

# Trump's 2020 Budget Rewards The Wealthiest Individuals



Gerald Epstein is Professor of Economics and a founding Co-Director of the Political Economy Research Institute (PERI) at the University of Massachusetts, Amherst.

Donald Trump's 2020 budget proposal represents the wildest version of neoliberalism yet. It is just the latest evidence that the United States has become a plutocracy run by an oligarchical elite bent on destroying the last vestiges of a democratic polity.

Trump's fiscal budget proposal threatens to exacerbate all of the major problems facing the U.S. economy and society today "in order to fund more goodies for the wealthy," according to radical political economist Gerald Epstein. In this interview with *Truthout*, Epstein — the co-director of the Political Economy Research Institute and a professor of economics at the University of Massachusetts at Amherst — discusses why the Trump budget proposal is a blatant power grab, why we need to think about economics beyond GDP growth, and why the U.S. government is incurring more debt that does not even begin to address the problems the country faces.

*C.J. Polychroniou: Trump's fiscal 2020 budget proposal, which has been quite fittingly proposed by some critics as "a budget for a sick and declining America,"*

*includes major cuts across all programs and agencies [with the exception of the military](#), which receives additional increases for defense spending. In your view, what's the logic driving this budget proposal, and what would be the likely consequences for U.S. society and economy if it were to be implemented?*

*Gerald Epstein:* Let me start with the latter part of your question by saying that, if Trump's fiscal 2020 budget proposal were to be implemented, the consequences would be simply *disastrous*. Indeed, the Center on Budget and Policy Priorities (CBPP), a reliable source of information on federal budget and tax policy, has catalogued the ["little shop of horrors"](#) that make up Trump's budget. As you indicated, the budget proposes deep cuts in non-defense discretionary spending (NDD) alongside sizeable increases in military spending. The Trump budget proposes cutting the NDD funding by 11 percent after adjusting for inflation. But the overall cuts on key social programs would be even greater than this, because the Trump budget protects or even increases some categories of NDD. As the CPBB says, the budget proposal increases discretionary funding for Homeland Security by 15 percent, while cutting funding for Health and Human services by 12 percent, Housing and Urban Development by 18 percent and the Environmental Protection Agency by a whopping 31 percent. The budget calls for even deeper cuts in the years after 2020; for example, in 2029, it would lower NDD by about 40 percent below current funding in 2019 adjusted for inflation. The budget would take away medical insurance from millions of people by repealing the Affordable Care Act and making [deep cuts to Medicaid](#). It would also cut many other programs for the poor, including food stamps and housing assistance. Trump proposes all this in order to fund more goodies for the wealthy. According to the CBPP, the budget would extend the 2017 tax breaks for rich individuals, making the very rich and the military industries the major beneficiaries of the budget proposal.

If it were to be implemented (which is unlikely in the current Congress because of control of the House by the Democrats), this budget proposal would solve none of the key outstanding problems facing our economy and society — glaring inequality of income, wealth and life chances; runaway destructive climate change; low wages and incomes for many workers, even those that work full time; crumbling infrastructure, including schools, mass transportation and even highways; and a disastrously expensive and unequal medical system, among many others. And in fact, [the budget proposal] exacerbates many of these problems: wasteful military spending, worsening medical care and glaring and destructive

inequality of income, wealth and power.

In short, this policy would amount to a disaster for the American people.

What is the logic behind it? Good question. A general answer might be that it is designed to perpetuate and strengthen capitalism. But this answer does not really capture the venality and destructiveness of the true logic. I think the logic is the same logic that has motivated Republican and some Democratic budgets for decades: steal as much of the nation's resources as humanly possible and put them in the pockets of a few people that will help to perpetuate this theft by changing the rules of American democracy to keep themselves in power permanently. (See Nancy MacLean's brilliant book, [\*Democracy in Chains\*](#), which describes this history and the role of right-wing economists in helping to make it a reality.)

*Trump is notorious for manufacturing his own facts, and I suspect something like that is also going on with regards to projections for economic growth coming out from the White House. Indeed, the Congressional Budget Office projections for economic growth are much less rosy than those of the "great leader." Is the truth somewhere in the middle, or are the prospects for future economic growth inflated by both sides?*

Trump's White House is predicting a growth rate of 3.2 percent in the economy. It is not just the Congressional Budget Office that has predicted a lower number (around 2.5 percent). Other economic forecasters — including the Federal Reserve and a group of Wall Street Journal forecasters — have put the number at 2.7 percent. The consensus is therefore lower than Trump's, but there is a lot of uncertainty in all these forecasts. It could be considerably worse if problems erupted with China's economy, or the trade war with China gets much worse.

But whether it is 3.2 percent or 2.7 percent [growth] is of much less importance than the question of what kind of growth. Growth that is destructive of the environment, that generates stagnant wages or massive inequality, is no better at 3.2 percent than at 2.7 percent. We really have to stop thinking in terms of the simplistic numbers of GDP growth and really start thinking in terms of what is the economy producing, for whom, at what environmental cost, and how the fruits of that growth are shared.

*U.S. government debt levels keep rising, and have actually increased by a couple of trillion dollars since Trump took office. Does the U.S. have a government debt problem? And how much more can public debt to GDP ratio rise before we see*

*negative reactions from private credit markets?*

U.S. federal government debt levels have gotten quite high by historical standards and are forecasted to get much, much higher. According to the [Congressional Budget Office](#), the federal government debt held by the public to GDP ratio is expected to reach about 93 percent in 2029, its highest level since the Second World War and to 150 percent of GDP by 2049 — far higher than it has ever been (see [CBPP](#)). Even though such long-term projections should be obviously taken with a big grain of salt, the current trends nonetheless suggest big increases in public debt relative to size of the economy.

You ask if the U.S. has a public debt problem and what the limits are to the accumulation of public debt. These are important questions and the answers are murky. Unlike deficit hawks who have wrongly claimed there is a hard cliff at 90 percent debt levels or Modern Money Theorists (MMT) who imply that no level is too high, the answer is that the closer the level gets to highs never seen before in the U.S., the more likely there could be unforeseen difficulties coming from global financial markets. In short, the policies are riskier.

Now taking more risks might be well worth it if the policies that are creating the higher and higher debt are actually creating social and economic goods for the U.S. But if the policies are only redistributing income and wealth to the already wealthy, while failing to address the serious problems facing the U.S. economy and society, then the increases in debt are incurring more and more risks without providing any benefits, and indeed, by fostering environmental destruction and other ills, they are producing even worse than zero benefits.

In sum, these debt levels measured in government debt securities and dollars and cents can thus create uncertainty and lead to problems.

But it is important not to let these financial figures distract us from the more substantial debts our society is incurring as we avoid dealing with our serious problems, partly because of the corrosive policies pursued by the Republicans and Trump administration (with occasional assists from corporate/neoliberal Democrats).

What are these *real* debts? Here are just a few examples:

Economist [Robert Pollin](#) has estimated that we need to invest a minimum of 2 to 2.5 percent of GDP over the next 30 years to stabilize the climate. Every year that we do not invest this amount, we are incurring this debt, or even more, since each year we do not deal with it, the problem becomes more costly. With the U.S. GDP

at about \$20 trillion, this means that every year that we do not invest enough, we incur a debt, say of roughly \$400 billion to \$450 billion.

The American Society of Civil Engineers estimates that efforts to address infrastructure needs have a shortfall of \$4.5 trillion over the next 10 years, which amounts to another \$450 billion a year of debt we are incurring. This is a real debt we are incurring.

What about education? It is well known that educational achievement in the U.S. is behind those countries with a comparable standard of living. It would cost billions of investment dollars every year to catch up.

These are just examples of the real debts we are incurring every year, but unlike the national debt, these tend to be hidden and ignored.

The upshot is that we have to keep our eyes on two types of debt: the government's financial debt as it goes into uncharted heights for the U.S., due primarily to wasteful and dangerous military spending; and tax cuts for the wealthy. The financial debts also stem from production decisions made by capitalists to buy back their own stock, rather than investing in their companies — stock buybacks and financialization. There are other factors harming our productive capacity as well, such as excessive foreign investment in certain manufacturing industries by multinational corporations.

But then there are the very important “real debts” we are incurring ... the failure to invest in our society as in the examples cited above. The real investment failures are often more important; but as the financial debt rises into uncharted territory, it raises risks and could become a problem as well because of the financial nature of our economy.

It is important to keep in mind that the sad risks of the financial debt the U.S. government is incurring is being created without even putting a dent in the real problems we face. It raises financial risks while not investing a dime to reduce the real debts our society accumulates every year.

*The United States of today is not simply in an apparently irreversible state of decline, but seems to have become something of a “failed state.” In your view, what will it take to introduce a prosperous, equitable and sustainable socioeconomic order?*

It is, of course, impossible to answer this question. But we can start by looking at the real proposals that have been put forward by progressive presidential candidates and politicians, such as Bernie Sanders, Elizabeth Warren and

Alexandria Ocasio-Cortez. These proposals include Medicare for All, a Green New Deal, universal child care, a \$15 minimum wage, a full employment policy. For the first time in decades, we have a set of policies that provide a basis for discussion, and progressives running for election and moving legislation, that could, if implemented, make a big difference in the problems you identify. We don't necessarily have all the solutions, but many of these proposals provide a great start.

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*C.J. Polychroniou* is a political economist/political scientist who has taught and worked in universities and research centers in Europe and the United States. His main research interests are in European economic integration, globalization, the political economy of the United States and the deconstruction of neoliberalism's politico-economic project. He is a regular contributor to Truthout as well as a member of Truthout's Public Intellectual Project. He has published several books and his articles have appeared in a variety of journals, magazines, newspapers and popular news websites. Many of his publications have been translated into several foreign languages, including Croatian, French, Greek, Italian, Portuguese, Spanish and Turkish. He is the author of [Optimism Over Despair: Noam Chomsky On Capitalism, Empire, and Social Change](#), an anthology of interviews with Chomsky originally published at Truthout and collected by Haymarket Books.