Obama, Republicans embrace spending cuts and tax breaks for the wealthy

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In statements and interviews over the weekend, Democratic President Barack Obama and leading congressional Republicans voiced support for significant cuts in domestic social spending and an extension of Bush administration tax breaks for the wealthy.

Obama embraced both deficit reduction and an extension of the tax cuts in his weekly radio and Internet address Saturday and in a long interview on the CBS television program "60 Minutes" broadcast Sunday evening.

"The campaign season is over," Obama said in his radio address, offering an olive branch to the incoming Republican majority in the House of Representatives. "It's time to focus on our shared responsibilities and work together."

While the radio speech reiterated his campaign posture that the tax cuts should be extended only for families making less than $250,000 a year, he signaled his willingness to yield to Republican demands that upper-income families receive the full tax cut as well. "I believe there's room for us to compromise and get it done together," he said.

In the "60 Minutes" interview, correspondent Steve Kroft raised with Obama a proposal by John Boehner, the House Republican leader, that would combine a two-year extension of the tax breaks for the wealthy and a rollback of domestic social spending to the level of 2008, the last year of the Bush administration. "Is that something that you could live with?" he asked.

Obama replied: "I think that when we start getting specific like that, there's a basis for a conversation. I think that what that means is that—we can look at what the budget projections are. We can think about what the economy needs right now, given that it's still weak. And, hopefully, we can agree on a set of facts that leads to a compromise."

He added that he had invited Boehner, Senate Republican leader Mitch McConnell and other leading congressional Republicans and Democrats to a White House meeting on November 18, after his ten-day Asian trip.

At his first stop on the tour, in New Delhi, Obama told an Indian audience that the sweeping Republican victory in the November 2 congressional elections "requires me to make some midcourse corrections and adjustments."

Republican congressmen have flatly rejected a proposal to extend the tax cuts for the wealthy for two years but make the tax cuts for middle-income families permanent because this "decoupling" would make permanent renewal of the bonanza for the wealthy more politically difficult.

A spokesman for Senate Minority Leader McConnell said he would be amenable to a two-year extension of all the tax cuts, which would put off the issue of a permanent extension until after the next presidential election. Republican Congressman Dave Camp of Michigan, the incoming chairman of the House Ways and Means Committee, called the professed willingness of Obama to negotiate on the tax cut extension "a good sign."

Republican leaders dominated the airwaves on the Sunday television talk shows, pressing for even more concessions on both taxes and spending cuts. The number two House Republican, Eric Cantor of Virginia, hailed the prospect of extending tax cuts for the wealthy, which he described as assistance for "job creators." He reiterated a call for the lame-duck session of the outgoing Congress, which assembles November 15, to enact a permanent extension immediately.

Two ultra-right Republican senators called for major

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cuts in wages and jobs of federal government workers. Senator-elect Rand Paul of Kentucky called for a 10 percent across-the-board cut in wages for government workers and a 10 percent cut in the total number of federal jobs.

Senator Jim DeMint of South Carolina joined Paul in claiming that the "average" federal employee makes $120,000 a year, double the average of private-sector employees (a figure concocted by right-wing think tanks that has no relation to what postal workers, clerks and other federal employees actually make). He also voiced his support for a plan to phase in the privatization of Medicare and Social Security for those under 40 years old.

Boehner and Cantor have proposed a combined total of $260 billion in cuts from the current year's $1.1 trillion budget for government operations—excluding the military and entitlement programs like Social Security and Medicare. The reduction of 25 percent would be the largest one-year cutback since the end of World War II.

While legislation to enforce such cuts would have to pass the Democratic-controlled Senate and be signed into law by Obama, the Republican-controlled House could force a showdown on budget-cutting by the spring, when Congress must approve a rise in the federal debt ceiling, currently set at $14.3 trillion.

Without legislation to raise the debt ceiling, the Treasury would be unable to borrow and the US government would default on its debt obligations, with incalculable consequences for global financial markets. Many Republican candidates for both the House and Senate have pledged to oppose any increase in the debt ceiling, which could be blocked either by a filibuster in the Senate or a majority vote in the House.

Both McConnell and Boehner have indicated that the debt ceiling could be used to extract further concessions on taxes and spending from the White House. "We're discussing various things that might accompany the decision to raise the debt ceiling," McConnell told the *New York Times*.

The congressional Democrats who appeared on Sunday interview programs offered no opposition to massive budget cuts and no defense of the jobs or salaries of federal workers. Instead, they pressed the Republicans to name specific programs that they favored cutting or eliminating, in an effort to demonstrate that the Republicans were not truly serious about deficit reduction.

There is no question that the cuts which the next Congress will impose—enabled by the capitulation of the Democratic Party and the Obama administration—will dwarf those imposed under the Reagan administration in the 1980s and under the Republican Congress led by Newt Gingrich in the 1990s.

The full dimensions are suggested by proposals coming from the state of Texas, where Republican Governor Rick Perry has proposed allowing states to opt out of the Social Security system, and where Republican state legislators have proposed to end the state's participation in the Medicaid program, which is financed as a joint federal-state program to pay for healthcare for the poor, with the federal government picking up 90 percent of the cost.

The state could save $60 billion over the next six years by eliminating the program, which currently pays for medical care for 3.6 million children, disabled people and low-income adults.

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