US budget talks near agreement on record cuts in social spending

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The Obama administration and congressional Democrats have offered to triple the amount of cuts in social spending for the remainder of the current fiscal year, from $10 billion to $30 billion, in ongoing talks with congressional Republicans that face an April 8 deadline. Such cuts would be the largest ever imposed in a single year's federal budget.

The latest giant step in the steady movement of the Democrats to the right became public Monday, as senators and congressmen returned to Washington after a weeklong recess. The White House plan was presented as a compromise with the $61 billion in cuts in the fiscal year 2011 budget which passed the Republican-controlled House in February.

The Democrats had already agreed to a cumulative $10 billion in cuts as the price of temporary budget extensions, of two weeks and three weeks, respectively, adopted by Congress in February and March. The second extension expires Friday, April 8, and there is general agreement that any further extension, with the fiscal year more than half gone, is unlikely.

There was continuing wrangling between the two parties over the starting point for the process of "splitting the difference" between the $61 billion demanded by the House and the budget proposals from the White House.

Congressional Democrats argued that the halfway point between zero and $61 billion was $30 billion. Congressional Republicans proposed to pocket the $10 billion in concessions already enacted and set the halfway point at $36 billion. The Associated Press reported late Wednesday that an agreement was near on cuts of approximately $33 billion.

While there has been enormous media speculation about the possibility of a federal shutdown if the talks collapse, little attention is being paid to the fact that in proposing cuts in the range of $30 billion or more, the Democrats and the Obama administration have already embraced the position adopted by the House Republican leadership two months ago.

Speaker John Boehner and other top House Republicans initially proposed cuts of $32 billion in current spending and passed such a budget through the Ways and Means Committee, only to have it overturned in the Republican caucus after frenzied lobbying by Tea Party groups, who demanded $61 billion in cuts, ultimately approved in the budget passed in February.

In other words, the ongoing budget talks now occur entirely within the framework set by the rival factions of the Republican Party—$61 billion vs. $30 billion in cuts—with the Republican leadership as a whole adopting the Tea Party position, and the Democratic leadership and the White House adopting the position formerly taken by the Republican leadership

While much of the media has portrayed the cuts in FY 2011 spending as relatively modest—$61 billion out of a budget of more than $1,058 billion—the cumulative effect of the cuts is much greater. According to a calculation published by Politico.com, by lowering the baseline from which further spending increases and cuts are calculated, the House Republican plan would result in social spending that is $1 trillion lower over 10 years than projected by the Obama administration. "You are talking about reductions on a scale that no one has seen before," one Democratic official told the web site.

An additional factor propelling the budget talks to the right is the demand by Republican social conservatives—who overlap with but are not identical to the Tea Party—that any budget bill incorporate ultra-right policy provisions banning any federal funding for Planned Parenthood, defunding the Obama health care reform program passed by Congress last year, and forbidding the Environmental Protection Agency from intervening against a wide range of corporate polluters.

These social issues were excluded from the two

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temporary budget extension bills passed by the House and Senate in February and March. A large number of right-wing Republicans opposed the second extension for that reason, and it passed the House only thanks to the votes of 85 Democrats.

House Speaker Boehner has opened talks with the most right-wing faction of House Democrats, the so-called Blue Dogs, in an effort to line up their support for a similar deal on the final budget bill, scrapping the wish list of the religious right, particularly on abortion and health care, in return for doing the bidding of corporate interests on budget-cutting.

Numerous the Democrats in both House and Senate were reportedly interested in backing such an agreement, which could include significant restrictions on environmental regulations as well. These are backed by Democrats from auto- and energy-producing states like Michigan, West Virginia, Illinois and Texas. The Natural Resources Defense Council, an environmentalist group, said there were 19 separate provisions in the House bill that barred a wide range of anti-pollution regulations.

Senate Majority Leader Harry Reid signalled his willingness to consider another version of such a deal, trading off concessions on the social issues—known as "policy riders" in congressional jargon—in return for reducing the budget cuts to $26 billion. "We're happy to look at the policy riders," Reid told a press briefing Tuesday. "There aren't many of them that excite me. But we're willing to look at them. In fact, we've already started looking at some of the policy riders."

Asked whether there was any bottom line that the Democrats would defend in negotiations over a budget deal, Reid replied cynically, "I'm not in the last-offer business. I've been around here too long to do that."

Three-way talks were continuing in secret between White House chief of staff William Daley and congressional leaders of both parties, with Daley, the former Citibank vice chairman who joined the administration in January, reportedly playing the critical role. Boehner said that no agreement on the overall spending level was possible until the dispute over the policy questions was settled. "Nothing is agreed to until everything is agreed to," he said.

An editorial Wednesday in the *New York Times* lamented that the congressional right wing was on the brink of a major victory. "Previous Congresses would have noticed that millions of people are still struggling in an economic downturn and tried to help, but Republicans have succeeded in shutting off that conversation," the *Times* complained. "They have won the philosophical war, compelling Democrats to agree to tens of billions in spending cuts."

The leading editorial voice of American liberalism, the *Times*, did not explain why the Democrats, in control of both the Senate and the White House, were prostrate before the Republicans, who control only the House of Representatives. The truth is that both big business parties, and all the spokesmen for the financial aristocracy, including the *Times* itself, accept the basic framework of the budget debate, that working people must pay for the colossal fiscal deficits now facing the federal government, the product of two wars, massive tax cuts for the wealthy, and the bailout of Wall Street.

The pressure for more and more cuts in social spending will not be alleviated by the belated passage of a budget for the remainder of the 2011 fiscal year, which ends September 30. Further major cuts are expected as the price of an extension of the federal debt ceiling, which must pass both houses of Congress before June, and in the budget for the 2012 fiscal year.

The Congressional Budget Office, in a report issued March 18, projected that the FY 2012 budget proposed by the Obama administration would result in $9.5 trillion in deficits over the next decade, $2.3 trillion more than the White House projected.

A bipartisan group of 64 senators, 32 from each party, signed a joint letter to Obama the same day, urging him to "engage" personally in talks on long-term deficit reduction, which would include major cuts in Social Security, Medicare and Medicaid, the three most costly federal social programs.

A White House spokeswoman welcomed the move, saying, "We believe it's a positive development anytime Democrats and Republicans come together to work on one of our nation's toughest challenges, and we will continue to work with members of Congress from both sides of the aisle."

A right-wing Democratic Party pressure group, Third Way, issued a memorandum March 25 urging the Democrats to propose major changes on these entitlement programs.

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