Obama vows to slash federal budget

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In his second press conference on the economy in two days, President-elect Barack Obama vowed Tuesday that he would slash government spending to meet the costs of a proposed economic stimulus package he had unveiled the day before.

"If we're going to make the investments we need, we must also be willing to shed the spending we don't," declared Obama. "In these challenging times, when we're facing both rising deficits and a sinking economy, budget reform is not an option; it's a necessity," he added.

Obama said his economic team would go through the federal budget "page by page, line by line, eliminating those programs we don't need, and insisting that those we do operate in a sensible cost-effective way."

While he reiterated his earlier statement that "there is only one president at a time," Obama made it clear that his increasingly frequent appearances before reporters in Chicago—a third press conference is set for Wednesday—is being driven by the deepening economic crisis gripping US and world capitalism and a desire to reassure the financial markets.

"Given the extraordinary circumstances we find ourselves in, it's important for the American people to know we are putting together a first-class team and don't intend to stumble into the next administration," he said.

The immediate backdrop to the press conference was the announcement of fresh figures indicating that the US economy is continuing to spiral downwards. The Commerce Department reported Tuesday that economic activity had declined at a rate of 0.5 percent during the three months ending in September, while the average American's disposable income had plummeted during the same period at an annual rate of 9.2 percent, the steepest decline recorded since such figures were first kept in 1947.

Obama's press conference came as Treasury Secretary Henry Paulson announced another $800 billion emergency package aimed at staving off a meltdown of the consumer credit market.

The purpose of the press conference was to present two more members of the incoming administration's economic team. Obama named Peter Orszag, the current director of the Congressional Budget Office (CBO), as his director of the Office of Management and Budget—the White House agency responsible for drafting federal budgets and overseeing federal programs—and Rob Nabors, staff director of the House Appropriations Committee, as Orszag's deputy. Like most previously announced appointments, both are veterans of the Clinton administration.

The announcements followed Monday's naming of New York Federal Reserve President Tim Geithner as Obama's nominee for treasury secretary and Lawrence Summers as chief of the National Economic Council, together with other members of his economic team.

Obama drew a sharp distinction between his proposal for an "immediate and temporary infusion that's going to be required to kick-start our economy" and plans for cutting "the structural spending that's been taking place in Washington that has created this huge mountain of debt."

He reiterated that the temporary program he is advocating would "help save or create two-and-a-half million jobs." While the price tag for the program has been estimated as high as $700 billion, the objectives are wholly inadequate given the depth of the crisis. Nearly half as many jobs as Obama claims would be saved or created over two years have already been wiped out in the past year alone, and new jobless claims have climbed to over half a million a week.

On the issue of budget-cutting, while the Democratic president-elect warned that there would be "tough choices" and that some programs would have to be eliminated, he gave little indication of what he had in mind.

His one example—$49 million in crop subsidies paid to farmers earning more than the $2.5 million cutoff for such payments—was far from illuminating. The sum involved represents less than a drop in the bucket in terms of the

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US budget deficit, which economists now estimate will top $1 trillion next year, more than double that for the fiscal year that ended in September.

The type of budget-cutting required to curb ballooning deficits and offset the trillions of dollars that have already been allocated to bail out the major banks and financial institutions cannot be achieved outside of massive reductions in bedrock social programs such as Social Security, Medicare and Medicaid.

One area where Obama and his advisors have indicated no plans for cutbacks is in military spending, where the incoming administration is actually planning to increase the ranks of US ground forces by 100,000 troops and to purchase more arms and equipment.

In announcing the appointments, Obama boasted that he had already received "bipartisan accolades for the budget team that I'm putting together." This is no accident given the right-wing politics of those he named.

As the business magazine site *Forbes.com* noted: "Like Summers and Geithner, Orszag is closely linked to former Clinton administration Treasury Secretary Robert Rubin, known for his emphasis on fiscal responsibility."

Rubin is currently a top executive at recently rescued Citibank. It was his support for financial deregulation and subordination of fiscal policies to the exigencies of the money markets that helped pave the way to the current crisis. In 2006, Rubin tapped Orszag to head the Hamilton Project, a think tank set up by Democratic Party-affiliated CEOs and bankers to promote the virtues of fiscal austerity, free markets and financial deregulation.

In 2004, Orszag joined Rubin and fellow economist Allan Sinai in warning that the US federal budget was on "an unsustainable path" and that budgetary imbalances raised "the probability of fiscal and financial disarray at some point in the future."

As head of the CBO, he repeated essentially the same warning last month, declaring: "If we fail to put the nation on a sounder fiscal course over the next few decades, though, we will ultimately reach a point where investors would lose confidence and no longer be as willing to purchase Treasury debt at anything but exorbitant interest rates. If that were to occur, we would lack the kind of maneuvering room that we currently enjoy to address problems in the financial markets and the economy."

Orszag has been a vocal advocate of implementing cuts in Social Security benefits to "save" the universal public retirement system. In a 2005 plan co-written with Peter Diamond of the Massachusetts Institute of Technology, he warned: "avoiding real reform, either through delay or a free lunch approach, merely exacerbates the painful choices that will ultimately be necessary."

He called for a series of cuts in Social Security benefits combined with increases in payroll taxes, imposing the burden on working people rather than the corporations and the wealthy. Under his plan, cuts would be phased in, leaving those over 55 untouched but imposing a nearly 9 percent reduction in benefits that would ultimately go to those who are now 25. Tax increases would be similarly phased in.

At the Congressional Budget Office, Orszag has sounded a persistent drumbeat in favor of slashing health care spending, declaring it the "central fiscal challenge facing the country."

Among the proposals that he advanced in a statement he prepared for the CBO last year was that of "increasing cost-sharing by consumers to encourage more cost-consciousness."

He is not an advocate of a universal health care system or freeing health care from the profit motives of the insurance companies and health care industry.

As in all his recent speeches on the economic crisis, Obama laid emphasis on the claim that "we're all in it together," rich and poor, investment bankers and factory workers alike. "I'm confident that we will rise to meet this challenge," he said, "if we're willing to band together and recognize that Wall Street cannot thrive so long as Main Street is struggling."

This rhetoric serves only to mask the economic and social realities of the unfolding crisis. Wall Street is being bailed out at the expense of "Main Street." Average working people, who bear no responsibility for the financial meltdown, are being forced to pay the price for years of financial parasitism and speculation that enriched the top 1 percent, while the vast majority of the population saw its real income stagnate or decline. The inevitable response to the kind of economic austerity policies being prepared by the incoming Obama administration will not be a "banding together" of "Wall Street and Main Street," but rather a resurgence of class struggle in America.

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