll continue to shoulder the costs of wars in Iraq and Afghanistan, then it's likely that we will borrow and spend the entire Social Security surplus in 2012, which is projected to be around \$250 billion that year.

Social Security currently runs this surplus (Social Security payroll taxes paid in are in excess of the benefits paid out) so that we will be in a better position to pay promised benefits to the baby boomers when they retire in large numbers. This system was actually working at the end of Clinton administration, when the Social Security surpluses were being saved rather than spent. But despite campaign promises to the contrary, the Bush administration quickly changed that.<sup>1</sup>

### **The Tax Cuts Aren't Worth It**

Bush's proposed reductions in public services will severely hurt middle-income and low-income Americans. But the impetus for slashing programs, Bush's cherished tax cuts, will not help most people very much at all. After 2010, when all of the provisions of the Bush tax cuts are fully phased in, most of the tax reductions will go to the richest one or two percent of all taxpayers. Meanwhile, the poorest 60 percent will get only 12-15 percent of the total tax cuts.<sup>2</sup>

"President Bush has finally made his agenda crystal clear," said CTJ director Robert McIntyre. "He wants to pay for his tax cuts for the rich with severe reductions in public services for everyone else." "In a way," McIntyre added, "Bush's latest budget does us all a favor. It shows that contrary to frequently-heard right-wing rhetoric, Bush's tax cuts are not a free good. Americans and our country will pay a huge price unless those tax cuts are allowed to expire."

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<sup>1</sup>This is not to say that Social Security is in "crisis," as many conservative pundits like to claim. The program itself is on sound financial footing currently and could be over the long term with only relatively small adjustments. The problem, rather, is that the Bush administration and Congress have borrowed funds from the program and spent them on tax cuts and war.

<sup>2</sup>The tax cut shares depend in part on whether AMT relief is extended. If it is not, as the President proposes, 53 percent of the tax cuts will go to the top one percent in 2010 and thereafter. With AMT relief extended, the top one percent will get 40 percent of the tax cuts.