

Behind Obama's overtures to Republican right

“Bipartisan” campaign targets US working class

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The Obama administration is announcing Thursday a new initiative for joint action by the Democratic Party and the Republican Party against American working people, when the leaders of a new bipartisan commission to slash the federal deficit are introduced at the White House.

Obama has selected Democrat Erskine Bowles, a banker and former White House chief of staff in the Clinton administration, and Republican Alan Simpson, a retired senator from Wyoming, to head the new commission. It will have a mandate to propose major cuts in entitlement programs like Medicare, Medicaid and Social Security, as well as regressive taxes such as a national sales tax or value-added tax, targeting working class consumers rather than the wealthy.

Under plans outlined by White House officials, Obama will select six commission members, four Democrats and two Republicans, while congressional Democratic and Republican leaders will select six members apiece. Given that the Democrats control both houses of Congress by large majorities, a narrow 10-8 Democratic majority on the 18-member commission is already a major concession to the ultra-right, and insures that tax increases on the wealthy will be excluded from consideration.

Congressional Republicans blocked the establishment of the panel by legislation when they successfully filibustered the proposal in the Senate. This means that the commission's recommendations will not be binding on either house of Congress. Even the lesser step of creating the commission by executive order could be stalled if congressional Republicans refuse to nominate their six members.

While the commission's formation has been slowed by political posturing in advance of the 2010 congressional elections, there is broad agreement in both big business parties that drastic measures must be taken to slash the major social spending programs.

Senator Simpson, 78, served three terms from 1979 to 1997, and for a time chaired the Senate subcommittee that oversees the Social Security program. He was chosen for his willingness to tackle what once was described as the “third rail” of American politics, cutting Social Security expenditures, by raising the age of eligibility for retirement and cutting benefit levels.

In an interview with the *Washington Post* on the eve of his appointment to co-chair the commission, Simpson virtually spat out his hatred of any government program that guarantees basic necessities. “How did we get to a point in America where you get to a certain age in life, regardless of net worth or income, and you're ‘entitled’?” he asked. “The word itself is killing us.”

Erskine Bowles was an investment banker on Wall Street and then in his native North Carolina, where he was a major fundraiser for Bill Clinton's successful 1992 presidential campaign. He served in a series of White House posts, including deputy chief of staff in 1994-95, and chief of staff in 1996-97, when he negotiated a budget-cutting agreement with the Republican-controlled Congress. He was defeated in two campaigns as the Democratic candidate for US Senate in North Carolina, where he ran as a right-wing “fiscal conservative.”

Bowles is currently on the board of directors of Morgan Stanley, one of the big five Wall Street investment houses. He was a director of General Motors from 2005 until its bankruptcy last year. The two companies were among the main beneficiaries of the Obama administration's financial bailouts.

Bowles served as chairman of the compensation committee at both companies, and still holds that position at Morgan Stanley, making him the point man for the awarding of eight-figure salaries and bonuses to the executives of both companies.

That such an individual is now the Democratic leader on a commission targeting the Social Security and Medicare

benefits of working people speaks volumes about the class character of the Democratic Party and of the Obama administration—and about the arrogance of the White House, which clearly assumes that there will be no outcry in official circles over naming a Wall Street paymaster to supervise the cutting of essential benefits for working people.

The purpose of the commission is to review, behind closed doors and insulated from any political pressure from below, a range of measures to slash the federal budget deficit, which is expected to hit a record \$1.556 trillion in the current fiscal year, and remain well above \$1 trillion for the next several years. The government deficit as a percentage of national GDP will be well over 10 percent, approaching the level of such debt-ravaged countries as Greece.

The *New York Times* published a lengthy analysis Wednesday warning that failure of Democrats and Republicans in Washington to significantly reduce the deficit could lead to “a day of fiscal reckoning ... hastened by a deep recession that cost trillions of dollars in lost tax revenues and higher spending for safety-net programs.”

In a telephone interview with the *Times*, Simpson declared, “There isn’t a single sitting member of Congress—not one—that doesn’t know exactly where we’re headed.” Both entitlement spending cuts and restructuring of the tax system were required, he said.

The *Times* suggested that an agreement would not be possible “unless Mr. Obama breaks his campaign promise not to raise taxes for households making less than \$250,000.” In other words, the tax increases will target working people, not the multi-millionaires and billionaires whose manipulation of the financial system triggered the worldwide economic crisis.

The same article concedes that cuts in social benefits are deeply unpopular. A CBS/New York Times poll published the same day found that “by a two-to-one ratio Americans oppose cutting health care and education.”

This reality is what underlies the increasing calls for “bipartisanship.” The financial aristocracy is demanding measures that are widely opposed by the American people and cannot be imposed through “normal” democratic means. Hence the demand that the two parties that serve the wealthy should drop their posture of mutual hostility and join forces against the vast majority of the population.

Behind the push for deficit reduction is the concern that escalating US deficits will produce a major decline in the value of the dollar, or even provoke foreign investors and countries to unload their holdings of dollar-denominated assets, threatening the unique position of the dollar as the world’s reserve currency.

The *Times* cited new studies—financed by big business think tanks—recommending that Obama and Congress “send

a strong signal to global markets by agreeing this year to a package of both long-term tax increases and spending reductions, especially in the popular entitlement programs...”

Two top officials of the Federal Reserve, the US central bank, spoke out in the past week warning of the threat of growing deficits. Thomas M. Hoenig, president of the Federal Reserve Bank of Kansas City, in a speech February 16, said: “It seems inevitable that a government turns to its central bank to bridge budget shortfalls, with the result being too-rapid money creation and eventually, not immediately, high inflation.”

Six days earlier, the president of the Federal Reserve Bank of Dallas, Richard W. Fisher, said that tolerance of China and other big overseas holders of US debt was not unlimited. “We cannot count forever on the largess or the misfortune of others to mask our own imbalances here at home—for fiscal profligacy in Washington today hinders our ability to address fiscal challenges tomorrow.”

The failure of the Obama administration and congressional Republicans to reach agreement on the deficit reduction commission was a major reason given by Senator Evan Bayh of Indiana for announcing his retirement Monday after three terms. The 54-year-old Democrat withdrew from a reelection campaign for which he had already amassed \$13 million, without giving advance warning of more than a few hours to either the White House or his Senate Democratic colleagues.

In his withdrawal statement, Bayh criticized both the White House and Senate Democratic leaders and called for greater efforts to reach agreement with the Republicans. Bayh has long stood on the right wing of the Democratic caucus in the Senate, voting with the Republicans more frequently than any other Democrat. Despite, or rather because of, this well-established right-wing position, Bayh was one of the top candidates to be Obama’s running mate in 2008, although he was passed over in favor of Joseph Biden.



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