

Obama, Congress renew push for austerity measures

Patrick Martin
30 April 2011

The Obama administration and leading Democrats and Republicans in the US Congress are preparing the next round of austerity measures directed at slashing public services, jobs and incomes for working people to pay for the deepening crisis of American and world capitalism.

Treasury Secretary Timothy Geithner signaled the direction of administration policy in a speech Thursday to the Economic Club of Detroit, where he hailed the auto makers' return to profitability—through drastic cuts in wages and intensified exploitation of labor—and reiterated Obama's determination to make severe spending cuts. "Reducing the deficit is a war of necessity," he declared. "There is no alternative."

Geithner's speech was only one of a series of such political signals, given as backroom discussions began over the next stage in the onslaught on federal social programs following the bipartisan agreement on the fiscal year 2011 budget reached April 8 between the White House and House Speaker John Boehner.

This involves bipartisan talks on a measure to raise the federal debt ceiling, currently set at \$14.3 trillion. The Treasury Department says it will reach the debt ceiling May 16 but can stave off default on federal debt payments until early July using various financial expedients.

Congressional Republicans have demanded binding measures to cut spending, focused on entitlement programs like Medicare, Medicaid and Social Security, as the price of agreeing to raise the debt ceiling. Formal negotiations are to begin May 5, chaired by Vice President Joseph Biden, but informal talks are ongoing.

Several Senate Democrats announced this week that they were prepared to join the Republicans in demanding spending cuts as part of a bill to lift the debt ceiling. These include Kent Conrad of North Dakota,

chairman of the Senate Budget Committee, Joe Manchin of West Virginia, Mark Pryor of Arkansas and Amy Klobuchar of Minnesota. Given the narrow 53-47 Democratic majority in the Senate, the defection of any four Democrats would ensure defeat of the debt ceiling measure, since all the Republicans are expected to oppose it.

Manchin began a statewide campaign swing by announcing his support for a Republican plan to impose legally binding caps on federal spending. The conservative Democrat openly criticized the White House position, which is that the debt ceiling measure should be passed as a stand-alone, without any policy provisions. A statement issued by his office Thursday read: "Only in Washington would people argue that the responsible thing to do is raise the debt ceiling and add trillions of dollars in more debt, without a real and responsible debt fix."

In the House of Representatives, members of the ultra-right Republican Study Committee said they planned to propose a series of two-month increases in the debt ceiling, each of them requiring additional concessions from the White House on spending, rather than a single multi-year bill, as has been the practice in the past.

In his speech in Detroit, Geithner made no direct reference to the debt ceiling, but he came out forcefully for the kind of "enforcement mechanism" proposed by politicians of both parties in Congress to compel long-term spending cuts.

"You need fail-safe discipline that will force Congress to make choices to live within constraints and make reforms even when they find a hard time agreeing on them," he said. He called for legislating "a broad framework that locks in reforms over a multi-year period and forces future Congresses and executive branch officials to shrink the deficit."

The effect of such measures would be to short-circuit democratic processes, even in the extremely attenuated form in which they now exist, and insulate budget decisions from the mass popular opposition they are sure to provoke.

Congressional Republicans were already getting the first glimpses of such opposition at a series of town hall meetings held over the Easter Week recess, where thousands of people, mainly elderly, turned out to protest the plan endorsed by House Republicans to phase out Medicare and Medicaid.

There were press reports of heated exchanges and congressmen being shouted down by angry constituents in New Hampshire, New York, Pennsylvania, Illinois, Wisconsin, North Carolina, California and in many districts in Florida.

While the congressional Republicans adopt the most openly reactionary posture, the Obama administration is no less hostile to the mounting popular opposition to the policies of austerity embraced by both big business parties.

Treasury Secretary Geithner's appearance in Detroit was just as provocative, in its own way. He traveled to the most devastated major city in America, a city virtually destroyed by the auto bosses, to declare that the administration's economic policies were working and to give Obama credit, in particular, for the revival of the auto industry.

"For the first time since 2004, all three American automakers have an operating profit," he boasted. "And since GM and Chrysler emerged from bankruptcy in 2009, the industry has added nearly 90,000 jobs—the strongest period of job growth in more than 10 years."

Geithner did not mention that the wages paid to these newly hired auto workers have been slashed by 50 percent, to only \$14 an hour, barely above the poverty line. Nor that the strategy of the Obama administration, backed by the auto companies and the United Auto Workers union, is to make the US auto industry a successful low-cost competitor with its overseas rivals both in Europe and Asia, including China.

The treasury secretary hailed the latest economic figures, although by any objective standard they were dismal, including GDP growth of only 1.8 percent in the first quarter of 2011 and a jump in new claims for unemployment insurance. Geithner said, "The economy is healing and getting stronger. Today's GDP estimate

shows the economy grew for the seventh straight quarter."

He continued, "And it's important to note, the private sector is leading this expansion. The private sector continues to boost its investments, purchases and hiring even as government spending continues to drop." The truth is that American corporate CEOs are sitting on \$2 trillion in cash, which they are refusing to invest in production, let alone hiring, preferring instead more (personally) lucrative stock buybacks and speculative financial investments.

The cutback in federal, state and local government spending played a major role in the reduction in GDP growth from 3.1 percent in the last quarter of 2010 to the 1.8 percent figure for the past three months.

Geithner held out the prospect that the growth rate could return to the 3-4 percent level over the next two years, although that would barely make a dent in the massive army of unemployed and underemployed workers.

The author recommends:

Oil bosses rake in record profits as US economy stalls
[29 April 2011]

UAW sets benchmark for wage-cutting in global auto industry
[25 April 2011]



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact