

# Obama, Democrats abandon stimulus for austerity

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With long-term unemployment at its highest level since records began in the 1940s, the Obama administration and Democratic congressional leaders are abandoning even the wholly inadequate economic stimulus measures of last year and focusing instead on budget-cutting and austerity.

On Tuesday, President Obama hailed the announcement of his budget director, Peter Orszag, that the administration was ordering every federal government agency to cut its budget by 5 percent. This comes on top of a previously announced three-year freeze on all non-defense, non-security discretionary spending. Taken together, the measures are projected to cut \$250 billion over 10 years—overwhelmingly from reductions in social spending.

These steps, however, are seen as mere down payments on far more massive cuts in basic social programs such as Medicare, Medicaid and Social Security, which are expected to be recommended by the president's commission on debt reduction. The panel is slated to issue its report after this November's congressional elections. The commission's proposals for slashing basic entitlement programs will come on top of the \$500 billion in Medicare spending cuts included in Obama's health care "reform."

In testimony before the House Budget Committee Wednesday, Federal Reserve Chairman Ben Bernanke reiterated his earlier demands that Congress and the White House formulate a plan to sharply reduce the US deficit, projected to reach \$1.6 trillion this year.

He told the committee: "Even after economic and financial conditions have returned to normal, however, in the absence of further policy actions, the federal budget appears to be on an unsustainable path." He went on to focus on health care costs, both for retirees and non-retirees, as a central area where government

spending had to be slashed.

Even as he was calling for austerity policies in the coming period, he made clear that unemployment would remain extremely high in the US for years to come. Predicting economic growth of 3.5 percent this year, he warned, "This pace of growth, were it to be realized, would probably be associated with only a slow reduction in the unemployment rate over time... In all likelihood, however, a significant amount of time will be required to restore the nearly 8.5 million jobs that were lost over 2008 and 2009."

This echoed remarks Bernanke made in a speech Monday night, in which he said that what he and the government claim is an economic "recovery" is "not going to be fast enough to put back eight million people who lost their jobs within a few years." He added that even were the economy to grow at 3 percent, it would only keep pace with the normal rate of growth of the work force.

In a front-page article Wednesday under the headline "Stimulus Talk Yields to Calls to Cut Deficits," the *New York Times* wrote: "The mood in both parties of Congress has turned decidedly anti-deficit, meaning that the job-creation programs once favored by the White House and Democratic leaders in Congress have been cut back, then cut again."

This is despite last Friday's disastrous jobs report, which showed that the US private sector created a mere 41,000 jobs in May, a fraction of what had been predicted by economists and only a third of what is needed simply to keep pace with the growth of the labor force.

Under conditions of harsh budget-cutting across Europe, renewed crisis and volatility in financial and currency markets and the threat of a new global credit crunch, the prospects for a serious revival in US

production and exports are remote. Yet the White House and the Democratic-led Congress are essentially ignoring the jobs crisis and condemning the American people to years of near-doubled-digit unemployment.

They are doing so at the behest of the major banks and financial firms, which demand fiscal austerity to protect their speculative investments, profits and gargantuan salaries.

At the end of May, Congress failed to renew funding for extended federal jobless benefits for the long-term unemployed, who now comprise over 45 percent of the 15 million people counted by the government as unemployed. The official figure for so-called underemployed is 27 million. In fact, the ranks of those either jobless or forced to work part-time are considerably higher.

The Senate adjourned for its Memorial Day holiday without acting on a jobless benefits bill. The House passed a bill May 31 that extended emergency federal benefits through November, but eliminated subsidies to help laid-off workers pay for health care that had been included in previous bills. The House also stripped from the bill a \$24 billion increase in federal subsidies to state Medicaid programs.

If the latter money is not allocated, states already facing massive budget deficits will respond by laying off tens of thousands of additional teachers and other workers and further slashing essential services.

The House did retain \$28.5 billion in tax breaks and subsidies for corporations (under the guise of a “jobs” bill). The Senate is now considering its version of the House bill, which includes the renewal of more than 70 tax breaks for business that expired December 31.

The White House and both parties rule out any serious government action to create jobs, such as public works programs and direct job-creation. All measures nominally aimed at creating jobs are entirely geared to generating profits for the “private sector.”

As they turn more openly to austerity measures against the working class, the Democrats, in particular, are seeking to divert the anger of working people along nationalist and protectionist lines. The Senate bill contains corporate tax increases, but only on companies that “export American jobs.”

In league with the trade union bureaucracy, the Democrats seek to conceal the real source of mass unemployment and growing poverty in the crisis of the

capitalist system itself and the plundering of the economy by the corporate-financial elite, and instead pit American workers against immigrant workers within the US and workers internationally. At the same time, they seek to divert attention from the refusal of the Obama administration to take any serious measures to provide jobs or relief to the victims of the crisis.

One example of this resort to chauvinism is a recent Democratic Senatorial Campaign news release that denounced California Republican Carly Fiorina’s “job creation plan—for China, India, Canada, Ireland... and 174 other countries.”



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