

# Obama joins talks on massive US budget cuts

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Talks on slashing trillions in domestic social spending are set to resume Monday at the White House, with President Obama meeting separately with the top Democrat and Republican in the US Senate, Harry Reid and Mitch McConnell.

The White House announced Friday that Obama would intervene personally in the budget talks, after negotiations headed by Vice President Joseph Biden broke down Thursday. The two Republican negotiators, Congressman Eric Cantor and Senator Jon Kyl, walked out of the talks, demanding that the Democrats drop all proposals for tax increases on the wealthy.

The federal government has been unable to borrow money since hitting the debt ceiling of \$14.3 trillion in May. The talks have been conducted under the shadow of an August 2 deadline, by which point Treasury financial maneuvers will be exhausted, and the US government will be unable to pay its bills, potentially triggering a global financial crisis.

Since this round of budget talks began, in early May, the Obama administration and the Democrats have retreated steadily before the demands of the Republican right, although the Republicans control only the House of Representatives, while the Democrats hold both the Senate and the White House.

The Democrats began the talks by accepting two of the three main conditions set by the Republicans: that any measure to raise the debt ceiling should be tied to massive cuts in domestic spending, particularly in entitlement programs like Medicare, Medicaid and Social Security; and that the dollar amount of the increase in the debt ceiling would be matched, dollar-for-dollar, by the amount of deficit reduction.

The third condition set by the Republicans, and dramatized by their walkout Thursday, is that the deficit reduction come exclusively from spending cuts, with no increase in taxes on any section of the wealthy or big business.

The so-called breakdown of the talks Thursday was a largely orchestrated affair, designed to allow the

Democrats to posture as advocates of tax increases for the wealthy and corporate interests before their inevitable and completely predictable cave-in.

The “collapse” and subsequent resumption of the budget talks were likely prepared the night before Cantor’s much-publicized “walkout,” when House Speaker John Boehner visited the White House Wednesday night for a closed-door meeting with Obama, which went unreported for several days.

*The Hill* newsletter, which tracks congressional activities, noted, “The White House did not seem particularly surprised by Cantor’s announcement. House Speaker John Boehner (R-Ohio) met with Obama at the White House Wednesday night before Obama addressed the nation on Afghanistan, but officials would not say if Boehner warned Obama of Cantor’s decision.”

As the Associated Press noted, “One of the byproducts of Cantor’s departure was to provide an opportunity for partisans on all sides to make statements at odds with the positions they may have to take to achieve a deal. Democrats insist that at least some new revenues are needed—both to soften spending cuts and to line up the Democratic votes needed to pass the measure.”

A torrent of populist demagoguery then followed, as leading Democrats from House and Senate, as well as Obama and Biden, accused their opponents of defending the wealthy and proclaimed themselves the advocates of the “middle class.”

An examination of the actual tax measures proposed by the Democrats, however, reveals that they have already gone 90 percent of the way towards the Republican demand that nothing should touch the accumulated wealth of the super-rich.

House Minority Whip Jim Clyburn of South Carolina, speaking on the ABC News program “This Week” on Sunday, said the Democrats were proposing only the ending of obvious tax boondoggles, like the subsidies for oil companies. “That is no tax hike,” he claimed. “You only hike taxes when you raise rates. We are not asking anybody to raise anybody’s rates.”

Speaking on the CNN program “State of the Union,” House Minority Leader Nancy Pelosi made the same argument, saying, “It’s not a question of tax increases,” only closing loopholes.

At a Democratic Party rally in Ohio Saturday, Vice President Biden hailed the progress in the budget he has chaired, which have identified more than \$1 trillion in domestic spending cuts, then declared that the rich should make a contribution too. “We’re not going to let the middle class carry the whole burden,” he said. “We will sacrifice. But they must be in on the deal.”

“We’re never going to get this done,” he continued, “we’re never going to solve our debt problem if we ask only those who are struggling in this economy to bear the burden and let the most fortunate among us off the hook.”

Biden did not explain why those who are struggling should bear any of the burden for a financial crisis caused by the super-rich. Nor did he address the question why those responsible for the financial swindling and looting that triggered the 2008 Wall Street crash are making more money than ever, instead of being prosecuted and locked up.

Obama’s spokesman Jay Carney made the same type of argument as Biden, telling the press Friday, “The president is willing to take tough choices but he cannot ask the middle class and seniors to bear all the burden for deficit reduction and sacrifice while millionaires and billionaires are let off the hook.”

Again, there was no explanation of why working people and the elderly should bear any portion of the burden for a crisis that they did not cause.

The rhetoric about “shared sacrifice” is only a preparation for a further cave-in to the demands by the financial elite that the working class pay for the crisis caused by the billionaires.

In his own appearance on ABC’s “This Week” program, Senate Republican leader Mitch McConnell punctured the phony populism of the congressional Democrats and the Obama administration, pointing out that the Democrats, despite their rhetoric, were equally opposed to tax increases for the wealthy.

“Back in December,” he said, “when Democrats owned the government, they had a huge majority in the Senate, a huge majority in the House, we had a vote in the Senate on raising taxes on people making over \$1 million a year. That was defeated. Democrats voted against it, a reasonable number of them. And then two weeks later, they all came together and voted to extend current tax rates.”

Obama ceded to the Republicans in December on the issue of extending the Bush tax cuts for the wealthy, even when he still had large Democratic majorities. In April, he worked with Republicans in passing more than \$60 billion in cuts in current spending on domestic social programs. There is no reason to expect a different outcome of the ongoing talks on the debt ceiling.

The two established parties represent rival trends within the corporate ruling elite. The Republicans are the more aggressive, because they represent the most openly rapacious faction. The Democrats employ hollow phrases at times to sustain illusions among working people that they represent an alternative, while voicing the concerns of those sections of the ruling elite that fear that policies that too openly favor the multi-millionaires will produce a reaction from the working class that will prove impossible to control.

The tax measures now proposed by the Democrats only demonstrate to what degree the financial oligarchy has imposed its stranglehold on American political life. Among the proposals put forward by the Democrats, which have virtually no chance of being enacted, are to eliminate the \$3 billion tax break for corporate jets, to end a tax break for hedge fund operators worth \$20 billion, and to limit tax deductions for households with incomes of more than half a million a year.

Such is the anti-democratic and unrepresentative state of the US political structure that even such slight impositions on the wealthy are considered completely unrealistic, while the two parties debate whether Medicare and Medicaid, which underwrite healthcare services for 100 million people, should be abolished, or “merely” cut by half a trillion dollars.



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