

Obama prepares sweeping cuts in social programs

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Barack Obama took the occasion of his first press appearance in Washington as president-elect to declare his determination to impose policies of budgetary austerity, including the elimination of entire federal programs and cost-cutting in the entitlement programs such as Social Security, Medicare and Medicaid that are of vital importance to tens of millions of elderly and poor people.

Obama announced his appointment of Nancy Killefer, a director at the management consulting firm McKinsey & Co., to a new White House post of chief performance officer. Killefer, a Treasury official in the Clinton administration, will be in charge of setting performance standards for federal agencies and enforcing them on agency officials. Those programs that fail to meet these standards will be targeted for reorganization or elimination.

The president-elect made the statement on the eve of a speech Thursday in which he will make the case for a proposed stimulus package. It was a clear effort to appease both congressional Republicans and the sizeable faction of fiscal conservatives among the congressional Democrats, reassuring them that while unlimited funds are to be provided to bail out big business, there will be a tight rein on spending for programs that support the needs of working people.

Obama's remarks on Wednesday shed light on the basic character of his stimulus plan, which is tailored to the demands of the financial and corporate elite and will provide hundreds of billions in additional public funds to prop up corporate profits, while doing little to provide relief for tens of millions of working people facing the deepest slump since the Great Depression.

Obama noted the Congressional Budget Office (CBO) estimate released Wednesday that the federal deficit for the current fiscal year will top \$1.2 trillion,

without counting any additional spending for the economic stimulus plan that the Obama administration and Congress will enact after his inauguration. "Trillion dollar deficits will be a reality for years to come," he warned, declaring that containing the deficit and putting the lid on federal spending must become "fundamental principles of government."

When a reporter from the *Wall Street Journal* asked about Medicare and Social Security, noting that these were among the largest federal expenditures, Obama replied, "We are beginning consultations with members of Congress around how we expect to approach the deficit. We expect that discussion around entitlements will be a part, a central part, of those plans." He added that once the stimulus package was adopted, by mid-February, "we will have more to say about how we're going to approach entitlement spending."

These remarks and comments by Democratic congressional leaders are a warning of what is to come: a frontal assault on the most important components of what remains of a social safety net in the United States—the programs that provide at least minimal retirement benefits and medical coverage for tens of millions of elderly people, as well as medical coverage for millions of low-income families.

While both Social Security and Medicare are solvent, currently taking in more tax revenues than they pay out, the Social Security Trust Fund, which represents the accumulated contributions of three generations of working people, has been effectively plundered to pay for the Bush administration's tax cuts for the wealthy, two wars and the immense US military establishment.

Out of \$10.7 trillion in total federal debt, about 40 percent, or \$4.3 trillion, is borrowed from Social Security. The Trust Fund is the largest holder of federal debt, followed by US private investors, who hold \$3.4 trillion, and foreign investors, many of them

governments, who hold \$3 trillion.

The CBO figure of \$1.2 trillion likely underestimates the current year's deficit by a significant amount. It includes nothing for the stimulus package which has yet to be spelled out in detail by the incoming administration, and assumes no emergency spending to finance Obama's promised buildup of US military forces in Afghanistan. Reuters reported Wednesday that Obama's secretary of defense, Robert Gates, a holdover from the Bush administration, is requesting an additional \$70 billion for the ongoing wars in Iraq and Afghanistan, not counting the additional cost of a doubling of US forces to some 60,000 in Afghanistan.

The CBO estimates that the US unemployment rate, at 6.7 percent in November, will rise to 9 percent by the end of this year, although many economists project a rate of 10 percent or more. Double-digit unemployment would drive up spending on jobless benefits, food stamps and Medicaid, among other programs, swelling the deficit even further.

The CBO also placed the cost of the Treasury bailout of Wall Street at \$180 billion in 2009, although Congress is expected to authorize an additional \$350 billion on top of the \$350 billion already expended since October. The bailout of Fannie Mae and Freddie Mac, the two government-sponsored mortgage finance companies brought down by the subprime mortgage crisis, will add another \$240 billion to the deficit.

Senate Budget Committee Chairman Kent Conrad, Democrat from North Dakota, echoed Obama's warning of trillion-dollar deficits for several years, as well as his pledge to tackle long-term problems in the financing of Social Security and Medicare. He told the press, "It would send a very healthy message to the markets and the American people if President-elect Obama were to simultaneously announce an economic recovery package and the beginning of a bipartisan process to deal with our long-term imbalances."

House Majority Leader Steny Hoyer, who has close ties to the right-wing faction of House Democrats, the so-called Blue Dogs, added his voice to the chorus calling for long-term deficit-reduction measures, going so far as to suggest that the Obama administration might have to follow the example of the Republican administrations of the 1980s, when White House budget officials engaged in across-the-board budget cuts by executive order, a process called

"sequestering."

Congressional Democrats opposed sequestering 20 years ago, pointing out that there was no constitutional authority for such executive action without congressional authorization. It is a measure of how far to the right the Democratic Party has moved that one of its top leaders now embraces such a policy.

Robert Bixby, director of the Concord Coalition, a bipartisan group that advocates fiscal austerity, provided an indication of what is being contemplated, saying, "I would analogize it to what the government is doing with the auto companies. Congress said, we'll give you the money but you have to show us a plan for sustainability." In return for emergency loans to the US auto companies, Congress demanded tens of thousands of layoffs, the closure of dozens of plants and draconian cuts in auto workers' wages and benefits.

Four years ago, George W. Bush began his second term as president by proposing a sweeping privatization of Social Security, a measure which was never formally introduced in Congress due to overwhelming popular opposition. The plan was quietly shelved after the debacle of Hurricane Katrina demonstrated the Bush administration's gross incompetence and utter indifference to the plight of poor and working class Americans. It has thus been left to Obama, who occasionally postures as the heir of Franklin Roosevelt, to take responsibility for dismantling the last legacy of the New Deal.

Patrick Martin



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