Another bipartisan panel proposes cuts to Social Security, Medicare

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For the second time in a week, a prominent bipartisan commission has proposed resolving long-term US budget deficits at the expense of the working class.

Days after the chairmen of President Obama's National Commission on Fiscal Responsibility proposed cuts to Social Security, Medicare and the jobs and wages of government workers—coupled with major tax cuts for the rich and for corporations—the Bipartisan Policy Center has put forward a remarkably similar plan.

The Bipartisan Policy Center panel, headed by former Clinton administration budget director Alice Rivlin and former Republican Senator Pete Domenici of New Mexico, calls for indexing Social Security benefits to life expectancy so that as the population ages, benefits decline. This would be coupled with the implementation of a 6.5 percent national tax on consumption, cuts in benefits for Medicare and Medicaid recipients, and a multi-year freeze on discretionary spending.

Like the National Commission on Fiscal Responsibility—which is also chaired by a former Clinton administration official (Erskine Bowles) and a retired Republican senator (Alan Simpson)—the Rivlin-Domenici proposal would also "simplify" the US tax system, in this case down to two tax brackets, almost entirely to the benefit of the rich.

The timing of the release of the two deficit reduction proposals, one after the other and only weeks after the midterm elections, makes clear that ruling circles have readied a new and far-reaching attack against the working class, which will be forced to accept "tough choices" in order to pay for the crisis of US capitalism, even as the financial elite enjoy record salaries and bonuses.

The most revealing component of the Bipartisan Policy Center proposal is its plan to peg Social Security benefits to longevity. Rather than raising the retirement age, as the Bowles-Simpson commission proposes, it would, beginning in 2023, reduce monthly benefits for each new cohort of retirees to compensate for longer life spans.

Rivlin and Domenici explain the rationale for this in blunt terms. "[T]he Baby Boom generation is on the cusp of retirement, carrying with it a wave of new beneficiaries who will draw upon (rather than contribute to) the Trust Funds," they write. "Americans are living longer than their predecessors. But today's workers are, on average, actually retiring earlier than previous generations… [T]he Task Force acknowledges the need for Americans to work longer before retirement."

The panel argues that by cutting benefits, workers will be "incentivized" to keep working. Those who choose to retire in their sixties can expect poverty until death, or, as Rivlin and Domenici put it, "for many retirees, working longer can make the difference between poverty and a comfortable standard of living in old-age."

Social Security benefits would be immediately cut across the board for current and all future retirees by doing away with the program's current formula for determining its cost-of-living Adjustment (COLA), which the panel claims "overstates overall inflation." The report argues that the current COLA formula does not take into account "consumer choice," offering the analogy of someone choosing to shop for an orange rather than buying an expensive apple.

In fact, as those who depend on Social Security know well, the current COLA formula is woefully inadequate, failing dismally to keep up with key consumer expenses such as the spiraling cost of medications. This year, for example, there was no cost-of-living increase for millions of retirees.

The report also calls for a one-year payroll tax holiday next year for both workers and employers. Social Security would receive no funding for the year. This estimated $650 billion plan, dressed up in the report as an economic stimulus, would supposedly be made up by recompensing Social Security from general revenue in the future.

The plan also levels a frontal assault on the federally funded health insurance entitlement for retirees, Medicare. In the short term, Rivlin and Domenici propose immediate increases in patient co-payment, for example jacking up fees for hospital outpatient services from 25 percent to 35 percent of total costs.

In the longer term, beginning in 2018, Rivlin and Domenici propose penalizing Medicare recipients with additional premiums should the cost of the program surpass GDP growth plus 1 percent over the previous year. At the same time they propose setting up a privately owned low-cost health insurance "exchange" that would be given competitive cost advantages over Medicare. This proposal, by which the panel believes $7 trillion can be saved by 2040, is nothing less than a drawn-out way of destroying Medicare altogether.

In the words of the Rivlin-Domenici report, “Those who elect to stay in traditional Medicare will be more cost-conscious because they will be faced with an additional premium if the costs of traditional Medicare, per beneficiary, rise faster than a specific growth rate … giving them a larger incentive to enroll in a plan offered on the Medicare Exchange.”

The proposed implementation of a national sales tax of 6.5 percent is another frontal assault on the living conditions of the vast majority of the population. For those who must spend a sizable share of their income on consumer items such as food, clothing and gas—everyone but the rich—it will amount to a substantial pay cut.

The proposed name of this tax, the “Deficit Reduction Sales Tax,” illustrates the Bipartisan Policy Center’s assumption that working people must pay the bill for the insolvency of the federal government. In fact, the deficit has been created by policies that have favored the wealthy elite, especially the multitrillion-dollar bailout of Wall Street carried out under the Bush and Obama administrations.

For the rich, the Rivlin-Domenici panel proposes a large tax cut, slashing the corporate tax rate and the high-end income tax rate from 35 percent to 27 percent. Bowles-Simpson proposed a larger tax reduction for the wealthiest Americans, to 23 percent. There is no consideration that the billionaires and multimillionaires might be asked to pay more, not less, of their staggering incomes. It is noteworthy that in the nation’s last great economic crisis, the Great Depression, the high end tax rate was increased from 24 percent in 1929 to 81 percent in 1940.

There are several other similarities between the two proposals, including the elimination of a tax deduction for interest on mortgages that benefits millions of homeowners, and the proposal to treat employee health care benefits as taxable income. Non-taxed health care coverage for workers, the report’s authors complain, “encourages overly comprehensive insurance.”

The Rivlin-Domenici panel would also institute legal reforms to shield HMOs and pharmaceuticals against lawsuits, a long-cherished goal of the Republican Party. The report goes so far as to propose the formation of a distinct medical malpractice court system.

The panel’s sponsoring organization, the Bipartisan Policy Center, was founded in 2007 by four former Senate majority leaders, Democrats Tom Daschle and George Mitchell, and Republicans Bob Dole and Howard Baker. It is presumably funded by major corporate interests, but its media department did not return a call requesting clarification.

The composition of the panel is telling of the political alignment against the working class. In addition to Republicans and representatives of the financial elite, the 19-member commission includes supposed allies of “the common man.” Rivlin, a liberal, was first appointed to a government post during the administration of Lyndon Johnson. Edward McElroy, a former AFL-CIO vice president and American Federation of Teachers president, is also on the panel, signaling the union bureaucracy’s approval for the proposed attack on the workers it nominally represents. The black elite was represented by Marc Morial, president of the Urban League.

The plan is part of a larger agenda to stem the decline of US capitalism. Rivlin and Domenici, in an “open letter to the American people” that introduced the report, clearly linked up the attack on American workers with the aims of US imperialism abroad.

“The strong economy that has made the United States the world’s leading power is gravely threatened,” they wrote. “Federal debt will soar in the coming years under current policies, endangering our prosperity and our leadership. The national debt will overtake the economy itself, increasing our dependence on China and other foreign lenders, draining our resources and reducing our living standards. This risks economic crisis and threatens to turn America into a second-rate power.”

Elements of the two deficit-cutting reports designed to make them palatable to the working masses may well be scrapped in the legislative negotiations that are set to dominate the incoming 112th US Congress. Secretary of Defense Robert Gates on Tuesday publicly criticized the Bowles-Simpson proposal to reduce military spending, which was echoed in the Rivlin-Domenici plan to limit military spending at its current levels for five years.

“The truth of the matter is when it comes to the deficit, the Department of Defense is not the problem,” Gates said. “I think in terms of the specifics they came up with, that is math not strategy.”

The US spends more on its military than all of the other major powers combined.

The population is opposed to the attacks on social spending. A new *Wall Street Journal*/NBC poll found 70 percent of respondents “uncomfortable” with cuts to discretionary spending, and 67 percent voiced discomfort with raising the retirement age for Social Security benefits. This opposition comes under conditions in which the proposals from the two deficit-cutting commissions have won widespread support from both big business parties and the media.