

Obama proposes trillions in spending cuts

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President Barack Obama outlined plans Wednesday for slashing \$4 trillion from the federal budget deficit over the next 12 years, the bulk of it by cutting domestic social spending, particularly in the area of health care.

His speech at George Washington University in the US capital demonstrates the consensus in the American ruling elite for a frontal assault on social programs upon which tens of millions of working people, children and retirees depend.

Obama largely accepted the deficit reduction framework set by the Republican right. But he proposed a different mix of spending cuts, as well as calling for tax increases on the wealthy, something that the leaders of the Republican-controlled House of Representatives have ruled out in advance.

The proposed tax hikes are extremely modest, merely allowing the Bush tax cuts for the wealthy to expire at the end of 2012 and restoring the tax rates that prevailed under the Clinton administration. The promise, moreover, is an empty one. Obama caved in to Republican opposition to raising taxes on the rich last year, when the Democrats still controlled both houses of Congress. Why should anyone believe he will act differently now?

Throughout the speech, Obama sought to appeal to two diametrically opposed audiences. He sought to reassure global financial markets and the US ruling elite of his commitment to reaching bipartisan agreement on drastic and immediate spending cuts. And he sought to delude working people about both the causes of the fiscal crisis and the devastating consequences of the measures now being prepared in Washington.

For his ruling class audience, Obama spelled out proposals for spending cuts in Medicare and other social programs that would previously have been considered unthinkable from a Democrat in the White House.

According to a summary posted on the White House web site, these include:

- Massive cuts in domestic discretionary spending, from the baseline set by last Friday's agreement with congressional Republicans that slashes \$38.5 billion from spending for the current fiscal year. The total in spending cuts over 12 years would come to \$770 billion in areas like education, the environment, transportation and other infrastructure, and in wages and benefits for federal government workers.

- An additional \$360 billion over 12 years in cuts in

mandatory domestic programs, so called because they provide benefit payments that are mandated under federal law, including farm subsidies, federal pension insurance, food stamps, home heating assistance and income-support programs for the poor and disabled.

- A further \$480 billion over 12 years in cuts in federal health care spending, on top of the \$1 trillion in cost-cutting already imposed to pay for the health care overhaul passed last year by a Democratic Congress. Obama outlined a series of policy changes in health care that he said would cut an additional \$1 trillion in the decade after 2023.

- In the event that spending cuts fail to reduce the federal deficit to the desired proportion of the US gross domestic product by 2014, Obama would establish a debt failsafe mechanism that would trigger across-the-board spending cuts and tax increases, likely to include a national sales tax or European-style Value Added Tax.

- Cuts of \$400 billion in military spending over 12 years, less than four percent of the gargantuan sum that the Pentagon, Department of Energy, Department of Homeland Security, CIA and other agencies will spend during that period on the armed forces, nuclear weapons and intelligence and security operations.

For his popular audience, Obama delivered a series of demagogic assaults on the Republican Party and the deficit reduction plan unveiled last week by House Budget Committee Chairman Paul Ryan, which the House is expected to approve on Friday.

He explained that the Republican plan "is less about reducing the deficit than it is about changing the basic social compact in America." He said that it "ends Medicare as we know it," and would lead to the loss of health insurance for up to 50 million Americans now covered by Medicaid or scheduled to be enrolled in private insurance plans under Obama's Affordable Care Act of 2010.

For Medicare recipients, he said, the Republican plan means "instead of guaranteed health care, you will get a voucher." He continued: "And if that voucher isn't worth enough to buy insurance, tough luck—you're on your own." Grandparents who cannot afford nursing home care, poor children, and children disabled by autism or Down's syndrome would be told "to fend for themselves."

Given the emphasis on health care cost controls both in last

year's "reform" legislation and in his speech Wednesday, Obama's supposed outrage over Republican heartlessness is cynical and insincere. The two big business parties, the Democrats as much as the Republicans, seek to cut the cost of health care for American corporations and the government by placing more and more of the burden on working people, including the sick, the disabled and the destitute.

Even more deceptive was Obama's explanation of the source of the fiscal crisis. He contrasted the 1990s—when "our leaders came together three times... to reduce our nation's deficit" in bipartisan agreements under the first President Bush and the Clinton administration—to the decade after 2000, when "we lost our way."

In this potted history, "America's finances were in great shape by the year 2000. We went from deficit to surplus." Then the administration of George W. Bush waged two wars, established a Medicare prescription drug benefit, and cut taxes for the wealthy, wrecking the "fiscal discipline" of the previous decade.

One small thing is left out of this account: the long-term crisis of American capitalism, culminating in the Wall Street crash of 2008 and the trillions expended by the Treasury and the Federal Reserve to bail out the banks. The financial catastrophe precipitated the worst economic slump since the Great Depression—which continues to this day, although Obama barely mentioned it in his 43-minute speech.

The conditions that produced the 2008 crash go back at least three decades, and include the increasing subordination of production to financial manipulation, the deregulation of financial markets, and colossal growth of economic inequality.

Obama made only one fleeting reference to this most important aspect of the economic crisis. He condemned the Ryan plan for proposing another \$1 trillion in tax breaks for the wealthy, then added:

"In the last decade, the average income of the bottom 90 percent of all working Americans actually declined. The top 1 percent saw their income rise by an average of more than a quarter of a million dollars each."

He then asked rhetorically, "And that's who needs to pay less taxes? They want to give people like me a \$200,000 tax cut that's paid for by asking 33 seniors to each pay \$6,000 more in health costs. That's not right, and it's not going to happen as long as I'm president."

This was the high point of Obama's populist demagoguery, a typical dog-and-pony show in which the Democrats pretend to be the tribunes of the common man and the Republicans are assigned the role of Wall Street stooges.

A little over an hour after Obama's address, three top House Republicans did their part in the play-acting, going before press microphones and practically snarling their hostility to the president's whipping up of "class war."

"Class war" is an accurate term for the program of both the Democrats and Republicans. However vituperative the mutual

mudslinging, both parties represent corporate America and do the bidding of the super-rich. The leading personnel of both parties consist of individuals, like Obama, who are themselves multi-millionaires.

The US ruling elite is taking advantage of the fact that the working class is politically disenfranchised and the old union organizations have been transformed into instruments of corporate management for imposing wage and benefit cuts. It is moving aggressively to return working people to conditions of exploitation unseen in America in nearly a century.

For the past few months, state and local governments, both Republican and Democratic, have taken the leading role in these attacks, sparking the confrontation with public employees in Wisconsin and increasingly bitter conflicts throughout the country.

It was noticeable that in Obama's lengthy speech there was no reference whatsoever to the financial crisis wracking state and local government and the devastating cuts being imposed on social services, jobs, wages, benefits and pensions.

For two years, the stimulus legislation passed in 2009 provided limited support to state and local government finances. This period has come to an end, and there will be no further federal support. On the contrary, as the positions of both the congressional Republicans and the Obama White House demonstrate, the federal government is now set to play the leading role in the assault on the social rights of working people.

The working class should reject the entire framework of the official deficit-reduction debate. The Democratic and Republican politicians who claim there is "no money" for necessities like pensions, health care and education represent a corporate elite sitting on countless trillions in wealth.

The working class alternative to capitalist austerity must be the expropriation of this hoarded wealth, accumulated from the labor of workers, and the reorganization of economic life to serve human needs, not corporate profits.

This means the building of an independent mass political party of the working class based on a socialist and anti-imperialist program.



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