Obama backs trillions in “painful spending cuts”

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At a press conference Wednesday, US President Barack Obama reiterated his determination to impose trillions of dollars of spending cuts on the elderly, the sick, school children and college students. He appealed to congressional Republicans to agree to a handful of minor tax increases on the wealthy to provide the fig leaf of what he called a “balanced” program of deficit reduction.

In his opening statement and on several occasions during the 70-minute appearance before media representatives, Obama embraced deficit reduction as the central priority of his administration. He described budget-cutting in the same terms as the Republicans, calling it, “part of an overall package for job growth over the long term. It’s not the only part of it, but it’s an important part of it.”

The claim that deficit reduction creates jobs is an absurdity that until recently would have found support only among the free market ideologues of the ultra-right. The practical effect of slashing federal spending will be to further contract the US economy, adding to the impact of the destruction of 535,000 jobs through state and local government budget cuts over the last two years.

The social impact of the budget cuts will be even worse: undermining and ultimately destroying social programs on which tens of millions of people depend, including health care, education, environmental protection and a secure retirement.

The scale of the cuts already agreed to in bipartisan talks led by Vice President Joseph Biden makes nonsense of Obama’s claims about “fairness” and “balance” in deficit reduction.

According to press reports in Washington, the Biden-led group has already identified between $1.6 trillion and $1.7 trillion in spending cuts over a ten-year period, two-thirds of the total demanded by congressional Republican leaders. According to the newsletter *Politico*, this figure “reflects considerable movement by the White House.”

The *Politico* account continues: “Savings are anticipated from non-health care benefits such as farm subsidies, college aid, spectrum auctions and federal worker retirement plans. Democrats have also put on the table hundreds of billions in health care-related savings, including what would be a new ‘blended’ rate to cover the federal share of Medicaid. The biggest single piece remains the 10-year savings attributed to scaling back discretionary spending governed by annual appropriations bills. It’s estimated that these reductions are close to $1.1 trillion,” an increase of $350 billion from the cuts proposed by Obama in April.

The Medicaid cuts alone, as detailed in the *Washington Post*, come to more than $100 billion, reducing the federal government’s share of the joint federal-state program. Medicaid pays for healthcare for the poor and the disabled, as well as nursing home care for the poor elderly. The effect of such major federal cuts would be to worsen dramatically the already perilous financial position of the 50 state governments, forcing them to cut Medicaid benefits even further or slash other state services.

While the exact Medicare cuts discussed in the Biden talks have not been disclosed, a bipartisan proposal issued Tuesday by Independent Democrat Joseph Lieberman and Republican Tom Coburn is suggestive. It would cut $600 billion from Medicare by raising the age of eligibility from 65 to 67 and imposing a wide range of additional co-pays on the elderly.

From the onset of the talks on raising the debt ceiling, the Obama administration has accepted the framework set by House Speaker John Boehner, that a $2.4 trillion increase in the federal debt ceiling be accompanied by deficit reduction of the same amount.

The talks broke down temporarily last week when Democrats proposed that the balance of the $2.4 trillion in deficit reduction—some $700 billion—come from military spending and tax increases. Republican negotiators walked out, demanding that all tax increases be taken off the table.

Obama met with Senate Republican leader Mitch McConnell on Monday, with no reported movement in the talks. Speaker Boehner, the top Republican in the House of Representatives, issued a statement reiterating the demand for “zero” tax increases in any budget deal. The immediate

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purpose of Wednesday's press conference was to appeal to the Republicans to shift that stance.

Press coverage on the television networks and major newspaper web sites portrayed Obama's appearance as confrontational towards the Republicans, and even "blistering" in his supposed criticism of Congress. This is a farcical distortion of the real political relationship, in which the president is on his knees before the ultra-right.

Obama repeatedly pledged his willingness to slash spending for the elderly, the poor and children, while begging the Republicans to close a few tax loopholes for the super-rich so that he could get on with the sales job of portraying the resulting agreement as one of "balance" and "equal sacrifice."

While the budget cuts already agreed to in the Biden talks are equivalent, on a per capita basis, to the austerity plan that has provoked mass opposition in Greece, the tax increases outlined by Obama at the press conference are a drop in the bucket for the financial aristocracy that dominates America.

Obama repeatedly referred to ending tax breaks for corporate jets, but such a measure would cost CEOs only $3 billion over ten years. The other tax increases he proposed include limiting deductions for hedge fund speculators ($20 billion), ending tax subsidies for big oil companies ($72 billion), and restricting tax deductions for the highest-income households ($100 billion).

In other words, even if all these impositions on the wealthy were to be adopted—a more than unlikely event—the total would come to a little under $200 billion, less than half the amount proposed by the Democrats the week before, and less than one-tenth of the total deficit reduction package. So much for balance!

Obama never sought to justify his decision that the elderly and school children should be targeted to bear any burden at all from austerity policies, let alone explain why they should account for the bulk of the cost-cutting, while the wealthy elite pays only a token.

"We can't get to the $4 trillion in savings that we need by just cutting the 12 percent of the budget that pays for things like medical research and education funding and food inspectors and the weather service," Obama said. "And we can't just do it by making seniors pay more for Medicare."

In addition to such cuts, he suggests, "I think it's only fair to ask an oil company or a corporate jet owner that has done so well to give up a tax break that no other business enjoys. I don't think that's real radical."

The language is remarkable. Obama advocates "making seniors pay more for Medicare"—a clear exercise of compulsion towards a vulnerable population—but in the most cringing fashion suggests that "it's only fair to ask" millionaires to "give up a tax break." There's little question who is calling the shots here.

Nowhere in his press conference did Obama attempt to explain the source of the frenzied opposition to tax increases by the Republicans, since this would have involved an acknowledgement of the selfishness and maniac greed of the dominant social layer in American society.

Obama is just as much a political front man for these financial parasites as the Republicans. Last week his reelection campaign staged a Wall Street fundraiser, which as the *New York Times* noted, "raised $2.3 million, outpacing an original projection of $1.5 million."

"Mr. Obama's campaign set a goal of getting 400 individuals to each help raise $350,000 by year's end," the newspaper noted, and "early indications suggest the effort is on track, according to people involved in the campaign."

First Obama grovels before the investment bankers and hedge fund speculators, seeking—and getting—their cash. Then he postures as the protagonist of "equal sacrifice," demanding that billionaires forego a tax deduction, while school teachers lose their jobs, students their scholarships, and the elderly are forced to choose between paying for prescriptions and heating their homes.

All sections of the ruling elite, Democratic and Republican, conservative and liberal, understand the game that is being played. They all chuckle when Obama pretends to berate the wealthy, knowing full well where his real class loyalties lie.

Working people must develop an equally clear-eyed understanding of the class interests underlying the political fictions of the two-party system, and act accordingly.

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