White House begins new push for social spending cuts

Patrick Martin
11 July 2011

President Barack Obama convened a new round of bipartisan talks on raising the federal debt ceiling and slashing domestic social programs with a meeting that began at the White House shortly after 6 p.m. on Sunday. Eight top congressional leaders, four each from the Republican and Democratic parties, joined Obama, Vice President Joseph Biden and White House aides for several hours of talks, then announced plans to reconvene on Monday.

The talks began in the wake of the emphatic rejection by House Republicans of any tax increases for the wealthy. Speaker John Boehner announced Saturday night that there was no support for the relatively minor tax increases proposed by Obama Thursday as part of a "grand bargain" that would have put major cuts in Social Security on the table, in addition to the huge cuts in Medicare and Medicaid already being discussed. The deal also included a pledge to carry out sweeping tax "reform" to lower rates for corporations and the wealthy.

Many House Democrats publicly criticized Obama for injecting Social Security into the discussion on deficit reduction, but it was the House Republicans, particularly those linked to the ultra-right Tea Party faction, who effectively vetoed the larger deal.

Whatever the immediate results of the current talks, Obama's decision to put cuts in Social Security on the agenda has enormous political significance. For decades, the Democratic Party identified itself politically with the basic social programs established by Franklin Roosevelt and the New Deal of the 1930s. Now, for the first time, a Democratic president has taken the initiative to attack Social Security, going beyond even what the Republican right is prepared to undertake at this juncture.

Boehner indicated that there was no possibility of enacting a package of spending cuts and tax increases that would reduce projected deficits by $4 trillion over the next ten years. He said the talks should focus instead on a lower goal of $2.4 trillion in deficit reduction, along the lines of bipartisan talks headed by Biden that collapsed June 30.

While the wording of the statement was conciliatory, praising Obama for "good-faith efforts to find common ground," Boehner effectively issued an ultimatum that any and all tax increases should be taken off the table. Less than 24 hours later, the talks resumed, with the White House issuing a perfunctory statement of its continued support for a "balanced approach"—that is, including a fig leaf of selected tax increases for the wealthy to disguise trillions of dollars in spending cuts targeting the elderly, the sick, working families and the poor.

The budget talks in Washington have been through many twists and turns over the past seven months, dating back to December 2010, but each new stage has involved a further shift to the right by the Obama administration in response to pressure from the congressional Republicans, the corporate-controlled media and big business as a whole.

In December 2010, Obama caved in to demands by the Republicans—even while the Democrats held wide majorities in both houses of the lame duck Congress—and agreed to the extension of the Bush tax cuts for the wealthy for another two years. In April and May of 2011, the expiration of funding authorization for the current fiscal year prompted a further capitulation, as the White House agreed to $62 billion in spending cuts in fiscal year 2011, including major cuts in college student aid and housing programs.

The new deadline is the August 2 date set by the Treasury Department, when its financial maneuvers to avoid breaching the congressional debt ceiling or defaulting on the US debt will come to an end. Either Congress raises the debt ceiling to allow the Treasury to borrow the funds required to finance federal government operations, or, among other things, the Social Security Administration will have to withhold the $49 billion in monthly checks to the elderly, scheduled to be issued August 3.

© World Socialist Web Site

As the price of raising the debt ceiling, Boehner and the House Republicans demanded deficit reduction measures equal to the amount of the increase in the debt ceiling, about $2.4 trillion, proposed by the Obama administration. The White House accepted this ultimatum and negotiated on that basis, until Obama proposed last week that the negotiators try to reach an even higher total of deficit reduction, at least $4 trillion over ten years.

According to press reports of the deliberations Friday, House Republicans rejected every single one of the tax increases on the wealthy proposed by the White House: allowing the Bush tax cuts for the rich to expire at the end of 2012, limiting tax deductions for upper-income households, ending favorable tax treatment of the income of hedge fund managers, ending tax subsidies to the major oil companies, and ending tax subsidies for the purchase of corporate jets.

These measures were proposed by Obama not because he expected any of them to be adopted, but in order to posture demagogically as an advocate of "shared sacrifice" and "fairness" before he capitulates again to Republican demands for even more savage cuts in basic social programs for working class families (See "Obama's hypocrisy on the corporate jet tax loophole".)

Spokesmen for the House Republicans taunted the White House over the proposed tax increases, noting that the Democrats had never adopted such measures when they controlled the House and Senate by large margins. House Majority Whip Kevin McCarthy of California pointed out Sunday, referring to ending the Bush tax cuts for the wealthy, "Speaker Pelosi did not have the votes for it when they had the majority."

In the Senate, the Democratic chairman of the Budget Committee, Kent Conrad of North Dakota, proposed a budget plan that explicitly abandons the longstanding claim that the Democrats want to end the Bush tax cuts for individuals making more than $200,000 a year and households making more than $250,000 a year.

The proposal would extend the Bush tax cuts permanently for individuals making up to $500,000 a year and households making up to $1 million a year, drastically reducing the additional revenue that would be generated from taxing higher incomes.

The Democratic plan called for a total of $4 trillion in deficit reduction, including $350 billion from discretionary domestic spending, but only $80 billion from Medicare, Medicaid and other health care programs, and nothing from Social Security.

It is a measure of the drastic swing to the right in both big business parties over the past three years that this plan, matching the Republicans dollar-for-dollar in deficit reduction and providing nothing in terms of jobs for the unemployed or relief for victims of the economic slump, is now described in the media as the "left" alternative to the proposals being worked out by Obama and the congressional Republicans.

The language of the media coverage has become increasingly disengaged from reality, as the television networks and newspapers seek to conceal from the American people the wrecking operation that is underway in Washington against bedrock social programs on which tens of millions of elderly, disabled and low-income people rely for their survival.

McClatchy News Service referred in one recent dispatch to the Republicans opposing "unpopular tax increases," although all public opinion polls show widespread popular support for tax increases on the wealthy that go far beyond anything proposed or supported by the White House.

The truth is that tax increases on the wealthy are "unpopular" only in those circles inhabited by congressmen, senators, White House aides and media pundits—among the super-rich and particularly well-heeled sections of the upper-middle class.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site