

Budget Gap Grows As GOP Splits

by Carl Osgood

The Grand Old Party presented itself as the party of balanced budgets in the 1990s, took credit for the balanced budgets that emerged near the end of the Clinton Presidency, and is now in the process of splitting, over that very same question. With the collapse of the U.S. economy, the Bush Administration's expensive perpetual wars in Iraq and Afghanistan, and the costs of the 2001 tax cut all bloating the budget deficits, a handful of Republicans fear the potential financial consequences of the Administration's ideological direction.

The ire of the White House's neo-con Republican allies is focussed on four Republican Senators, Olympia Snowe (Me.), George Voinovich (Ohio), Charles Grassley (Iowa) and Majority Leader Bill Frist (Tenn.). During debate on the budget resolution, Grassley promised not to allow a tax cut bill of greater than \$350 billion to pass the Senate, in order to gain the votes of Snowe and Voinovich, both of whom opposed any larger tax cut, because it was not going to pass otherwise. Frist not only approved the deal, but he reportedly failed to inform both the White House and GOP House leaders, earning severe rebukes from both. Frist then left town for Asia, without so much as a word even to his Senate colleagues. Also targeted is Senate Budget Committee Chairman Don Nickles (R-Okla.), who voiced support for Grassley's deal.

Frist's loudest critic has been freshman Sen. Lindsay Graham (R-S.C.) who, according to columnist Robert Novak on April 21, did not feel bound by Grassley's deal, and vowed that any tax bill would meet President Bush's specifications. Novak noted it was Graham, who, as a member of the House in 1997, led the attempted coup against then-House Speaker Newt Gingrich (R-Ga.), calling him too willing to compromise with the Clinton White House.

Plunging Revenues Lead the Way

The monthly budget review issued by the Congressional Budget Office on April 9 is not likely to make matters easier for the GOP. The CBO found that the total Federal deficit for the first six months of fiscal 2003 (which began on Oct. 1, 2002) added up to \$248 billion, "almost double the shortfall during the same period, last year," and \$90 billion higher than all of fiscal 2002. The CBO found that Federal receipts for the October-March period were \$58 billion lower than the same period last year, and outlays were \$58 billion higher. Because it is in April that the largest portion of tax receipts arrive at the U.S. Treasury, one cannot make a linear extrapo-

lation of the deficit at six months to conclude that the deficit at the end of the fiscal year, on Sept. 30, will be \$500 billion. It is the case, though, as noted by Nickles, that government revenues have already declined two years in a row. He pointed out, during Senate debate on April 11, that revenues for fiscal 2001 declined 1.7%, and dipped another 7% in fiscal 2002. Nickles attributed the collapse to the stock markets' fall, which meant diminished capital gains and personal income tax collections. As for fiscal 2003, the CBO report states, "Receipts in April will be a big indicator of the likely annual total for receipts," and the overall picture will be much clearer when April figures come in sometime in early May. Either way, fiscal 2003 is likely to end at well more than double the \$158 billion figure for 2002.

As for the increase in outlays, the CBO reports that defense spending rose at a 12.2% rate for the first half of the year, not counting the \$78 billion war supplemental appropriations bill, which had not yet passed Congress when the review was written. In contrast, non-defense spending only increased by 5.6%, compared to the 10.7% rate a year ago. Spending for Social Security, Medicare, and Medicaid increased an average of 5.7%, again, more slowly than last year's increase.

The CBO had also issued a report on March 25, on the effects of Bush's proposed tax cuts, which found that the proposed package will increase the deficit by \$1.8 trillion over ten years, relative to CBO's baseline estimate, two-thirds of which will be attributable to reductions in revenues. Grassley noted on the Senate floor on April 11, there are not sufficient votes to pass more than \$350 billion, and the CBO's reports are one reason why.

LaRouche on Budget-Balancing

The debate, however, is based on accounting criteria, rather than on what purpose a government budget must serve in our society. Democratic Presidential pre-candidate Lyndon LaRouche, during his Jan. 28 webcast "On the Subjects of Economy and Security," defined the issue in this way: "We are responsible for human beings, especially young ones, because as we develop human beings, educate them, and so forth, and provide them opportunities, we determine largely what they can become. So, therefore, our job in society is not to balance the budget. We have to balance the budget in a certain way, but balancing the budget is not a moral standard; it's simply something you have to do. Balancing a budget is: What quality of human beings are we creating?"

So, he continued, the problem is "the development of the individual person and the effects of what we do upon the children and the grandchildren of the people we directly impact." LaRouche explained that "a human being's fundamental interest . . . is their investment in this sense of personal immortality. . . . It means they've earned their immortality by doing something, or living their lives in such a way that somebody in future generations is going to benefit." And so, a budget has to help provide for such an environment.