

Obama presses case for “something big” on social spending cuts

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At a Friday morning press conference, US President Barack Obama once again urged congressional Republicans to join him in making major cuts to entitlement programs like Medicare, Medicaid and Social Security, as part of an overall deal to raise the federal debt ceiling.

Obama has seized on the August 2 deadline set by his own Treasury Department—after which the US government will supposedly begin defaulting on its obligations if Congress does not raise the debt ceiling—to press for an ever-greater level of spending cuts in the name of reducing the federal deficit.

Five consecutive days of talks between Obama and the top eight congressional leaders of the Democratic and Republican parties concluded Thursday with little progress, and Obama recessed the talks for Friday, while giving the congressional delegations “24 to 36 hours” to consult with members of the House and Senate before reconvening.

Obama began the Friday press conference with a statement appealing to Congress not to limit itself to raising the debt ceiling. “What is important is that even as we raise the debt ceiling, we also solve the problem of underlying debt and deficits,” he said.

He went on to discuss the proposal being worked out by the top Democrat and Republican in the Senate, Harry Reid and Mitch McConnell, which would allow Obama to raise the debt ceiling on his own, without accompanying budget cuts, and called this, “the fallback position, the third option and I think the least attractive option.”

The claim that raising the debt ceiling without massive spending cuts is “the least attractive option” is a remarkable reversal of position, since the Obama administration initially requested that the legislation raising the debt ceiling be “clean”—i.e., unencumbered by any policy or budgetary additions.

It was the House Republican leader, Speaker John Boehner, who insisted that the legislation should include deficit reduction equivalent, dollar-for-dollar, to the amount the debt ceiling was raised. For a month, bipartisan talks led by Vice President Joseph Biden sought to identify \$2.4

trillion in deficit reduction over ten years, to match the \$2.4 trillion increase in the debt ceiling required to meet federal obligations through the November 2012 elections.

After these talks broke down over the Republican refusal to agree to token increases in taxes on big business, Obama sought to expand the budget-cutting beyond the framework set by Boehner, proposing a \$4 trillion package, including cuts equivalent to those demanded by the Republicans, or even greater, and \$1 trillion in additional tax revenue. The House Republicans again balked at any increase in taxes on the wealthy.

At his Friday press conference, Obama renewed the offer of even more cuts than initially proposed by the Republicans. “During the course of these discussions with congressional leaders,” he said, “What I’ve tried to emphasize is we have a unique opportunity to do something big. We have a chance to stabilize America’s finances for a decade, for 15 years, or 20 years, if we’re willing to seize the moment.”

Emphasizing the scale of the cuts he has already accepted, he declared, “I am willing to take down domestic spending to the lowest percentage of our overall economy since Dwight Eisenhower.”

This is a staggeringly right-wing position: The Eisenhower administration, 1953-1961, presided over a much different America, in which the only significant federal social program was Social Security. (Although the top tax rate for the wealthy was over 90 percent—a fact that neither Obama nor the Republicans would care to recall).

In response to the mass social struggles of the 1960s and early 1970s, including the mass movement of black workers and youth for civil rights, the US ruling elite enacted a series of reform measures that greatly increased the scope of the federal government.

These included Medicare and Medicaid, established in 1965, greatly increased funding for public education, new outlays for food stamps and other anti-poverty programs, the creation of the Environmental Protection Agency and the Department of Housing and Urban Development (Section 8

housing began, for instance, in 1974).

Obama's declaration that he is willing to go back to the Eisenhower years means that he is prepared to reduce domestic spending to pre-Medicare and pre-Medicaid levels, precisely at the point where tens of millions of the post-World War II "baby boom" generation are becoming eligible for these programs. As Obama said, "It would require us taking on healthcare spending."

The right-wing consensus in Washington was reflected in the course of the abbreviated media questioning of Obama—the press conference lasted only 30 minutes instead of the usual 60 minutes. All of the questions sought to push Obama to spell out a more aggressive posture in terms of cutting social benefits for the great mass of the American people. There was not a single question suggesting that the wealthy, not working people, should bear the cost of the fiscal crisis, although that crisis is the product of the 2008 Wall Street Crash and the measures taken to rescue the big financial interests.

Jake Tapper of ABC News asked Obama to "tell us one structural reform that you are willing to make to one of these entitlement programs that would have a major impact on the deficit? Would you be willing to raise the retirement age? Would you be willing to means test Social Security or Medicare?"

Obama responded, "We've said that we are willing to look at all those approaches," and he specifically endorsed means testing Medicare, which means beginning to transform it from a universal program to one limited to the poor, that would inevitably be portrayed as "welfare" and starved for funds.

He then added, "It turns out that making some modest modifications in those entitlements can save you trillions of dollars." Cutting sums of that magnitude inevitably means slashing Social Security benefits and shifting a huge portion of healthcare costs to the elderly.

For millions of elderly people, even much smaller cuts would have catastrophic consequences. According to reports by the Kaiser Family Foundation, half of senior citizens now survive on incomes below \$22,000 a year, and half have less than \$33,000 in retirement accounts and other savings. For one-third of the elderly, Social Security accounts for more than 90 percent of their income.

Moreover, Medicare is not particularly generous as an insurance program even in its present form, let alone after Obama and the congressional Republicans finish with it. Medicare enrollees pay average premiums of \$141 a month, pay a deductible of \$1,132 for any hospital stay, and 20 percent co-pays for wheelchairs and non-hospital procedures like kidney dialysis and physical therapy. Medicare households average \$4,620 in annual medical costs over and

above what Medicare pays.

What is most noteworthy about the current stage of the debt and deficit discussions is that the White House and the Democratic Party are seeking to push the debate to the right. In the Senate, for example, after Republican leader McConnell proposed that Congress cede the power to raise the debt ceiling to Obama, Democratic Leader Reid added the suggestion that some mandatory deficit reduction, as much as \$1.5 trillion over ten years, be incorporated into the plan.

A *Washington Post* columnist, Ezra Klein, took note of the political trajectory of the talks in his online column Friday, under the headline, "Obama moves to right on debt, but GOP won't go with him." He explained that the Obama administration has offered the Republicans "a deal that is not only much farther to the right than anyone had predicted, but also much farther to the right than most realize. In addition to the rise in the Medicare eligibility age and the cuts to Social Security and the minimal amount of revenue, it would cut discretionary spending by \$1.2 trillion, which is an absolutely massive attack on that category of spending."

Klein poses the question, "Why are administration officials so committed to striking a deal composed of policies they've mostly opposed?" His answer is to suggest a series of political and short-term electoral calculations, as part of a convoluted argument that Obama is embracing right-wing policies to forestall something even worse. But the more obvious and compelling conclusion is that Obama is proposing a massive attack on the social benefits on which tens of millions of working people depend because he is the adamant spokesman for the interests of Wall Street.



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