US deficit panel focuses on cuts to Medicare, Social Security

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The bipartisan congressional committee charged with drafting a plan for slashing the US federal budget deficit entered the final week of its internal discussions, with talks reportedly focused on cuts in Medicare and Social Security. The two federal social programs provide retirement income and medical benefits for tens of millions of elderly people.

The committee is required to propose by November 23 at least $1.2 trillion in deficit reduction over the next ten years. Both houses of Congress must then give an up-or-down vote on the plan, with no amendments or Senate filibuster allowed, under the provisions of the bipartisan agreement last August that lifted the federal debt ceiling.

If the committee fails to approve a plan by a majority vote of its 12 members, or either house of Congress votes the plan down, automatic budget cuts of roughly $1.2 trillion would be imposed on domestic discretionary and military spending, to take effect in January 2013.

The deficit committee has been deadlocked over the same issue that stalled the debt ceiling talks during the summer. The Democrats call for token tax increases on the wealthy in order to give the overall austerity package a fig leaf of "fairness," even though by far the greatest burden falls on working people. The Republicans reject any tax increases on the wealthy, denouncing such proposals as "class warfare."

Press reports of the negotiations being conducted between the six Democrats and six Republicans on the bipartisan committee, and between the committee members and the party leaders in both houses of Congress, suggest that the Democrats are prepared to adopt devastating cuts in Medicare and Social Security if the Republicans shift their position even marginally on taxes.

The preliminary offer put forward by the committee Democrats involved $4 trillion in deficit reduction, far more than the $1.2 trillion required, with significant cuts in social programs for the elderly, including raising the age of eligibility for Medicare from 65 to 67 and changing the formula for calculating cost-of-living raises for Social Security recipients to reduce their future benefits.

The initial Republican response came in at $2.2 trillion, largely in spending cuts, but including $600 billion labeled "new revenue," although it was largely a bookkeeping fiction and required the Democrats to agree to extending indefinitely the Bush tax cuts for the wealthy.

The next round of offers closed the gap slightly. The Democrats proposed a $2.3 trillion package, including $1 trillion in cuts, $1 trillion in tax increases, and $300 million savings on interest payments. The Republicans proposed a much smaller increase in revenues, including no more than $40 billion—a tiny sum in federal deficit terms—in actual tax increases from closing tax loopholes for corporations and the wealthy.

This was hailed by sections of the liberal media and the Democratic Party congressional leadership as a major breakthrough. The Washington Post editorialized, "The Republican proposal does not constitute balance, but it is a step in the right direction. Democrats should treat it as a constructive step in a negotiation."

While Senate Majority Leader Harry Reid called the Republican offer a "phony" plan, his deputy, Majority Whip Richard Durbin of Illinois—the Senate leader closest to Obama—described it as "an important step forward."

He told a press conference, "The fact that some Republicans have stepped forward to talk about revenue, I think, is an invitation for Democrats to step forward and talk about entitlement reform as well as spending cuts. Therein lies the core of an agreement."

In official Washington jargon, "entitlement reform" means robbing the elderly of the pensions and health care coverage they have been promised.

In the wake of the Republican offer, several right-wing Senate Democrats declared publicly they supported "entitlement reform." These include Mary Landrieu of Louisiana and Michael Bennet of Colorado, both of whom were quoted by the New York Times Friday.

The Los Angeles Times reported Saturday that a "fallback plan is emerging" that would enact the cuts in entitlement spending now while deferring final decisions on taxes until after the November 2012 election, perhaps in a lame-duck session.

According this account, “Democrats would have to allow sizable cuts to Medicare, Medicaid and other cherished domestic programs, and Republicans would need to loosen their signature anti-tax stance. In proposals that have been exchanged so far, Democrats offered a package that would be made up of equal parts spending cuts and new tax revenues—but would push the tax component to next year.”

Senators and congressmen in both parties have begun to publicly oppose the automatic cuts in military spending that would take effect in January 2013 if the “supercommittee” fails to reach a deal. Senator Lindsey Graham, a South Carolina Republican, has drafted legislation to replace the military cuts with an across-the-board cut of other parts of the federal budget.

The Obama White House is not publicly engaged in the “supercommittee” talks and has operated only behind the scenes, unlike its highly publicized involvement in the debt ceiling negotiations during the summer, which were held at the White House.

But Obama on Friday telephoned the two co-chairs of the committee, Democratic Senator Patty Murray of Washington and Republican Congressman Jeb Hensarling of Texas, to warn that he would veto any effort to change the “trigger” provided by the automatic cuts.

A White House statement declared, “Congress must not shirk its responsibilities. The American people deserve to have their leaders come together and make the tough choices necessary to live within our means, just as American families do every day in these tough economic times.”

The reference to “tough choices” is consistent with the position taken by the White House throughout the summer and fall. Obama embraced cuts in Medicare after they were proposed by House Republicans, and then himself introduced a proposal for cuts in Social Security, putting that program on the chopping block for the first time.

Any agreement on the supercommittee is certain to have the enthusiastic support of the White House, no matter how draconian the cuts in vital social programs. At the same time, Obama has engaged in phony populist demagogy, posturing as an opponent of Wall Street and the wealthy in order to sell the cuts as “equal sacrifice” and to position himself for reelection next year.

Such considerations were evidently at play in the decision last week to reshuffle the White House staff, relieving Chief of Staff William Daley of responsibility for running much of the day-to-day operations, in favor of a deputy, Pete Rouse, a longtime top congressional aide.

Daley, former vice chairman of JP Morgan Chase, was brought in as chief of staff at the beginning of this year to strengthen White House relations with business interests, particularly Wall Street, as well as to cut deals with the incoming Republican majority in the House of Representatives.

The Wall Street Journal, which first reported Daley’s partial demotion, noted, “Daley has been a target of Occupy Wall Street protesters in recent weeks, an additional awkward twist for the president who would like to harness the movement’s anti-business sentiment for his own political purposes in 2012.”

The Washington Post added that “it may be challenging for Obama to square his populist approach heading into the 2012 campaign with Daley’s background in banking.”

This “populism” is a completely cynical maneuver by an administration that, even before it took office, was the devoted servant of Wall Street interests. Obama backed the bailout of the banks, which began under Bush, and named one of the architects of the bailout, Timothy Geithner, as his treasury secretary.

This cynicism is shared by the Nation magazine, one of the most abject apologists for Obama, which proclaimed the White House reshuffle “good news for progressives.” A commentary by George Zornick suggested that the White House was engaged in “at least a partial retreat” from the shift to the right signaled by Daley’s appointment.

Giving friendly advice to Obama, the column continued, “It’s not hard to imagine that while facing a mass popular movement against big banks and predatory capitalism, not to mention the increasingly likely possibility it will face a Republican opponent in 2012 best known for starting Bain Capital, it’s not ideal to have the most important non-elected person in the White House be from JPMorgan Chase.”

In other words, anticipating an Obama-Romney contest next fall, the Nation and its liberal co-thinkers will go all out to peddle illusions in the Democratic Party and portray Obama as the scourge of Wall Street.