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## Greenstein: Trump Budget Proposes Path to a New Gilded Age

President Trump's new budget should lay to rest any belief that he's looking out for the millions of people the economy has left behind. He proposes steep cuts in basic health, nutrition, and other important assistance for tens of millions of struggling, low- and modest-income Americans, even as he calls for extremely large tax cuts for the nation's wealthiest people and profitable corporations.

This disturbing budget would turn the United States into a coarser nation, making life harder for most of those struggling to get by but more luxurious for those at the very top. Most Americans do not seek a new Gilded Age. And the budget is sharply at odds with what the President told voters he would do during his campaign. With this budget, the President betrays many voters who placed their trust in him.

In fact, this stands as the most radical, Robin-Hood-in-reverse budget that any modern President has ever proposed. Consider the combined effects of the health, tax, and spending policies that he's outlined:

- First, he strongly supports the House bill's approach to "repeal and replace" the Affordable Care Act (ACA) that would take health insurance away from more than 20 million people of modest means, raise out-of-pocket health costs for millions more, and substantially weaken key protections for people with pre-existing conditions, while providing very large tax cuts to those at the top. Similar to the House-passed bill, the budget proposes \$1.25 trillion over ten years in cuts from repealing and replacing the ACA; it then proposes at least \$610 billion in *additional* Medicaid cuts. In total, this amounts to over \$1.85 trillion in cuts from a combination of: the ACA's Medicaid expansion for low-income adults; the underlying Medicaid program that serves seniors, people with disabilities, and families with children; and subsidies that help people with modest incomes afford insurance. A large share of these savings are used to finance tax cuts that largely benefit the fewer than 1 percent of Americans who make over \$1 million a year, who would get tax cuts averaging \$50,000 annually.
- Second, the President has proposed enormous additional tax cuts, heavily tilted to those at the top, that would likely cost several trillion dollars over the coming decade. Among other things, the tax proposals would open the door to substantial new tax avoidance by conferring massive tax cuts on affluent individuals who organize themselves as "pass-through" entities. The President has not proposed a plan to pay for these tax cuts, nor does the budget include specific proposals to offset their costs.
- Third, the President proposes deep cuts in public services for millions of Americans — from education and job training to services for the elderly — and in basic support for those of limited means who face hard times, including assistance through such programs as SNAP (food stamps), Medicaid, and Supplemental Security Income for poor individuals with disabilities.

Moreover, despite the budget's rhetoric about promoting economic growth — and its growth projections that most economists find highly implausible — it contains a series of proposals that could *reduce* growth over the long term. The budget cuts many of the main areas of investment that are important to raising productivity growth — education, job training, basic scientific research, and the like. And the budget sharply cuts key assistance to impoverished families with children, despite an extensive body of research showing that poverty can impede children's academic success and future employment prospects. Indeed, many of the very programs that the President proposes to cut provide support that's linked to better educational attainment and higher high school completion rates, which translate into higher earnings in adulthood. The President has proposed various cuts that would likely reduce the productivity of the future workforce.

## **Steep Cuts in Basic Support for Struggling Americans**

The budget includes roughly \$2.5 trillion in cuts to entitlement programs over ten years, with the lion's share coming from programs that help struggling families and elderly and disabled people afford the basics, like putting food on the table, keeping a roof over their heads, and affording health care. The cuts include:

- Over \$190 billion over the next decade in cuts to SNAP. These cuts would include shifting the cost of over \$100 billion of SNAP benefits, a long-time federal responsibility, to states. Other cuts would target the elderly, working families, and the unemployed.
- At least \$1.85 trillion in cuts over ten years to the ACA and Medicaid. These cuts exceed those in the House-passed health bill by over half a trillion dollars. They would come from slashing the ACA's subsidies that help low- and moderate-income people afford private coverage; repealing the ACA's expansion of Medicaid coverage to low-income adults; and converting the underlying Medicaid program into a per capita cap or block grant -- while cutting it considerably more deeply than the House bill's per capita cap proposal would do. The budget also proposes to give states new flexibility to cut their Medicaid programs in ways that are not permitted today. Overall, the budget's health proposals would almost certainly add even more Americans to the ranks of the uninsured than the House-passed bill, which the Congressional Budget Office estimated would cause more than 20 million people to lose coverage. Under the budget, states would face even deeper Medicaid cost-shifts and feel compelled to impose further cuts to Medicaid benefits and eligibility in order to cope with the diminished federal Medicaid funding they would receive.
- \$72 billion in cuts to disability programs — primarily Social Security Disability Insurance and Supplemental Security Income, which provides income assistance to poor seniors and people with disabilities. Of this amount, \$48 billion would come from a vague proposal to “test new approaches to increase labor force participation.” But the Social Security Administration has undertaken many demonstration projects over the years to test new ways to encourage beneficiaries to return to work, and they have consistently shown limited results or proved not cost-effective. It's unrealistic to expect a magic bullet that will simultaneously cut spending and make beneficiaries better off. The budget also contains other proposals that would cut Social Security benefits for disabled workers and SSI benefits for households with more than one disabled family member. With these disability cuts in his budget, the President has broken his promise to protect Social Security.

## Large Disinvestment in Non-Defense Discretionary Programs

As expected, the budget slashes non-defense discretionary (NDD) programs by \$54 billion below the already-austere sequestration level for 2018 and by a remarkable \$1.6 trillion over the next decade — taking NDD spending *in 2018* to its lowest level as a percent of the economy in six decades — and after ten years, to levels as a percent of the economy *not seen since the Hoover Administration* and possibly even earlier. The budget calls for steep cuts in a broad array of investments and public services, including:

- Substantial cuts in job training in 2018, despite the need to strengthen, rather than weaken, job training for workers needing to upgrade their skills to succeed in today's rapidly changing, increasingly technological economy;
- Large cuts in rental assistance that would eliminate housing vouchers for more than 250,000 lower-income households, costing these households aid that helps them pay the rent and avoid homelessness;
- Elimination of the Low Income Home Energy Assistance Program, which helps poor households — particularly hard-pressed seniors and families with children — pay high heating bills;
- A 12 percent cut to the Education Department, including reduced grants to local school districts and cuts to work study and other aid to college students of modest means; and
- Cuts of 17 percent to the Centers for Disease Control and Prevention (CDC), 53 percent to rural health programs at the Department of Health and Human Services (HHS), and 33 percent to substance abuse prevention programs at HHS.

This is but a small fraction of the President's proposed NDD cuts. The budget would also severely slash environmental protection efforts, cut foreign assistance provided for such purposes as combatting disease among poor children overseas (and thereby saving children's lives), and cut medical and scientific research.

Moreover, the cuts in NDD programs cited above are just the cuts that the President proposes in that part of the budget *in 2018*. As noted, his budget calls for much more severe cuts in overall NDD funding over the decade, which would mean cuts of extraordinary severity in many key investments and supports of the kind cited above.

Indeed, his proposed NDD funding levels strain credulity. In 2027, the Administration calls for cutting funding for NDD programs \$218 billion *below* the 2017 level, adjusted for inflation — that is, cutting NDD 41 percent by 2027. No reasonable analyst would suggest that policymakers can cut federal programs and functions from Social Security field offices to education and job training to federal law enforcement to scientific research so deeply without causing serious problems for the economy, for struggling individuals and families, and for basic government functions.

Perhaps most stunning, these proposals to impose cuts of unprecedented depth and severity on struggling families and individuals — and to starve various needed public services — are coupled with tax cuts that cost even more than the program cuts save. If the budget had honestly accounted for the tax cut proposals the President released a few weeks ago, the cost of these provisions would be seen to wipe out the savings from all of its deep cuts to NDD programs, basic assistance for Americans of limited means, and Social Security.

## Untenable Economic Assumptions and “Magic Asterisks”

But the budget does not account for these tax cuts honestly. Instead, it assumes that the President’s tax cut proposals (other than those included in the House health bill) would have *no* net impact on revenues, despite the fact that they would cost roughly \$5 trillion, and the President has offered few details on how to pay for them. In fact, the budget’s attempt to ignore the cost of the President’s own tax proposals leads to the absurdity that it explicitly assumes billions in revenues from the estate tax — even though Trump’s tax plan proposes to eliminate the estate tax.

On top of that, the budget includes economic growth assumptions — that economic growth will increase to 3 percent by 2021 — that most economists find highly implausible. This adds \$2 trillion to \$3 trillion of dollars in artificial deficit reduction — that is, deficit reduction on paper only. Consequently, no one should take the budget’s claim to fiscal probity seriously. It rests on economic assumptions that aren’t credible and huge “magic asterisks,” especially in the tax area.

Budgets are about priorities, and this President’s priorities are clear. More tax cuts for the wealthy take precedence over ensuring that poor children have enough to eat, that people with physical or mental disabilities can make ends meet, and that low- and moderate-income Americans have access to health care. The budget calls for rapid disinvestment in important building blocks of opportunity and measures to strengthen the productivity of the workforce. The budget would make inequality and poverty significantly worse, while allowing deficits, when honestly measured, to soar.

This budget isn’t worthy of the American people, and it betrays the millions of struggling Americans who placed their hopes in Donald Trump.

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