

# Obama toes Wall Street line in debt talks

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In a press conference Monday morning before a new round of bipartisan talks on raising the federal debt ceiling, President Barack Obama embraced the demand of the most powerful financial interests that domestic social spending be slashed dramatically, declaring the deficit, not mass unemployment, to be the central US economic problem.

As with all such events in official Washington, it is necessary to decode the language used at the press conference. Obama sought to posture as an advocate of “shared sacrifice,” criticizing congressional Republicans for their adamant opposition to any tax increases on the wealthy. He even attempted, albeit not very convincingly, to make a display of sympathy for working people struggling to make ends meet.

But the basic message he conveyed was an acceptance of the entire framework of the discussion on raising the debt ceiling laid down by Wall Street, which demands a fundamental restructuring of social relations in the United States through the gutting of what little remains of the social safety net—Medicare, Medicaid and Social Security.

Referring to all the Democrats and Republicans who were meeting around the table at the White House, he declared that “all of us agree that we should use this opportunity to do something meaningful on debt and deficits.” He praised the leader of the House Republicans, Speaker John Boehner, for “good-faith efforts” to slash the deficit, and repeatedly declared his willingness to work with the Republicans on the biggest possible deficit-reduction package.

Given the Republican opposition to any tax increases, and the Democratic counterproposal of only trivial impositions on the wealthy, the “biggest deal possible” means the biggest possible cuts in spending on the programs upon which tens of millions of working people rely for their survival.

Obama radically expanded the framework of the debt ceiling talks last week by proposing a \$4 trillion package, rather than the \$2.4 trillion plan previously discussed in bipartisan talks headed by Vice President Joseph Biden.

He unilaterally added Social Security as one of the programs to be targeted for cuts and restructuring.

On Monday, he reiterated his offer of “meaningful changes to Medicare, Social Security and Medicaid.” Cynically and dishonestly, he claimed that these changes “would preserve the integrity of the programs and keep our sacred trust with our seniors, but make sure those programs were there for not just this generation, but for the next generation.”

This is little more than plagiarism of the language employed by House Republicans, who now regularly describe their proposal to abolish Medicare and replace it with a voucher program as a plan to “save Medicare” from inevitable bankruptcy.

Obama offered an even more alarmist version of the same argument, declaring at one point that “if you look at the numbers, then Medicare in particular will run out of money and we will not be able to sustain that program no matter how much taxes go up.”

This is a lie, since a progressive tax on the vast wealth of the financial elite would generate trillions of dollars and easily wipe out the entire federal deficit. The purpose of this lie is to present major cuts in Medicare as an unavoidable mathematical necessity.

On Social Security, Obama first admitted that the old-age pension program was not contributing to the federal deficit. He nevertheless reiterated his willingness to include the program in the deficit-reduction talks. In response to a question about whether he was prepared to raise the age of eligibility or make other drastic changes, he said he was “not going to get into the details...of the negotiations,” but did not reject the suggestion.

Equally significant was Obama’s parroting of Republican claims that massive spending cuts were required to restore business “confidence” in order to generate economic growth, ignoring the well-established fact that slashing federal spending during a recession has a deflationary effect.

According to a report published by Moody’s Analytics, the expiration of extended federal unemployment benefits

by itself will cut \$37 billion from consumer spending by the end of this year.

At one point, a reporter asked him, “With unemployment now at 9.2 percent and a large chunk of those lost jobs coming from the private sector, is now a really good time to cut trillions of dollars in spending? How will we still create jobs?”

Obama at first seemed to disavow the Republican position, saying, “I am not somebody who believes that just because we solve the deficit and debt problems short-term, medium-term or long-term, that that automatically solves the unemployment problem.”

He then offered two specific job-creation policies, while admitting that neither would be much more than a drop in the bucket. New trade agreements with South Korea, Colombia and several smaller countries “could add tens of thousands of jobs,” he said. This compares to the 25 million people currently unemployed or underemployed.

Obama went on to tout the creation of an “infrastructure bank” to channel federal money to private contractors, but later conceded “the infrastructure bank that we’ve proposed is relatively small.”

He next observed that deficit reduction was “the primary solution that the Republicans have offered when it comes to jobs,” and concluded by agreeing: “So I say, okay, let’s go. Where are they? I mean, this is what they claim would be the single biggest boost to business certainty and confidence. So what’s the holdup?”

Obama reassured Wall Street that his support for tax increases is purely nominal. “Nobody has talked about increasing taxes next year,” he said. The increases he has proposed would be “starting in 2013,” i.e., after the next election, when he may no longer be president and the Democrats may no longer control either house of Congress.

In other words, any tax increases incorporated into a debt ceiling and budget deal this month could be rescinded long before they take effect. Obama has also proposed to offset the closing of loopholes for oil companies, hedge funds and corporate jets by lowering tax rates for corporations and the wealthy (in the name of “tax reform”), thus ensuring that big business as a whole comes out the winner.

Perhaps the most outrageous lie in the press conference was Obama’s declaration that “This recession has been hard on everybody.” It would be difficult to find an investment banker, hedge fund manager or corporate CEO to justify that claim, given that corporate profits, bank bonuses and CEO pay are all at record levels.

Such a lie has a definite social function: its purpose is to conceal the fundamental class division within American society. Behind the posturing of the big business politicians and the breathless media coverage about the supposedly vast gap between the two parties, the Democrats and Republicans both represent the ruling class.

The financial aristocracy precipitated the financial crash of 2008 through reckless speculation and swindling in the subprime mortgage market. This same class now seeks to profit from the ensuing economic slump by destroying the living standards and social benefits of working people—the vast majority of the population. In this effort, the Obama administration acts as the principal instrument of Wall Street, while the congressional Republicans contribute background noise and ultra-right atmospherics.

One of the few press commentaries to acknowledge this dirty secret of American politics appeared Monday in the *New York Times*. Authored by right-wing columnist Ross Douthat, it observed, “Barack Obama wants a right-leaning deficit strategy.”

Douthat noted that the White House deliberately left raising the debt ceiling out of the discussion on the extension of the Bush tax cuts last December, when there was a large Democratic majority that could have easily passed it. He wrote that Obama “pre-emptively conceded that any increase in the ceiling should be accompanied by spending cuts. And every time Republicans dug in their heels, the administration gave ground.”

“The not-so-secret secret is that the White House has given ground on purpose,” Douthat added cynically. “Obama’s political team wants to use the leverage provided by those cra-a-a-zy Tea Partiers to make Democrats live with bigger spending cuts than they normally would support.”

While Douthat attributes this to a Machiavellian reelection strategy on the part of the White House, there is a simpler explanation: the Obama administration is doing the bidding of Wall Street to attack the living standards and social benefits of the working class and make it pay for the crisis of American and world capitalism.



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