US budget deal a “down payment” on spending cuts

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Only a day after Obama affixed his signature to a bill that will cut some $2.4 trillion in government spending over ten years, politicians and media pundits, led by the administration itself, are insisting that it is only the beginning of the attack on health care, pensions and other social programs.

Obama set the tone in his remarks on Tuesday, when he declared that the measure, which passed with bipartisan support, was only “an important first step in ensuring that as a nation we live within our means.” Obama declared that the final measure was not what he preferred, but that it “does make a serious down payment on the deficit reduction we need, and gives each party a strong incentive to get a balanced plan done before the end of the year.”

In a *Washington Post* column Wednesday, Treasury Secretary Timothy Geithner took up the same theme, writing that the agreement “is the beginning of restoring fiscal sustainability. It is a substantial down payment, but not the end of the debate. The government’s ability to make smart, long-term budget choices has long been broken. This gives us a chance to fix it.”

The bill includes $900 billion in cuts that will be worked out in the appropriations process beginning this year. In addition, the law establishes a 12-person panel, composed equally of Democrats and Republicans, tasked with proposing at least $1.5 trillion in more deficit reductions by November. Congress will have to accept the recommendations by the end of the year or else automatic cuts in Medicare and military spending will go into effect.

The main role of the budget panel will be to implement sharp cuts in spending on Medicare, Medicaid, and Social Security. Even this, however, is considered insufficient. Obama had aimed for a $4 trillion deal, and credit agencies have indicated they are looking for cuts on this scale at least.

The ruling class, however, aims at far more, including the eventual dismantling of the major health care programs. The current deal is considered to be only a move in the right direction.

The *New York Times* is leading the media campaign for deeper cuts, publishing on Wednesday a front-page article (“Despite Deep Cuts, Unbridled Health Spending”) and an opinion piece by the former co-chairmen of Obama’s bipartisan budget panel, Erskine Bowles and Alan Simpson (“A Crisis Merely Postponed”).

The *Times* spearheaded the drive to cut health care spending, including supporting Obama’s health care “reform” last year and devoting its pages regularly to denouncing supposedly “unnecessary” treatments. Last month, *Times* columnist David Brooks argued that the budget problem could be solved only be significantly reducing care for elderly people. (See, “The voice of the ruling class”).

In its article Tuesday, the newspaper complains that the new law “does not actually reduce federal spending,” but only contains its growth. “Both the government and its debts will continue to grow faster than the American economy,” the *Times* writes, “primarily because the new law does not address federal spending on health care.”

A better target for the amount of cuts needed is $4 trillion, the *Times* reports, citing “a number of independent analysts.” “That is also the target that S&P declared the nation must meet, and it was the goal of the ‘grand bargain’ that Mr. Obama tried to reach last month with [Republican] Speaker John A. Boehner.”

Among the “independent analysts” cited by the *Times* is Maya MacGuineas, president of the Committee for a

Responsible Federal Budget, who has been quoted in many different news sources over the past two days. "This was a huge missed opportunity," she declares. "Any sensible solution requires that you need to stabilize the debt so that it's not growing faster than the economy."

MacGuineas, who told Fox News that the budget deal is "a spit in the ocean," is the Director of the Fiscal Policy Program at the New America Foundation and was a member of the Debt Reduction Task Force, a group set up last year under Senator Pete Domenici and Alice Rivlin to recommend cuts in federal spending. MacGuineas was also the Social Security adviser to the 2000 presidential campaign of John McCain and has been a long time advocate of cuts in Social Security benefits.

The accompanying opinion piece by Simpson and Bowles in the *Times* is even more explicit. The debt deal "is a start," and "important first step toward fiscal sanity," they write, echoing Obama. However, it is "just a step forward; it isn't a solution."

A "solution" must "address the unsustainable growth of our entitlement programs" and take on "the 'big ticket' items—Medicare, Medicaid, Social Security solvency and tax reform.

"If we can't find a way to slow the rapid rise of health care costs," the authors continue, "they will drive this country into bankruptcy." This must include a cap on spending growth and "more rational cost-sharing rules that discourage the over-utilization of care." They also call for an increase in the retirement age for Social Security.

Whatever their tactical differences, both the Democrats and Republicans are agreed on the need for sharper cuts in health care. Republican Representative Paul Ryan in an opinion piece in the *Wall Street Journal* Wednesday wrote, "In the years ahead, spending on programs such as Medicare, Medicaid and the Democrats' new health-care entitlements is projected to skyrocket relative to the size of the economy, even as federal spending on everything else is projected to decline."

Ryan, who submitted a Republican proposal to essentially dismantle the two federal health care programs earlier this year, noted comments by Obama that Medicare funding is "not sustainable," only criticizing the president for not presenting an adequate plan to implement needed cuts.

The same basic line was echoed across the Atlantic Ocean by the *Financial Times*, the principal newspaper of finance capital in London. Its lead editorial Wednesday was headlined, "Interval in the debt-ceiling pantomime." The *Financial Times* writes that the deal avoided a default. It "fails to put US budget policy on a sustainable path, however: despite all the tearing of hair and beating of breasts, the fiscal adjustment is modest and by no means guaranteed."

The $2.4 trillion in cuts, the newspaper argues, "if achieved in full…is only a little more than half of what is required."

The newspaper hails the plans for deeper cuts because the British ruling class is pursuing the same policy of brutal austerity at home.

In the US, the further trillions in deficit reduction will come entirely in the form of cuts in government spending, primarily social programs. The structure of the committee established by the new legislation will make any increases in taxes on the wealthy impossible.

In fact, both Democrats and some Republicans are pushing for "comprehensive tax reform" that will actually substantially reduce the tax rate for the rich and for corporations, combined with the elimination of certain tax breaks. This is also part of the recommendation of the Simpson-Bowles commission, with the two chairmen commenting in their *New York Times* editorial that the changes would make the tax code "more competitive and more efficient," i.e., more advantageous to American big business.