

# Obama's blueprint for austerity

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The National Commission on Fiscal Responsibility held its inaugural hearing on Tuesday, launching the process through which the Obama administration plans to introduce drastic attacks on social spending and living standards to make the working class pay for the crisis of American capitalism.

The commission, consisting of 10 Democrats and 8 Republicans, is charged with discussing ways of slashing trillions of dollars from future federal budget deficits and making recommendations to the White House and Congress six months from now. The December 1 report-back deadline, four weeks after the next congressional election, was chosen to ensure that the American people have no say in the process. (In Washington-speak, this is called “insulating the commission from politics.”)

In his statement formally opening the commission, President Obama declared, “Everything has to be on the table.” This is a lie, since the commission will be barred from considering cuts in military spending, rescinding the bank bailouts, or forgoing massive interest payments on the federal debt—one of the principal means of enrichment of the financial elite.

“Everything on the table” is another Washington code phrase, meaning that cuts in Social Security, Medicare and Medicaid, the major entitlement programs, will be among the measures to be considered and proposed. Obama is also abandoning his election campaign pledge not to raise taxes on people making less than \$250,000 a year, giving the commission a green light to propose a Value Added Tax, an across-the-board federal tax on consumption that would in large measure replace the income tax and end the last remnants of progressive taxation.

The deficit commission is co-chaired by former Republican Senator Alan Simpson of Wyoming and Democratic former White House Chief of Staff Erskine

Bowles of North Carolina, two individuals long identified with advocating fiscal austerity. Every one of the 18 members of the commission is a proven defender of the profit system, and nearly all are multi-millionaires, including the longtime president of the Service Employees International Union, Andrew Stern, the lone representative of “labor” on the panel.

The initial session of the commission featured a series of high-profile witnesses, beginning with Federal Reserve Board Chairman Ben Bernanke and White House Budget Director Peter Orszag, who both declared that the trillion-dollar federal deficits now projected by the administration are unsustainable. Bernanke said, “The reality is that the Congress, the administration and the American people will have to choose among making modifications to entitlement programs such as Medicare and Social Security, restraining federal spending on everything else, accepting higher taxes, or some combination thereof.”

Congressional Democrats sounded the same theme. Senator Richard Durbin, the Senate Majority Whip and a member of the commission, said that “bleeding heart liberals” had to be open to cuts in entitlement programs as part of a deficit reduction plan.

The most categorical call for austerity came from House Majority Leader Steny Hoyer, in an op-ed column published Wednesday in the *Wall Street Journal* under the headline “Shared Sacrifices Will Solve the Debt Crisis.” Declaring that “the greatest driver of our long-term deficit is rapidly growing entitlement and health-care spending,” the Democratic congressman said the commission “could recognize that Americans are living longer and raise the retirement age over a period of years.”

Both Hoyer and Budget Director Orszag cited the budget crises in Europe—with Greece, Portugal and now Spain having their debt ratings downgraded and credit drying up—as a warning to the United States. Hoyer

wrote, “Americans may be wondering whether the Greek financial crisis could happen here. It will—unless we change course.” Orszag said in his testimony to the deficit commission, “The goal is to get ahead of an adverse financial market reaction.”

This is part of a concerted effort to blame the ongoing financial crisis and economic slump on “excessive” and “profligate” spending on the needs of ordinary Americans, rather than on financial speculation and plundering by Wall Street. The Greek events are being used as a pretext to justify austerity policies within the United States that would supposedly preempt a similar crisis.

Obama sounded the theme of “equal sacrifice” in his own remarks to the commission, in which he blamed the crisis, in the final analysis, on the American people, citing “the reality familiar to every single American—it’s a lot easier to spend a dollar than to save one. That’s what, at root, led to these exploding deficits. And that is what will lead to a day of reckoning.”

The gargantuan federal deficit is not, however, the product of poor decisions by “the American people.” It is a product of the worldwide crisis of the profit system and the drive by the American ruling elite to secure its global domination, both against capitalist rivals in other countries and against the working class at home.

Hoyer was compelled to admit in his *Wall Street Journal* column that the rapid increase in the US national debt is the product of the wars in Iraq and Afghanistan (launched by Bush and continued by Obama), the bailout of Wall Street (begun by Bush and continued by Obama), and the ongoing recession (which began under Bush and continues under Obama). In other words, corporate America, not the working people, is responsible for this crisis.

The Socialist Equality Party rejects the calls for austerity and sacrifice. We say, make the financial elite pay for the crisis, not the working people! We oppose all plans for cutting Social Security, Medicare and Medicaid, and for consumption taxes that will hit working people the hardest.

Against the ruling class claims that “there is no money” for needed social services, we say there is plenty of money—on Wall Street and in the fortunes of hedge fund billionaires and the rest of the super-rich who have seen their wealth increase even as the

economic slump has devastated jobs and living standards for the vast majority of the population.

We call for the confiscation of the assets of the hedge funds and other big speculators, the nationalization of the banks, insurance companies and other financial institutions, the shutdown of the stock exchange and commodities and derivatives markets, and the reorganization of economic life on the basis of a rational plan, developed democratically to serve the needs of working people.

This must be combined with the transfer of the vast resources squandered in the military/intelligence budget to meet social needs, and the establishment of a genuinely progressive tax system that targets the incomes of the wealthy, not the wages and consumption spending of the people.

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