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I'm going to consider vulnerable adults from the perspective of fiscal policy and the picture is grim. America today faces the gravest threats in the postwar era to the long-run fiscal solvency of the federal government and to the financial security of much of the American population. The litany of problems include: 1) the move from a budget surplus at the end of 2000 to huge yearly budget deficits and a rapid trade deficit increase to an amazing high of over \$800 billion in 2005, 2) the doubling of total consumer credit since 1995 to by far the highest level in the nation's history, 3) the quantum leap in the unfunded liabilities for Medicare after the prescription drug bill just as the first phalanx of the baby boomers near retirement, 4) the worst maldistribution of income and wealth since the 1920s, and 5) the lowest level of national saving since the 1930s.

A reviewer of my 2003 book, *Reaganism and the Death of Representative Democracy*, wrote: "Walter Williams is the Cassandra of U.S. politics and policy analysis." 'Tis true. However, Cassandras are often misunderstood. They do not mean just to frighten people but are fearful themselves. They desperately want to be heard and the needed actions undertaken to prevent the disaster. The danger is that the unheeded Cassandra may be right. And in the years since my book's publication, the evidence of the dangers is not only more clear, but indicates a decidedly worse situation. Fearful in 2003, I'm downright petrified today.

Why have fiscal problems gotten so much worse during George W. Bush's presidency? The starting place is three wrongheaded policies that the administration adroitly sold and defended by misinformation, deception, and secrecy. That administration combined the most inept policymaking and the best propaganda effort in the postwar era, and it has been a lethal combination.

### **TAX CUTS**

I'll look at the 2001 and 2003 tax cuts together. Both featured reductions in the top tax rates with the latter zeroing in on capital gains and taxable dividends. Both disproportionately benefited those with the largest incomes, but were sold with the false claim that the benefits were the greatest for low-income taxpayers. However, because of the tax cuts and other factors, the already wide gap between the very richest Americans and everyone else widened even more. After excluding capital gains, the average real income of the top 1 percent of the income distribution rose 12.5 percent while the rest of the population gained 1.5 percent in 2004.

Moreover, as Paul Krugman has pointed out: "Growth didn't just bypass the poor and lower middle class, it bypassed the upper middle class too. Even people at the 95th percentile of the income distribution—that is, people richer than 19 out of 20 Americans—gained only modestly. The big increases went only to people who were already in the economic stratosphere."

Let's look at what may be the best example of the extent of the Bush administration's deception in fiscal policymaking. In a Center on Budget and Policy Priorities paper discussing the distribution of dividend and capital gains tax cuts in 2005, Joel Friedman wrote: "Households with incomes of more than \$1 million [a year] receive over half—53 percent—of the benefits of these tax cuts, even though they constitute only 0.2 percent of the households in the nation."

Households with incomes under \$100,000 a year—the bulk of the population—received less than 10 percent of the total benefits and those with yearly incomes of over \$100,000 but under \$1 million got 37 percent. This means that the minute number of households (one-fifth of 1 percent of the total population) receiving incomes of a \$1 million a year or more received 53 percent of the TOTAL benefits while the remaining households constituting over 99.99 percent of the entire population of the United States received 47 percent.

Recall the earlier statement in which I pointed out that the Bush administration claimed that the benefits from the tax cuts were the greatest for lowest incomes taxpayers. That statement, I need note for the sake of clarity, referred to the 2001 tax cut while the example is from the 2003 tax cut. Both disproportionately benefited the wealthiest Americans, but by 2003 the administration had improved the delivery system so that an even greater percent could benefit those at the very top of the income distribution.

#### **MEDICARE PART D**

Medicare Part D appears to be terribly flawed. The archconservative Bruce Bartlett lamented: "I believe that the Medicare drug bill may well be the worst piece of legislation ever enacted." The most frightening aspect of Medicare Part D is the added unfunded liability that is estimated at \$8.1 trillion for 75 years. Incidentally, this Medicare Part D unfunded liability is around twice as large as that of the entire Social Security System unfunded liability.

Moreover, the \$8.1 trillion goes on top of the already staggering unfunded liabilities for Medicare Parts A and B that are between two and three times larger than Part D. This added increase from Part D makes the fiscal burden ever so much heavier in light of stark fiscal deterioration in the Bush administration.

Where does this leave us? The working and middle classes did benefit immediately from the Bush tax cuts. Yet over time his tax cuts and spending increases appear almost certain to materially increase the fiscal deterioration of the federal government and necessitate tax increases and reductions in the budget. It likely will be the latter that strike the

working and middle classes particularly hard as the already inadequate safety net is left in tatters. Bush's three egregiously bad policies could well be a major factor in putting much of the American population in greater financial jeopardy than at any time since the Great Depression. The last statement may solidify my Cassandra status. I hope it's loud enough to stimulate thinking about what policies must be undertaken to prevent fiscal and financial catastrophe.

## REFERENCES

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