

Where Obama's axe will fall

Patrick Martin
15 July 2011

There was a revealing reaction from the White House Wednesday after the top Senate Republican, Minority Leader Mitch McConnell, proposed a procedural end run around the current impasse between the Obama administration and congressional Republicans over raising the federal debt ceiling. The proposal would allow Obama to raise the debt ceiling without the enactment of spending cuts, unless Congress overrode his veto, an unlikely prospect.

House Republicans denounced the proposal because it would mean the abandonment of their current effort to use the debt ceiling deadline to press for major cuts in social programs. Obama's press secretary Jay Carney adopted essentially the same standpoint, saying that the administration was still committed to "seizing this unique opportunity to come to agreement on significant, balanced deficit reduction."

While liberal political apologists for Obama, from the *New York Times* to the *Nation* magazine, portray him as engaging in a titanic struggle to defend social programs from Republican budget-slashers, Obama's own spokesman reiterates his commitment to massive social spending cuts.

The bipartisan negotiations chaired by Vice President Biden last month already identified social cuts of staggering dimensions. These cuts are concentrated in non-entitlement programs, known in budget jargon as domestic discretionary spending, and estimated at \$1.5 trillion to \$1.7 trillion over ten years. The programs facing the biggest cuts include Pell Grants for college students, food stamps, and transportation funding, as well as pensions for federal government workers.

The Obama-led talks at the White House have now moved on to Medicaid, Medicare and Social Security, virtually all that remains of the social welfare structure established in the New Deal and extended in the 1960s.

Medicaid: This joint federal-state program pays for healthcare for the poor and the disabled, as well as nursing home care for the poor elderly. By definition, Medicaid beneficiaries are those least able to deal with the impact of economic slumps and social decay. They have no financial resources of their own, because they are blind, otherwise mentally or physically impaired, permanently disabled because of on-the-job injuries or accidents, or otherwise unable to work.

The Obama administration has agreed to cut as much as \$100 billion from Medicaid over the next ten years by reducing the federal share of some Medicaid spending, including the

Children's Health Insurance Program, and imposing restrictions on states' ability to tax hospitals and other healthcare providers.

Because Medicaid is paid for largely by the federal government, but administered by the states, the federal cuts intensify the state budget squeeze, under conditions where dozens of states are already cutting eligibility and limiting coverage. The overall effect of the Medicaid cuts will be to cut off access to healthcare for hundreds of thousands of people immediately, and millions, many of them children, over the next ten years, with the inevitable rise in sickness, long-term hospitalization and death.

Medicare: The program that pays for healthcare for the elderly is the target of the biggest cuts. According to House Majority Leader Eric Cantor, the Obama administration has already discussed \$353 billion in Medicare cuts over ten years. Among the proposals under consideration are co-pays for home health care and lab tests and restrictions on what services can be provided under Medigap supplementary insurance plans.

Some Medicare benefits would be means-tested, with higher charges for higher-income beneficiaries—a change long sought by Republicans in order to undermine the universality of the program and turn it into a program serving only the poor, which can be demeaned as "welfare."

Money would be cut from prevention, medical education and public health programs, and reimbursements would be slashed for hospitals that accumulate bad debts by treating too many indigent patients who cannot afford to pay.

The most significant attack, reportedly endorsed by Obama last Monday, would raise the age of eligibility from 65 to 67, phased in between now and 2036. Given that the average life expectancy at age 65 is another 17 years, a two-year cut in eligibility amounts to a 12 percent cut in lifetime benefits for the next generation of Medicare recipients—those born from 1970 on.

As with Medicaid, but on an even larger scale, the cuts in Medicare will have an immense human toll: elderly people will find themselves once again compelled to choose between eating and getting a prescription, between paying the rent and paying the doctor bill.

Social Security: Two-thirds of the elderly rely on the federal old age pension program for the bulk of their income, and for one-third, Social Security accounts for 90 percent or more. In

2009, Social Security kept 14 million people above the poverty line. Without Social Security, 58 percent of women and 48 percent of men 75 and older would be living in poverty, according to the Institute for Women's Policy Research.

Obama took the initiative to put Social Security cuts on the table, an action that went beyond the demands even of the most right-wing faction of the House Republicans, who still remember the debacle of George W. Bush's attempt to privatize Social Security in 2005.

The principal proposal on Social Security is to recalculate benefits using what is called a "chained CPI," an accounting formula that would sharply reduce future benefit increases using a bogus estimate of inflation that fails to take into account the much greater proportion of spending by the elderly on medical goods and services.

According to *Los Angeles Times* columnist Michael Hiltzik, "For budget cutters, the charm of the chained CPI is that it consistently rises at a lower rate than the traditional CPI, differing by two- to three-tenths of a percentage point per year. Social Security's own actuaries have calculated that pegging cost-of-living increases to the chained CPI would cut seniors' benefits by nearly 10 percent over any 30-year span, compared with the current formula."

The effect of the altered CPI calculation compounds with the age of the recipient—the longer you receive benefits, the further behind you will be. For an 85-year-old, the benefit level would be cut \$1,000 a year; by age 95, the cut would be \$1,400 a year.

Over the next ten years, the chained CPI would cut total Social Security benefits by \$112 billion, a figure that would mushroom in the ensuing decades. The Joint Committee on Taxation estimated that two-thirds of that saving would be extracted from elderly people making less than \$100,000 a year.

These facts and figures demonstrate the real class axis of the policy being pursued by the Obama administration. The Democrat in the White House is carrying out the dictates of Wall Street to devastate the living standards and destroy the lives of tens of millions of the most vulnerable in American society.

This is not simply because Obama is caving in to pressure from the Republican right. The Democratic Party as a whole, and Obama in particular, view the attack on entitlement programs as an urgent necessity to defend the class interests of the financial aristocracy—just like their counterparts in Greece, Portugal, Ireland and throughout the world.

Even supporters of the Obama administration have been compelled to admit this political reality. Liberal columnist Harold Meyerson wrote this week, "President Obama has moved so far to the right that he has picked up many of the ideals the Republicans have jettisoned and embraced them as his own. It's Obama who's now the deficit-and-debt hawk and who has proposed cuts to Social Security and Medicare."

The Socialist Equality Party calls on working people to reject

the entire framework of the budget "debate" as it is presented by the Democratic and Republican politicians and the corporate-controlled mass media. We say, not a dollar, not a cent, should be cut from Medicaid, Medicare, Social Security or other vital social programs to pay for the economic and financial debacle produced by American capitalism.

Working people and the elderly, the poor, the disabled, the children did not cause this crisis and they must not be made to pay for it. The resources to erase the federal deficit—and to greatly expand and improve public services, including education, healthcare, mass transportation and social infrastructure—must be obtained through a radical redistribution of wealth and the reorganization of economic life to serve human needs, not profit.

Over the last thirty years, the US ruling elite has engineered the greatest transfer of wealth in human history, from the bottom to the top, with the wealthiest one percent tripling their share of national income, and accumulating more than 40 percent of the national wealth. The official budget debate, based on the premise that "there is no money" for essential services, takes it for granted that this division of society's resources is permanent and unalterable.

The Socialist Equality Party proposes a series of emergency measures to deal with the crisis facing working people. We call for the withdrawal of all US troops from Iraq, Afghanistan and all other countries, and the redirection of federal resources from the military to meet the needs of the masses. We propose the levying of a 90 percent tax on all incomes over \$500,000, and a similar wealth tax on the assets of the multi-millionaires and billionaires.

The only solution to the crisis for the working class is the building of a mass, independent political movement to expropriate the wealth of the ruling elite—created by labor—and to transform the major banks and corporations into public enterprises run for the common good, not private profit. This is the fight for socialism.

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