

# Obama to impose freeze on social spending

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President Obama will use his State of the Union Address Wednesday night to call for a three-year freeze on discretionary social spending, sources inside the administration have told the press. The proposed austerity measures, which will be detailed February 1 in the administration's 2011 budget proposal, signal the Obama administration's determination to stabilize the national debt at the expense of the working class.

The proposed spending freeze targets non-military discretionary spending on programs that benefit the general population, but which comprise just one sixth of the budget.

The freeze will keep this share of the budget at its current level of about \$477 billion through 2013. Factoring in inflation, the freeze will translate into a reduction in real terms.

Within the overall pie of discretionary spending—funding that must be approved by Congress each year—some programs will face cuts and some will be eliminated altogether, administration officials say. After 2013, Obama's plan would hold non-military discretionary spending at or below the level of inflation.

Discretionary spending related to national security—allocations to the military, the Department of Homeland Security, the wars in Iraq and Afghanistan, and the Veterans Administration—will face no such constraints. The Obama administration has also ruled out tax increases on the wealthy to address the budget deficit, and has been silent on whether it will allow the Bush tax cuts for the rich to expire at the end of this year.

The spending freeze proposal exposes the cynicism of Obama's recent turn to populist rhetoric and attempt to pose as a crusader against abuses by Wall Street bankers. The hollowness of his supposed "pivot to job-creation" was likewise demonstrated on Monday, when he previewed measures he will announce in his

Wednesday address to aid the "middle class." Obama proposed a few token initiatives, costing a relative pittance, that will neither create jobs, halt foreclosures, or stop the decline in wages and living standards.

The spending freeze aims to curry favor with Wall Street and the international financial markets, which fund the ballooning national debt. News of the freeze proposal came the same day that a new Congressional Budget Office report predicted the federal deficit would rise to \$1.6 trillion in the next fiscal year.

Obama's indifference to the plight of Americans suffering through the worst social crisis since the Great Depression was highlighted in a Monday night interview with ABC News' Diane Sawyer. Asked what he saw as the biggest difference today from when he addressed a joint session of Congress one year ago, Obama responded "I was more worried about where the country was going a year ago than I am now."

In the intervening year, the US has lost millions of jobs, the unemployment rate has increased to over 10 percent, wages have declined, and nearly every other measure of social misery has increased sharply, including poverty, hunger, home foreclosures and personal bankruptcies. But the year has proven a bonanza for the banks, which have used taxpayer bailouts to resume making huge profits and paying their executives multimillion-dollar bonuses.

Obama's comment reveals that his overriding concern when he first took office—and today—was the well-being not of the American people, but of the financial elite.

In the same interview, Obama said Federal Reserve Chairman Ben Bernanke, who this week faces a Senate confirmation vote for a second term, had his "strongest support"—further exposing the fraud of Obama's recent Wall Street-bashing.

According to administration sources, the departments most likely to suffer budget freezes or reductions will

be Health and Human Services, Housing and Urban Development, Transportation, Agriculture, Energy, and Justice. These five departments received a combined \$250 billion in federal funding for 2010. In contrast, the military, “overseas contingency operations” (i.e., the wars in Iraq and Afghanistan), and the Department of Homeland Security were funded to the tune of \$700 billion. By 2015, discretionary spending on social programs will be at its lowest level relative to the overall budget in 50 years, officials said.

Despite the enormous amount of funding US “national security” absorbs—nearly triple non-military discretionary spending and more than the rest of the nations of the world spend on their militaries combined—there is no discussion of cuts to military spending.

Also exempted are the extraordinary amounts of money handed over to Wall Street since 2008. This goes far beyond the \$700 billion Troubled Asset Relief Program (TARP).

Servicing interest on the national debt cost the federal government \$125 billion in 2010 alone, and will likely cost several trillion over the next decade. A significant share of these funds go as interest and fees to the same financial institutions that have received trillions in government loans and guarantees since the economic crisis erupted in 2008.

The targeted departments provide desperately needed services. Among these:

- \* The Housing and Urban Development Department provides funds for affordable housing, antipoverty programs, blighted neighborhoods and infrastructure development, as well as programs to assist the poor, Native Americans and the homeless.

- \* The Health and Human Services Department funds the low-income preschool program Head Start, programs to assist pregnant women, newborns and the elderly. It also funds scientific research on diseases, disease prevention, and the Center for Disease Control, and oversees food and drug safety.

- \* The Department of Agriculture, besides its subsidies for agricultural production, is the source of federal funding for the Supplemental Nutrition Assistance Program, or food stamp program. It also sponsors scientific research related to food production and some social programs targeting poor rural areas.

- \* Within the Transportation Department are the

agencies that oversee safety and provide infrastructure funding for the nation’s roads, bridges, railroads, airports, and pipeline and hazardous waste systems.

- \* Other recipients of discretionary funding targeted by the Obama administration include the Environmental Protection Agency, the National Park Service, the Army Corps of Engineers, the National Science Foundation, and the National Aeronautics and Space Administration.

By the administration’s own estimates, the proposed savings from the freeze will be \$250 billion over the next decade, only 3 percent of the estimated \$9 trillion in new debt the government will accrue over that time. The \$15 billion in savings the administration claims the freeze will generate next year is only about 1 percent of the Congressional Budget Office’s budget deficit projection.

Administration sources defended the limited scale of the savings from the spending freeze by arguing that it was a necessary first step. They suggested it would set the stage for a major assault on the basic entitlement programs—Medicare, Medicaid and Social Security—that account for the biggest part of the federal budget.

The Obama administration is already focused on cutting entitlement spending. He is expected to announce in his Wednesday address the establishment of a bipartisan commission to propose cuts in these programs as well as taxes on consumption, which will be presented to Congress for a vote by the end of the year.



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