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## **Commentary: Focusing on Trump’s Coming Deep Cuts in Basic Assistance for Struggling Families – and Deep Tax Cuts for the Top**

By Robert Greenstein

With White House disarray and Russia-related investigations dominating the headlines, the news<sup>1</sup> that President Trump’s forthcoming 2018 budget will propose massive cuts in basic assistance for people with low or modest incomes, beyond the health care cuts for such people in the House-passed bill to “repeal and replace” the Affordable Care Act, hasn’t received the attention it deserves.

Along with the President’s tax proposals, his support for the House health bill, and his proposal to cut “non-defense discretionary” programs \$54 billion below the already severe sequestration levels in 2018, the reported cuts in basic support reflect a radical version of Robin Hood in reverse.

The President’s tax proposals could cost an estimated \$5 trillion or so over the coming decade while providing extremely large tax cuts to many of the nation’s wealthiest people (including the President and his family). And these tax cuts would come on top of the big tax cuts for high-income people in the House health bill, which would provide an average tax cut of \$50,000 a year to those who make at least \$1 million a year, even as it leaves millions of low- and moderate-income people without insurance.

Now, CQ has reported that Trump’s budget, which the Administration plans to unveil May 23, will include about \$800 billion in cuts over ten years largely in programs for lower-income people, including millions of low-wage working individuals and their families. The President reportedly will propose further cuts in Medicaid — on top of the more than \$800 billion in Medicaid cuts in the House health bill — and cuts in other basic support programs, which could include food stamps (now called the Supplemental Nutrition Assistance Program or SNAP), Supplemental Security Income for poor people who have serious disabilities or are elderly, and child nutrition programs, among others.

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<sup>1</sup> Paul M. Krawzak, “Trump Wants \$800 Billion, 10-Year Cut in Entitlement Programs,” *Roll Call*, May 15, 2017, <http://www.rollcall.com/news/policy/trump-wants-800-billion-10-year-cut-entitlement-programs>.

Interest in Robin-Hood-in-reverse redistribution isn't limited to the President, either. Just weeks after passing their health bill that would cause over 20 million mostly low- and moderate-income people to lose their health insurance while cutting taxes heavily for those at the top, House Republican leaders reportedly plan to include \$400 billion to \$500 billion in cuts to core support programs for struggling families in their own 2018 budget.<sup>2</sup> And they reportedly plan to include such cuts under the budget reconciliation process, with the relevant congressional committees required to make the cuts. Were this budget to reach the Senate, the reconciliation process also would enable the Republican majority there to pass it with just 51 votes rather than the usual 60 that chamber requires — enabling Republicans to steeply cut support for tens of millions of people without any need for bipartisan negotiation or a single Democratic vote.

How will the President and congressional leaders defend such proposals? We can expect to hear that programs for low- and modest-income people, sometimes labeled means-tested programs, are growing out of control and that we can't afford them in our current fiscal state. But that claim doesn't withstand scrutiny.

As we've shown, total spending for federal low-income programs outside health care is at its average level of the past 40 years, measured as a share of gross domestic product (GDP), and is projected to *fall* as a share of GDP in the future.<sup>3</sup> Programs that aren't growing faster than the economy aren't fueling our long-term fiscal problem; that problem is that the federal debt is projected to continually grow faster than GDP, which ultimately isn't sustainable.

To be sure, Medicaid *is* slated to grow faster than GDP. That, however, doesn't indicate that something's wrong with the program; instead, it's due to the aging of the population, which will make more senior citizens (who have higher health care costs) eligible for Medicaid, as well as to rising health care costs throughout the U.S. health care system, a good part of which comes from continued medical advances that improve health and save lives but add to costs. In fact, Medicaid costs far *less* per beneficiary than either Medicare or private health insurance, and its costs have been rising more slowly. Thus, Medicaid is actually the U.S. health insurance system's most economical and efficient part.

Moreover, if the President and congressional leaders were truly concerned about the nation's long-term fiscal challenges, they would consider *raising* revenues rather than proposing huge, costly tax cuts that, despite preposterous Administration claims, can't come anywhere near "paying for themselves" through higher economic growth.

If enacted, the proposals from the President or House Republicans to cut core support for tens of millions of struggling Americans — including millions of low-wage working people who voted for

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<sup>2</sup> Sahil Kapur and Erik Wasson, "House GOP Eyes Fast-Tracking \$500 Billion in Federal Budget Cuts," Bloomberg, May 3, 2017, <https://www.bloomberg.com/news/articles/2017-05-03/house-gop-eyes-fast-tracking-500-billion-in-federal-budget-cuts>; and Rachael Bade and Sarah Ferris, "Republicans plan massive cuts to programs for the poor," Politico, May 14, 2017, <http://www.politico.com/story/2017/05/14/republicans-cuts-programs-food-stamps-welfare-veterans-238314>.

<sup>3</sup> Robert Greenstein, Richard Kogan, and Isaac Shapiro, "Low-Income Programs Not Driving Nation's Long-Term Fiscal Problem," Center on Budget and Policy Priorities, updated February 21, 2017, <http://www.cbpp.org/research/long-term-fiscal-challenges/low-income-programs-not-driving-nations-long-term-fiscal>.

Trump — likely would have serious long-term consequences, not only increasing poverty, destitution, and inequality, but potentially reducing long-term economic growth as well. An impressive and growing body of research finds that poverty can affect children’s brain development and that assistance to poor families with children is linked to improved educational attainment, higher high school graduation rates, and increased earnings and employment in adulthood. Two key components of economic growth are the degree to which adults have jobs and how productive they are as workers — and big cuts in assistance for low-income families with children will likely have adverse long-term consequences on both fronts.

The White House also will likely defend these cuts by charging that the programs in question are rife with “waste, fraud, and abuse.” But that rings hollow. SNAP, for instance, has a modest error rate — about 3 percent in 2014, the latest year for which data are available. Meanwhile, the Tax Policy Center estimates that the proposal in Trump’s tax plan to slash the tax rate on what’s known as pass-through income to 15 percent would lose \$1.9 trillion over ten years and that *30 percent of this cost would come from very large increases in tax avoidance* that this tax cut would fuel. That’s because millions of affluent people would reorganize themselves as “pass-through” business entities (e.g., partnerships, S corporations, and sole proprietorships) to escape the taxes they would otherwise owe. Thus, the Trump budget and tax proposals would increase waste, not shrink it, and do so mainly to the benefit of those at the top.

All in all, the Trump budget and tax proposals would make life still more luxurious for those at the top while increasing poverty and hardship for, and taking health insurance away from, vast numbers of children, parents, and elderly or disabled people at or near the bottom. We should give these proposals — which are likely the most aggressive by any President to shower more wealth on the top while further impoverishing those whom the economy has left behind — the debate they deserve.