

Biden, Republicans will agree on cuts “beyond \$1 trillion”

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Bipartisan talks between the Obama administration and congressional leaders of both the Democratic and Republican parties would have a deal “beyond \$1 trillion” in budget cuts before the Fourth of July recess, Vice President Joseph Biden said Tuesday, after the first of three scheduled meetings this week.

“I’m convinced that we can come up with an agreement that gets the debt limit passed and makes some real serious down payment on the commitment to 4 trillion bucks over the next 10 to 12 years,” he said, referring to the deficit reduction proposal made by President Obama in April.

The parameters for the talks were determined by the Obama administration’s capitulation to the demand of House Speaker John Boehner, the top congressional Republican, that legislation to raise the federal debt ceiling should include spending cuts of an equal amount.

Since the Treasury has forecast that about \$2.4 trillion in new federal borrowing will be needed between now and the end of 2012, that would require \$2.4 trillion in spending cuts.

The Treasury stopped borrowing in mid-May, when it reached the current debt ceiling of \$14.3 trillion. Treasury Secretary Timothy Geithner said that one-time financial maneuvers could sustain federal government operations through August 2, but there will be no funds to cover Social Security checks to be sent out August 3 unless the debt ceiling is raised.

Biden indicated that the negotiators hoped to have a preliminary proposal by July 1, to give Boehner and Obama time for additional top-level talks to finalize the agreement and to persuade majorities in both the House and Senate to back the deal.

While Tuesday’s session focused on specific cuts in spending, Wednesday’s was devoted to longer-term

changes in the budget process, including enforceable caps that would force automatic spending cuts if the deficit did not fall by a specified amount. On Thursday the negotiators moved on to proposals for massive cuts in Medicare and Medicaid.

The health care programs for the elderly and the poor are the main targets of the deficit reduction talks. They are likely to bear the brunt of the nearly \$1.4 trillion gap between what has already been accepted by the group chaired by Biden, and the figure set by Boehner. Both Social Security and the Pentagon, the two largest components of federal expenditure, have been largely taken off the table.

Press reports said the Wednesday session included discussion of a one-year payroll tax holiday for employers, another boondoggle for corporate interests to be sold to the public as a “job creation” measure. However, since Corporate America is already sitting on a cash hoard of \$2.6 trillion, which it refuses to invest in hiring new workers, another \$100 billion or so in “incentives” is unlikely to make any difference.

A one-year partial payroll tax holiday for workers was incorporated into the bipartisan legislation passed last December, extending the Bush tax cuts for the wealthy. While touted by the White House as more “economic stimulus,” the small addition to workers’ paychecks has been more than gobbled up by the rising cost of gasoline at the pump.

The top Republican in the Biden-led talks, House Majority Leader Eric Cantor, chimed in with praise for the budget-cutting process and Biden’s role in particular.

“We have had some really significant and substantive discussions in these talks, and I think the success of these talks thus far is due to the vice president and the way he has conducted these meetings,” he said. “I think

we can accomplish trillions of dollars in spending reductions and then put the necessary reforms in place where you actually are going to achieve a lot more than that.”

Congressman Chris Van Hollen, the top Democrat on the House Budget Committee and a participant in the talks, agreed with this assessment, telling reporters after Wednesday’s session, “There was broad support for the idea that we would put in place a mechanism that assures deficit reduction.”

Obama’s top budget official, Jacob Lew, cited the “atmosphere of cooperation” in the Biden-led talks, emphasizing particularly the fact that none of the seven participants, five Democrats and two Republicans, has discussed any of the specific cuts with the media. He said this was a sign that both sides were taking the discussions seriously.

There is a definite political significance to the close-mouthed character of the White House talks. What is taking place in Washington is a bipartisan conspiracy to rob the working class, slashing trillions from Medicare, Medicaid, food stamps and other social programs, under economic conditions where these social benefits are more needed than ever. No leading Democrat or Republican wants to alert working people about the immensity of the changes in social policy that are being prepared.

Obama played his part in downplaying the impact of the cuts, telling NBC News Monday, “There is a way of solving this problem that doesn’t require any big radical changes. What it does require is everybody makes some sacrifices. And we make these changes in a balanced way.”

The major division between the two right-wing, big business parties is over taxes. The Democrats advocate at least a modest increase in taxes on the wealthy so that they can present the gutting of social benefits for working people as “equal sacrifice.”

The Republicans what to dispense with any pretense of “fairness,” and make even bigger slashes in spending to finance additional tax cuts for the rich. So far, as in all previous such “showdowns” under Obama, the Republicans have prevailed, insisting that tax increases are not on the table in the Biden talks.

The bipartisan talks are “boosting optimism in corporate America,” according to a report in the Washington newsletter the *Hill* Thursday. “Chief

executive officers of some of the nation’s largest companies believe important structural changes could emerge from the talks, led by Vice President Biden,” the newsletter reported, citing a survey of CEOs by the Business Roundtable, a corporate lobby headed by Ivan Seidenberg, CEO and Chairman of Verizon Communications.

While the corporate bosses expect, with good reason, to profit from the bipartisan budget-cutting, the actual impact on working people can be seen in the appropriations bills for the 2012 fiscal year now going through the House of Representatives.

This week’s action focused on the \$17.25 billion appropriations bill for the Department of Agriculture, which includes major cuts in nutrition programs like food stamps and WIC, which provides food commodities for pregnant and nursing women and their children, as well as a cut in the number of federal food safety inspectors.

According to an analysis by the Obama administration, the cuts would mean that 1.1 million recipients of emergency food aid will go hungry. The bill will also export hunger by reducing funds for the international Food for Peace program.

On Wednesday a group of ultra-right Republicans tried and failed to impose even deeper cuts, including an additional 10 percent from WIC and the effective abolition of Food for Peace.

Also on Wednesday, the House Judiciary Committee approved a constitutional amendment requiring a balanced federal budget at a level no greater than 18 percent of US gross domestic product, down from the current level of 24 percent.

The amendment, which would have to pass the Senate and be ratified by the states, would force an across-the-board 25 percent cut in all spending, beginning in 2017. Given the constraints of interest payments and the military, where spending is expected to rise, it would mean the effective abolition of all federal social spending outside of Social Security.



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